

20 March 2001

Productivity Commission
Level 28, 35 Collins Street
Melbourne VIC 3000

I wish to present several written submissions to this Inquiry. These submissions will include submissions I have presented to several Federal and ACT Ministers including the Prime Minister, the Treasurer regarding Direction 13, the Minister for Transport and Regional Services, the Chief Minister of the ACT, the Minister for Finance and others including the ACCC.

All these submission concern the tripling of charges for aeronautical services provided to the General Aviation (GA) sector at Canberra's only Airport by the new airport owners. In summary, the replies to these submissions have been: the ACT says it's a Federal matter; the Federal Ministers says its in the hands of the ACCC; and the ACCC says their hands are tied by the Treasurer's Direction 13 – the Price Cap.

The Price Cap allows the Capital Airport Group (CAG) to charge anything that they like for any of the 32 or so individual Aeronautical Services provided the AGREGATE of those Services does not exceed the Price Cap. That is how the CAG got away with tripling GA charges which were balanced by a miniscule reduction in Airline charges.

The ratio of revenue collected is about \$4.1m from the Airlines and \$150,000 from GA - 33 to 1. So it is very easy to 'screw' the GA sector out of existence which is what is happening at Canberra Airport.

DK STOTT

19 March 2001

In Summary, the following submission will show the stalemate. It goes like this: the ACT Government says it is a Federal matter: the Federal Government says it is in the hands of the ACCC: the ACCC says their hands are tied by the Federal Treasurer's Direction 13 to the TPA; Direction 13 legislates the Price Cap on charges for Aeronautical Services at ex-FAC airports (CPI minus 1 at Canberra airport); the Price Cap is on the AGREGATE of all charges for Aeronautical Services; this allows airport owners to alter the mix of charges under the AGREGATE; result, Airline charges hardly moved, non airline charges (General Aviation) went up 246%; and of course, a decline of GA and loss of jobs.

Rent hikes of over 300% is a similar tragic story worth an inquiry of its own. The nub of the problem is in Direction 13. The Price Cap is applied to the AGREGATE not to each INDIVIDUAL Aeronautical Service. Perhaps Sector specific Price Cap could be applied to the services supplied to each Sector of the Aviation Industry. eg Airlines, Commuter, Charter,

Aerial Work, Training, Air Agriculture, Military. Private etc, based on the charges that existed under the FAC.

What ever you do, DO NOT abolish the Price Cap. Change it to make it fairer, but do not abolish it. Let it run another 5 years after the current Legislation expires.

I will send you what I believe Direction 13 should have read that reflects what the Government lead us to believe leading up to the Privatisation of FAC Airports.

DK Stott

Proposed Amendment To Direction 13 Of The Prices Surveillance Act 1983

1. Paragraph (1) of Direction 13 reads

(1) Services that have been declared for the purposes of Sub-section 21(1) of the Prices Surveillance Act 1983 (declared services) are to be subject to a price cap. The price cap will be a CPI-X price cap. etc.

2. This has allowed the new Canberra airport owner, CIA, to increase charges for all 11 General Aviation aeronautical services by 246% with no re-balancing reduction in charges for the 32 aeronautical services offered to Airlines.

3. A simple amendment to Direction No 13 paragraph (1) would nip this extortion in the bud and align the legislation with what this government intended in its privatisation policy.

4. I request that Direction No 13 paragraph (1) be amended to read:

(1) Services that have been declared for the purposes of Sub-section 21(1) of the Prices Surveillance Act 1983 (declared services) are to be subject to a price cap. The Price cap **FOR EACH SERVICE** will be a CPI minus X price cap. etc.

OR

5. A less restrictive amendment to read:

(1) Services that have been declared for the purposes of Sub-section 21(1) of the Prices Surveillance Act 1983 (declared services) are to be subject to a price cap. The Price cap **FOR DECLARED SERVICES FOR THE NON-AIRLINE SECTOR** will be a CPI minus X price cap. Etc.

6. I strongly request that Direction 13 be extended for a further five years preferably as amended as I have recommended.

ATTACHMENT:

22 December 1998

The Hon John Anderson, MP - (NAT) Minister for Transport and Regional Development

The Hon John Fahey, MP - (LIB) Minister for Finance and Administration

The Hon Peter Reith, MP, - (LIB) Minister Industrial Relations and Small Business

