

FACTSHEET

Charges to Airlines at Alice Springs Airport



OVERVIEW

There are several costs which airlines pay for landing at an airport. These include charges by Airservices Australia for providing Fire and Rescue Services and Air Traffic Control. Charges to airlines from the airport include provision of passenger security (passenger and checked baggage screening) and use of infrastructure (runways, aircraft apron, passenger terminal facilities etc) which includes operational costs. These charges are termed "Airport Charges".

Investment in runways, aprons, taxiways and terminals and related facilities are undertaken in consultation with airlines to ensure they are useful assets in delivering the passenger and freight services required. These facilities are often very much the same but with their own characteristics to account for where they are located or community needs. Alice Springs airport has volumes two to three times less than other comparable airports with the same facilities on offer.

Airport Charges are generally sensitive to total passenger numbers. The greater the passenger numbers the lower the charges. i.e. lower passenger numbers mean higher charges per passenger.

Alice Springs Airport facilitates less than 0.4% of the national airline market and does not have the economies of scale that larger airports have, e.g. Alice Springs has 1.4% of the passenger throughput of Sydney and yet the main runway and aircraft apron are capable of handling every type of aircraft that operates into Sydney (even the Airbus A380). Illustrated below is the latest available summary of an Airlines Cost Structure (i.e. the actual flying costs) which shows the typical average cost breakdown for 65 airlines globally, as collated by IATA. While depending on fuel prices and other variable costs, airport charges typically are about 6.5% of an airline's overall costs.

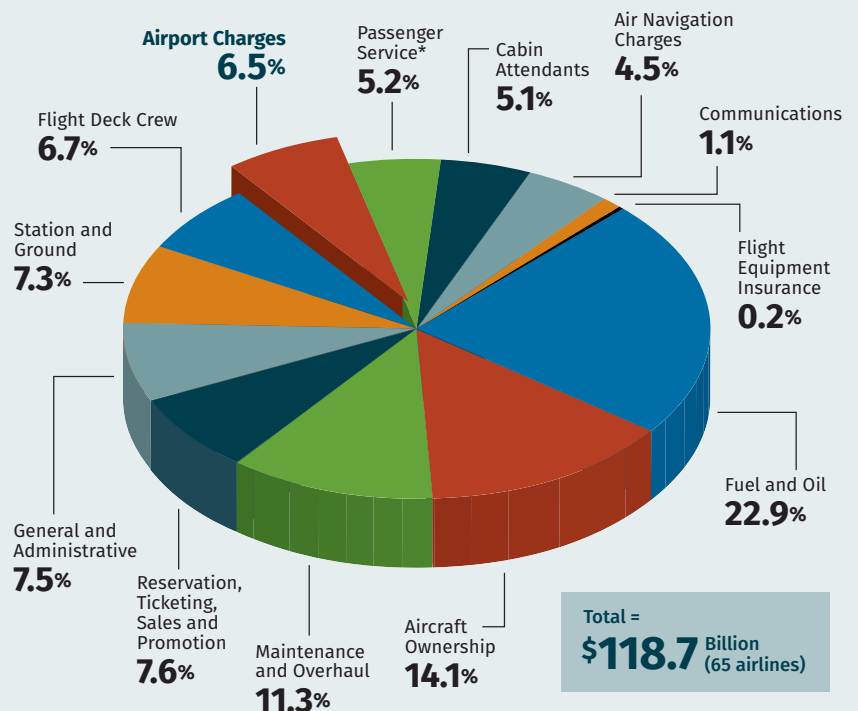
A LOW-VOLUME AIRPORT

Smaller airports have less opportunity to recover large fixed costs of runways and terminals and other fixed capital costs.

Airport	Total passengers 2016/17 (millions)	% of Total
Sydney	41.9	29.0%
Melbourne	35.2	24.4%
Brisbane	22.9	15.9%
Perth	13.8	9.6%
Adelaide	8.1	5.6%
Gold Coast	6.4	4.4%
Cairns	5.2	3.6%
Canberra	2.9	2.0%
Darwin	2.2	1.5%
Hobart	2.3	1.6%
Townsville	1.6	1.1%
Launceston	1.3	0.9%
Alice Springs	0.6	0.4%

Source: NT Airports analysis

AIRLINES COST STRUCTURE



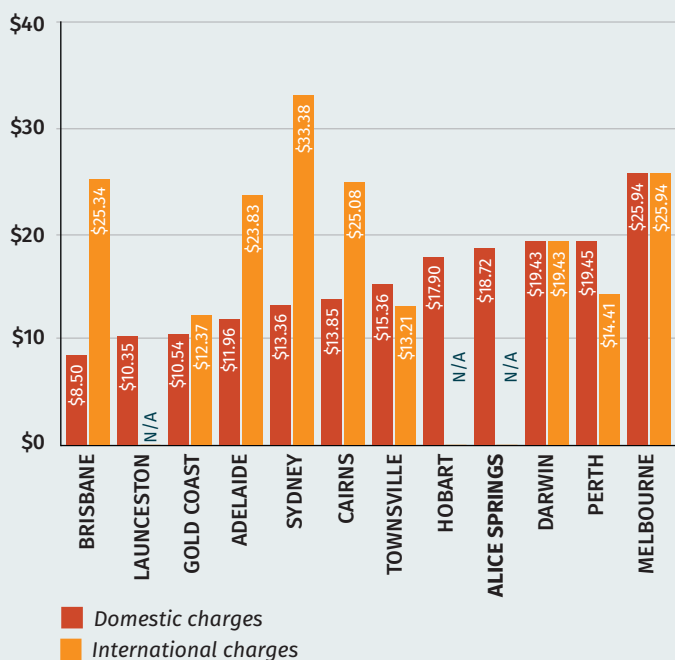
Source: IATA airline Cost Management Group summary data toolset 2016 (<https://www.iata.org/whatwedo/workgroups/Pages/airline-cost-mgmt.aspx>)

