

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.

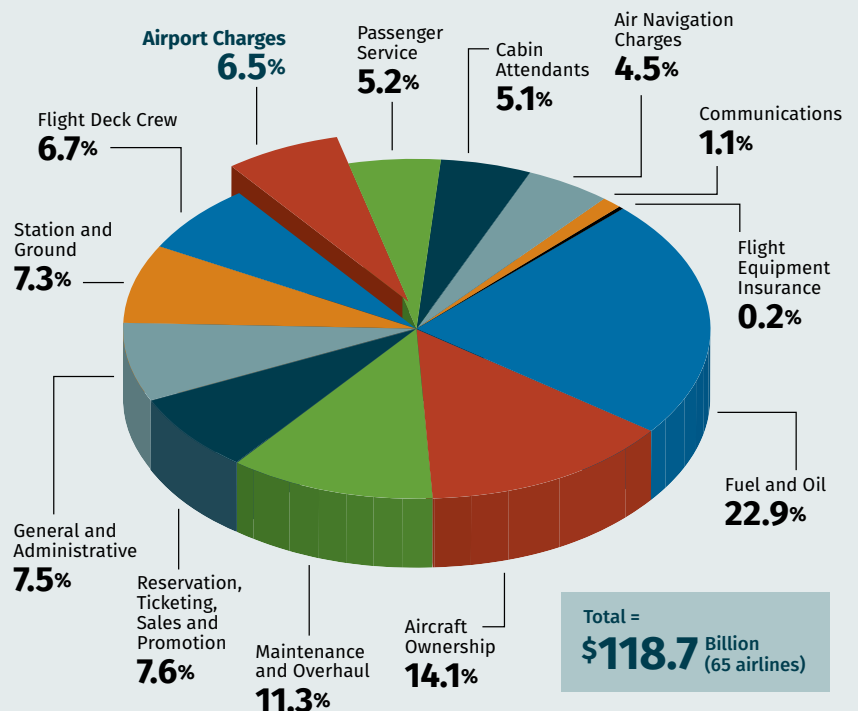
A LOW-VOLUME AIRPORT

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

Airport	Total passengers (12 months to June 2019) millions	% of Total Australia
Sydney	44.4	27.2%
Melbourne	37.1	22.7%
Brisbane	23.6	14.5%
Perth	12.4	7.6%
Adelaide	8.4	5.1%
Gold Coast	6.4	3.9%
Cairns	4.9	3.0%
Canberra	3.2	2.0%
Darwin	2.7	1.7%
Hobart	2.0	1.2%
Townsville	1.6	1.0%
Launceston	1.4	0.9%
Alice Springs	0.6	0.4%

Source: BITRE, not all Australian airports included

AIRLINES COST STRUCTURE



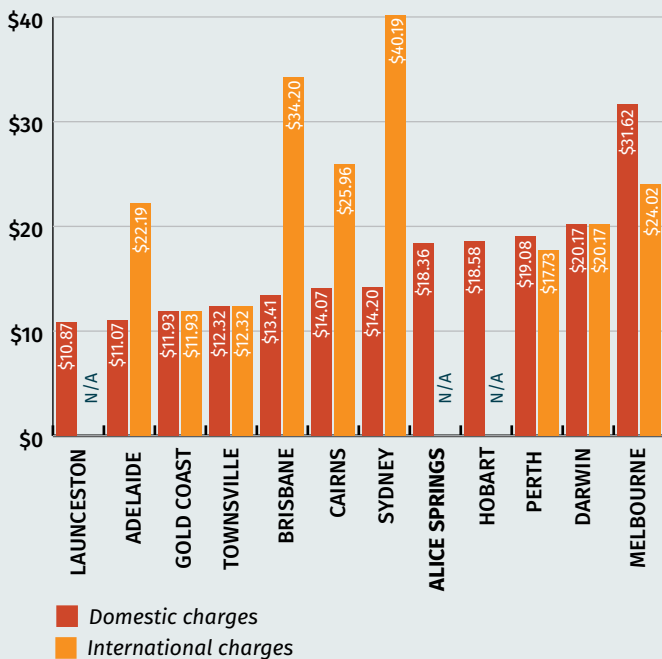
Source: IATA airline Cost Management Group summary data toolset 2016 (<https://www.iata.org/whatwedo/workgroups/Pages/airline-cost-mgmt.aspx>)

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 over 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 below the average of airport charges and has a charge that is less than most other airports. Alice Springs Airport average charges are 2.6% below the average – or about \$0.48 cents below the average.

AIRPORT CHARGES PER DEPARTING PASSENGER – AS AT 1 JULY 2019



AVERAGE OF DOMESTIC AND INTERNATIONAL AIRPORT CHARGES PER DEPARTING PASSENGER – AS AT 1 JULY 2019



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 military personnel 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 the location for key military installations and a centre for 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. Generally, airfares are lower on sectors where competition is prevalent.

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 #	\$168	11%	\$164	11%
DRW #	\$189	10%	\$190	10%
BNE #	\$251	7%	\$248	7%
MEL ^	\$227	8%	\$218	8%
PER ^	\$275	7%	\$265	7%
SYD ^	\$248	7%	\$221	8%

* Source: IATA, 12 months ending 30 June 2019; database airfares for QF/VA on those sectors; not all sectors have two or more carriers in competition; all fares are one-way averages over the 12 month period; fares are quoted in USD, converted based on end of financial year rates from ATO.GOV.AU. USD=\$0.7508 # indicates a route with competitors flying. ^ No direct competitors.