The Hon Daryl Williams, MP - Attorney-General

The Hon John Howard, MP - Prime Minister

The Hon Kim Beasley, MP - (ALP) Leader of the Opposition

The Hon Simon Crean, MP - (ALP) Shadow Treasurer

The Hon Bob McMullan, MP - (ALP) Member for Frazer

Senator the Hon Margaret Reid - (LIB) Senator for the ACT

Senator the Hon Kate Lundy - (ALP) Senator for the ACT

The Hon Kate Carnell MLA - (LIB) Chief Minister ACT

The Hon Gary Humphries MLA - (LIB) Attorney General ACT

The Hon Jon Stanhope MLA - (ALP) Leader of the Opposition, ACT Assembly

Terry Snow - Executive Chairman, Canberra International Airport Pty Ltd

Terry Snow - Capital Airport Group - CAG

Steven Byron - Managing Director Capital Property Group

- Capital Property Finance Pty Ltd

- Capital Property Investments Pty Ltd

- Capital Property Corp Pty Ltd

Professor Alan Fels - ACCC

ALLan Jones - Radio Station 2UE

Editor-in-Chief - The Canberra Times

Bill Hamilton - President AOPA, Email: fighter@ozemail.com.au

Spencer Ferrier - AOPA, Email: ferlaw@ozemail.com.au

Jim Dawson - Research AOPA, Email: research@aopa.com.au

Brian Candler - Canberra Airport Users Group (CAUG)

MJ Lawler - Barrister

CANBERRA AIRPORT AERONAUTICAL CHARGES - VH-DBA

References:

A. CIA Letter, Canberra International Airport - General Aviation Tariffs, of 1 December 1998

B. Joint Press Release - Fahey/ Vaile - New Operator For Canberra Airport, of 20 March 1998

C. CIA letter dated 15 July 1998 - General Conditions of Use

D. CIA Schedule of Charges - dated 29 May 1998 - attached to Reference C.

E. CIA letter to all users of Canberra airport - dated 15 December 1998

F. CIA letter, dated 19 December 1998, with application form for Initial/Renewal of Access Permits at the 108% rate for the grass, or 246% rate for the existing apron

New Owners of Canberra Airport Double GA (General Aviation) Charges

1. Canberra International Airport Pty Ltd (CIA) have more than doubled my aircraft aeronautical charges, and have forced me to park my aircraft off the sealed GA parking apron. They have already excluded complimentary access to the other 27 ex-FAC airports. Specifically, CIA have increased my airport charges by 108% from \$1538.08 to \$3198.86 per year for a much lower level of service, see Reference A.
2. For the same level of service offered by the previous owners -Federal Airports Corporation (FAC) - and I might add, offered by CIA for the first six months of their 20 year lease of Canberra airport (Ref C.), CIA have increased my aeronautical charges from \$1538.08 to \$5598, an increase of 246%, and then only if CIA say there is space available on the sealed GA parking apron.
3. These new CIA charge increases apply to all GA aircraft at Canberra airport. About 96% of the resident aircraft here are GA. The term, GA, refers to all aircraft other than airline or Military aircraft. CIA have not indicated to me, or to any other GA owner I have questioned, the new cost structure for Airline or Military aircraft.

New Airport Owners Defy Minister's Price Cap

4. Whatever happened to the CPI minus one (CPI-1) price cap that ministers John Fahey and Mark Vaile promised would, 'result in REAL reductions in aeronautical charges of 5% over the next five years', in their Joint Press Release of 20 March 1998 (Ref B). And what about then Minister Sharpe's key element, 'a price cap will apply to ALL aeronautical services as currently defined by the FAC ACT', in his Media Statement TR77a (Ref B). I am sure these price hikes were not the way the minister wanted, 'to see strong commercial relationships develop between the new airport operators and their customers'.
5. I note also that these new charges apply to aircraft housed permanently in hangars on leased property, see Reference A. 'Double dipping' I would have thought. I wonder if this was intended when the minister drafted CIA's lease agreement and when he drafted his Joint Press Release (Ref B) above.

New Airport Owners Renege on Baseline FAC GAIT Sticker Charge

6. CIA's Schedule of Charges, dated 29 May 1998 (in Ref D), established CIA's base line aeronautical charges at the same level as that imposed by the then FAC, ie \$1.92/tonne/day, or \$1538.08 per year for my aircraft which has a MTOW (Maximum Take-Off Weight) of 2,191 kg.
7. In other words, CIA's sticker replaced the FAC GAIT (General Aviation Infrastructure Tariff) sticker at the same annual cost of \$1538.08 (\$1.92/tonne/day) up to 31 December 1998. Then from 1 January 1999 CIA want \$5598.86 (\$4/tonne/day) for the same sticker for the same level of service but no access sticker to any of the other ex-FAC Airport

8. If John Fahey and Mark Vaile are to be believed in their CPI-1 price cap, stated in the last paragraph of Reference B, then by my calculation my aeronautical charges should be about \$1548.85 (\$1.94/tonne/day) - assuming a CPI of 1.7% less 1.0.. This does not include a discount factor for access to the other 27 ex-FAC airports available under the previous FAC GAIT sticker

9. In view of CIA's 246% hike in aeronautical charges, could CIA please explain to me, and to all addressees above why CIA has broken the price cap on all General Aviation aircraft aeronautical charges at Canberra airport. Exceeding the price cap surely contravenes CIA's contract and the undertaking the government gave the public in Reference C.