ALICE SPRINGS AIRPORT CHARGES NO DIS-INCENTIVE TO ANY AIRLINE

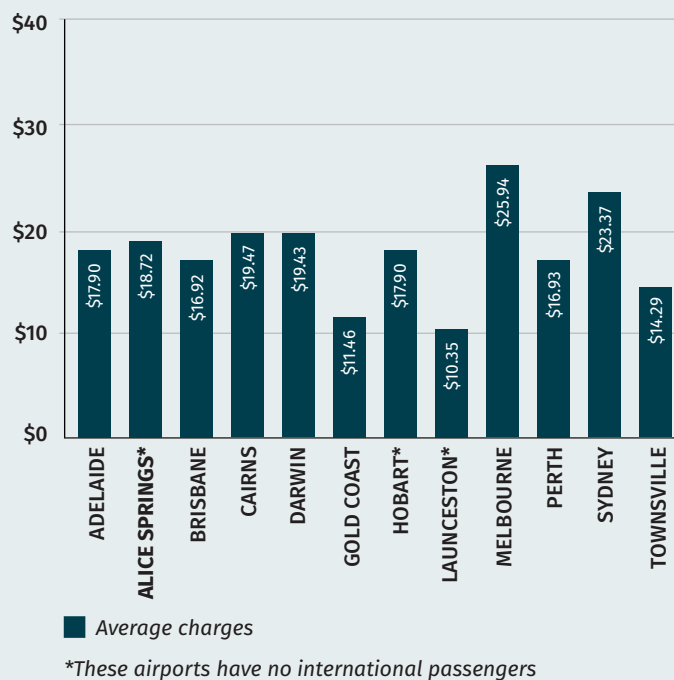
Illustrated in the first graph below is a comparison of Airport Charges per passenger for domestic (red) and international (orange) services. Melbourne Airport has the highest charge of the group for domestic passengers, while Alice Springs is similar in price to Hobart, which has nearly four times the traffic volume. Furthermore, both airports have no exposure to lucrative international spending passengers. Alice Springs Airport is efficient as it provides the same runway, taxiway and terminal facilities as any larger airport, yet does so off significantly smaller volumes.

When all international and domestic Airport Charges for each airport are averaged, Alice Springs sits roughly in the middle of the pack and is comparable with most other airports. Alice Springs Airport average charges are 6.2% higher than the average – or about \$1 more.

AIRPORT CHARGES PER ARRIVAL AND DEPARTURE – AS AT 1 JANUARY 2018



AVERAGE OF DOMESTIC AND INTERNATIONAL AIRPORT CHARGES PER ARRIVAL AND DEPARTURE – AS AT 1 JANUARY 2018



Outlined below is the impact of Alice Springs Airport Charges on the average domestic fare by destination. Domestic flights to/from Alice Springs are 2 to 3.5 hours in duration, with a high concentration of business and tourist traffic. Alice Springs Airport Charges are correspondingly less as a percentage of the fare than other ports where more leisure traffic can be generated. Alice Springs is a low volume airport without the opportunity to realize economies of scale of larger airports. Being a centre for tourists and the NT Government, with no significant competition and no low cost carrier presence, Alice Springs generally has higher airfares, that results in airport charges being a lower proportion of the overall cost of an airfare. As a result, Airport Charges are not a dis-incentive for either full service or low cost airlines to operate into Alice Springs. Furthermore, Alice Springs charges as a proportion of all airline costs are inline with global averages of 6.5%, as demonstrated below and in the first figure.

Alice Springs: to/from	Average fare*	Airport charge (excl. security) as % of average fare	Discount economy fare average*	Airport charge (excl. security) as % of discount fare
ADL #	\$250	7%	\$244	7%
DRW #	\$276	7%	\$276	7%
BNE	\$332	5%	\$323	6%
MEL	\$350	5%	\$322	6%
PER	\$400	5%	\$388	5%
SYD	\$415	4%	\$403	5%

* Source: All data as at Dec 2017. Airport IS, IATA data, for 12 months ending Dec 2017. Based on database fares for QF/VA tickets on all the sectors chosen, which are NOT all flown by both airlines; QF operates all routes, VA operates to ADL, DRW only; all averages are based on one-way journeys. Fares are quoted in USD & converted at \$0.775 as at 13 April 2018. Source: OANDA.com # Indicates competitive route with both QF/VA flying.