



THE ROYAL FEDERATION OF AERO CLUBS OF AUSTRALIA

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(Incorporated in the A.C.T.)

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Mr Paul Logan
Manager Financial Strategy and Business Performance
Airservices Australia
25 Constitution Ave
CANBERRA ACT 2600

Dear Paul

LONG TERM PRICING AGREEMENT

RFACA has considered the 2010 Draft Pricing Proposal and is generally supportive of it.

Our major area of concern relates to the \$500 exemption for GA aircraft. In the proposal the first \$500 of AirServices charges per annum per user is free. But if the user exceeds \$500 the exemption disappears and the first \$500 becomes payable.

We believe there are very serious problems with this proposal.

The first of these is that the exemption should apply per aircraft rather than per operator. Operators of a number of aircraft would quickly exceed the \$500 exemption. In our view this is inequitable. Further, bearing in mind that many aircraft are cross-hired out to several operators, how is AirServices to accurately determine who was operating an aircraft on any particular flight.

The second concern is the proposal that once the \$500 exemption is exceeded then the first \$500 becomes payable. The late arrival of a \$500 fee account would create a huge accounting problem for the operator. How does a Club or flying organization recover that sum from the pilots who rented the aircraft and incurred the charges perhaps twelve months ago?

The third concern is that the exemption level is set too low and should be raised to \$1000.

We acknowledge that part of the problem faced by Airservices with the lower end of the market charges is recovering small charges. It is commercially unviable to take legal action to recover debts under about \$2,000. Recovery of those small amounts needs some other method to get the money in. The RFACA suggests that the application of a discount for prompt payment would help considerably in collection of debts. Queensland businesses learned long ago that when dealing with the Queensland Government it was better to offer a 5% discount for payment within 30 days because government policy was to save money by utilising any discounts available. Government payments reduced by 3 months from invoice to 30 days if a 5% discount was offered.

Airservices should do the same with GA charges. There should be no charges up to \$1,000 per annum per aircraft and then charges above \$1,000 would be subject to a rebate of \$1,000 if paid within 30 days of statement. That size discount should eliminate almost all slow payments. The system the puts it in the hands of the owner of the aircraft to inform the operator of the charges received and the operator can eliminate his accounting difficulties by paying the excess above \$1,000 within the time limited.

To summarise, RFACA submits that:-

1. For general aviation aircraft not exceeding 5.700 kg MTOW, TNCs and En Route Charges should be assessed and charged on a per aircraft basis, billing being to the registered owner of the aircraft or an entity that has accepted liability for the charges for that aircraft.
2. For general aviation aircraft not exceeding 5.700 kg MTOW the first \$1000 per annum of those charges should be free. If an aircraft exceeds that \$1000 in a year then all the charges incurred for the year should be billed but a discount of \$1000 for payment within 21 days of statement should then be offered.

This benefits GA by providing a discount of up to \$1,000 worth of Airservices Australia's services , an obvious cash benefit, while reducing the accounting problems of recovering from aircraft users charges that were incurred up to 12 months before. It benefits AirServices by eliminating billing to the bottom 3,000 - 4,000 of its customers and provides a significant incentive to those incurring in excess of \$1,000 per annum to pay promptly.

Yours faithfully
Marj Davis OAM
President