Price Hikes Suggests Privatisation Failure - Free kick for the Opposition

10 The thrust of the Government's privatisation policy, which I endorse incidentally, is to make General Aviation, I thought, as well as the rest of aviation, more efficient, and hence cheaper for the air traveller as well as getting more of the travelling public off the less safe roads.

11. These price hikes suggest that the CIA is far less efficient than the FAC, (OR, someone is getting a free ride) and that the objective of privatisation in the case of the Canberra airport has been a total failure. Either way, the Governments privatisation policy is surely open to some 'free kicks' from those who oppose it.

The Issue of 'Double Dipping' and Choice

12. Another issue that needs to be addressed is the 'double dipping' charges that the CIA have imposed on GA in Reference A (see last seven words of the Note in page 2) 'or aircraft remaining entirely within leased premises'. I pay substantially for permanent hangarage and yet I am still required to pay full access and parking fees. I asked the question; was this intended as part of the Government's airport privatisation policy, and, was this intended in the contract with CIA.

13. Unlike other transport users who can park their cars, trucks, boats, caravans, hang gliders etc in their back yards, garages or in the street, to avoid parking and access charges, we in the Canberra aviation community are denied that right. If we want to live and work in Canberra and provide local employment we have no choice but to park and pay through the nose at the one and only airport. We need a GA airport in the ACT that provides a GA service at a GA price, not a GA service at an airline price.

Has CIA Set The Precedent For The Privatisation of TELSTRA and ACTEW

14. Privatisation of the Canberra airport has increased my aeronautical charges by 246%.

15. Last year my aeronautical charges were \$1538.08. This year, the new private owners (CIA) want me to pay \$5,598 for the same service without complimentary access to any other airport.

16. CIA has imposed a lesser service for aircraft (less than 2,500 kg) by forcing them off the sealed area onto the grassed area at the western extremity of the airfield.

17. CIA has reserve all 48 slots on the old FAC sealed GA parking apron for aircraft above 2,500 kg. Since there is only a limited number of these aircraft, CIA now offer some slots for aircraft below 2,500 kg, only if space is available, at \$7 per tonne per day - a 246% increase.

18. These charges affect all GA aircraft, which constitute about 96% of the resident aircraft at the airport, at either the 108% or 246% rate rise.

19. Will my ACTEW charges reduce or follow the CIA 246% hike with reduced services after privatisation?

20. Is Kate Carnell's promise any better than Ministers Fahey, Vaile or Sharpe's promise.

21. And what about TELSTRA? Will a 100% owned Telstra pull the wool over the ministers' eyes or use the same slight-of-hand tricks to mislead the ACCC as I suspect the CIA has?.

22. I strongly urge the ACT government not to fall into the same trap as the Federal Government did when they privatised Canberra airport.

23. The successful tenderer, CIA, wrote to me on the 15 July this year Ref C, and stated, 'The rates for the Access Permit are again the same as those levied by the Federal Airports Corporation for the GAIT sticker.'

24. These charges for the first six months of CIA ownership, 1 July 1998 to 31 December 1998, established CIA's base line charges, and were roughly in line with the expectation of the aviation industry and confirmed what the Federal government had promised, see Reference C.

25. I thought then that these charges were excessive because they did not factor in the loss of access to the other 27 FAC airports.

26. I thought the promise of the price cap would protect me and the rest of GA from unfair price increases by slight-of-hand big business operators - we were wrong.

Does 'User-Pays' Mean Big Business Slugs Small Business

27. I have always been puzzled by the meaning given to the term, 'user-pays', by Governments, the bureaucracy and business alike, it seems to mean more like, 'Slug the next guy down the line'. I would have thought that a more efficient way of 'user-pays' would be to by-pass the service providers and 'slug' the end consumer - like a GST. I thought that the travelling public were the users and we the aircraft owners were part of the aviation industry that provided the real users with the means of air transport. A passenger or freight 'Access Charge' must surely be more efficient and less costly and above all - fairer.

28. The user-pays principle introduced in the early eighties by the FAC was probably one of the most inefficient ways of cost recovery - FAC people driving around airports in

vehicles with flashing lights registering every aircraft several times a day and sending bills out monthly.

CIA Tells ACCC GA to Get 25% Cut in Aeronautical Charges

29. Ben Rayner of CIA informed me that the basis of their submission to the ACCC for their new charges, WEF 1JAN99, was that they proposed to reduce their Aeronautical charges by 25%. That is, from \$5.34 per tonne per day to \$4.00. This, he assured me, was accepted by the ACCC.

30. What he said CIA DID NOT, repeat, DID NOT, include in their submission was that this rate was the casual day rate which applied to non access sticker holders only, nor did CIA tell the ACCC, that almost all owners held access stickers paid for at the rate of \$1.92 per tonne per day.

31. Almost all ex-FAC airport resident aircraft owners across Australia have bought in advance 12 month GAIT stickers, simply because FAC offered a 60% discount. The CIA adopted this discount in their 1998 schedule of charges (Ref D), but they have withdrawn this discount from their 1999/2000 Schedule of charges. Hence the uproar.

32. I believe CIA's submission to the ACCC was dishonest at the very least - possibly illegal, that the price hikes contravene the 'comprehensive regulatory regime that was supposed to ensure the public interest was fully protected', and that the price hikes contravene the CPI-X price cap. I ask that the Federal Government to intervene and cap CIA charges at the 1998 rate plus CPI-1 pending an inquiry and proper consultations with all affected individual GA aircraft owners.

FAC GAIT Charges were Appropriate for a Cornered Market

33. I, and many others in the industry believe we never got value for the FAC charges we payed anyway. These charges were imposed on a cornered market in the early eighties with the choice of 'cop what the Government offers or get out'. Privatisation was seen as a breath of fresh air after a repressive and vindictive bureaucracy.

Access Charges Still Not Appropriate For a Privatised Cornered Market

34. Then privatisation came along, and with it, Russian Mafia style price hikes. To quote Terry Snow, the new Canberra airport owner (Ref E): 'At \$4,00 per tonne per day my family and I are still subsidising general aviation as the cost of the infrastructure made available for your use at Canberra Airport was well in excess of \$100 million'. CAG paid \$66.5 million for the airport. Is CAG saying that the Federal Government under sold the airport by more than \$33.5 million, that the Australian taxpayer was short-changed by 51% on the sale.

35. I do not need CIA's \$100 million plus infrastructure that was built for 747s, Hercules and Galaxies, I do not need a 2,683 metre runway 46 metres wide with an PCN of 45, I do not need to use the RPT (Airline) parking or refuelling areas, I do not need access to the RPT terminals, I do not need to use any of the Military areas, I do not need fire service coverage, in fact I do not need any of the services CIA provides for the Airlines, however, I

am still required to pay for this \$100 million plus infrastructure according to Terry Snow of CIA. Who is subsidising who?

36. All I need is 86 square meters of parking space in a leased hangar (for which I am happy to pay hangarage) and one or two take-offs, on the grass if need be, per week to fit in between all airline services and Military movements without interruption to their schedules. For this, CIA want me to pay them \$5,598.85 per year. The Goulburn City Council will offer me this service at their airport for donations only. Mike Apps offers this service near Cooma for free. Why can't CIA offer a similar service here in Canberra? Why has CIA singled out the GA community for such discriminatory treatment, answer, simply because they have a cornered market with no competition.

37. 48 parking slots at \$7/tonne/day for aircraft at 2.5 tonnes MTOW minimum over 20 years is at least \$6.5 million - not bad to cover maintenance and resheeting. And what about the revenue from the new grassed GA parking slots, say 50 slots at \$4/tonne/day at 1.5 tonnes per aircraft - another \$2.2 million, not to mention revenue from lease hikes to GA operators and casual access charges from all visiting GA aircraft - should be enough to cover the cost to take over mowing the grass from the RAAF mentioned in Ref E.

38. In CIA's, 'To get some perspective' statement in Reference E, Terry Snow compared the cost of his airport services with the use of the Forrest tennis courts, a game of golf at Yomani or the use of the Deakin Health Spa. Terry definitely moves in different circles than I. I have choice when it comes to tennis, golf and swimming. I can choose to play tennis and swim in my son-in-law's backyard and I can choose to hit a golf ball at the oval across the road, but I can not choose to park my aircraft anywhere in the ACT except on CIA's airport.

RECOMMENDATIONS

37. That the Minister for Transport and Regional Development immediately take the necessary steps to place an injunction on CIA before 1 January 1999 to freeze individual Canberra based General Aviation aircraft owners' aeronautical charges to the 1998 Access Sticker rate plus CPI-1, ie \$1.94/tonne/day.

38. That the minister conduct a public inquiry into the submission CIA made to the ACCC that resulted in these price hikes.

39. That the Minister investigate the reason why CIA can not run the Canberra airport more efficiently and therefore at less cost to the larger GA community than the FAC.

40. That the Federal Government give Australians an assurance that the same price hikes will not occur when TELSTRA is 100% privatised.

41. That the Chief Minister of the ACT use CIA actions as a case study to prevent the same price hikes to ACT consumers when ACTEW is privatised.

42. That anyone in the CIA, CAG, CPG, or the ACCC with access to a copy of the CIA submission to the ACCC please forward me a copy ASAP.

I look forward to your immediate action.

Yours sincerely

DK Stott
resident aircraft owner Canberra airport