

CHARGES TO AIRLINES AT DARWIN INTERNATIONAL AIRPORT

Fact Sheet

Overview

There are a number of costs which airlines pay for landing at any large airport. These include charges by Airservices Australia for providing the Fire and Rescue Service and Air Traffic Control, charges by the airport for provision of passenger security (passenger and checked baggage screening) and charges by the airport for use of infrastructure (runways, aircraft apron, passenger terminal facilities etc) which include operational costs. These infrastructure and operational charges will be termed "Airport Charges".

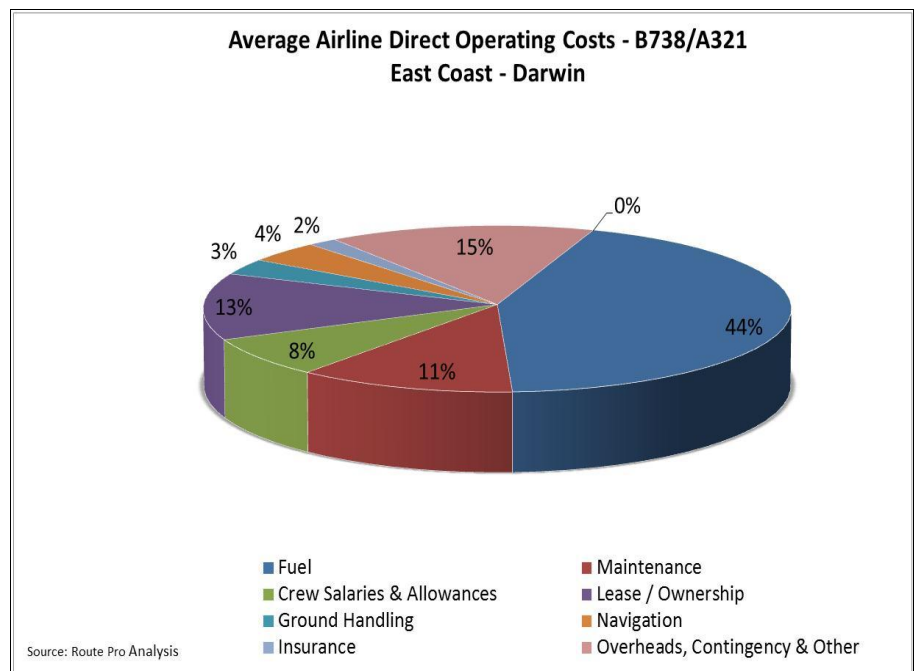
The standard of passenger security measures are mandated by the federal Office of Transport Security. This means that the same security capability and the same standard of security infrastructure (eg passenger screening points, Australian Federal Police presence, checked baggage conveyor screening system) is required at all of the 10 Australian airports which are "security designated" airports. These airports are Sydney, Brisbane, Melbourne, Adelaide, Perth, Cairns, Hobart, Gold Coast, Canberra and Darwin. Other airports have less stringent security requirements than the 10 security designated airports.

Security charges, because of the base security infrastructure and capability required at all security designated airports, are sensitive to passenger throughput i.e. lower passenger numbers mean higher charges. Airport Charges are also generally sensitive to total passenger numbers. The greater the passenger numbers the lower the charges. Security charges are relatively high at Darwin because it is a security designated airport with low passenger volume. The remainder of this Fact Sheet will focus on Airport Charges.

Darwin a Low Volume Airport

Australia's Top 13 Airports		
Airport	Total Passengers 2012 millions	% of Total Aust.
Sydney**	37.0	26.3
Melbourne**	28.9	20.5
Brisbane**	21.1	15.0
Perth**	12.6	8.9
Adelaide**	7.1	5.0
Gold Coast**	5.7	4.0
Cairns**	4.1	2.9
Canberra**	3.1	2.2
Darwin**	1.9	1.3
Hobart**	1.9	1.3
Townsville	1.6	1.1
Newcastle	1.2	0.9
Launceston	1.1	0.8
Security Designated (CTFR) Airport		**

Typical Darwin Airline Sector Costs

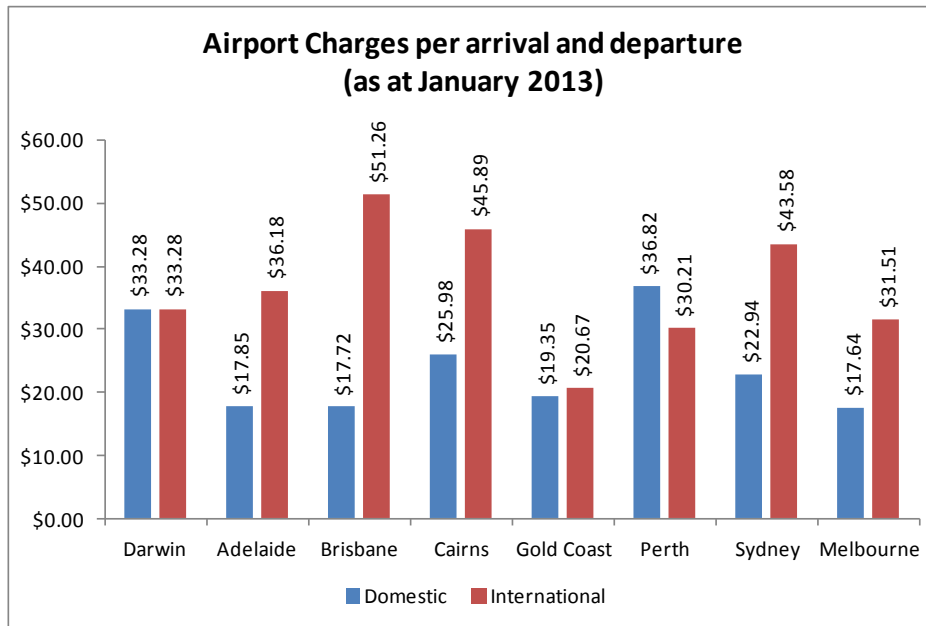


As can be seen, Darwin International Airport handles only 1.3% of the national airline market and hence does not have the economies of scale that the larger airports have eg Darwin has 5% of the passenger throughput of Sydney and yet the main runway and aircraft apron can handle every type of aircraft that operates into Sydney (even the Airbus A380). The pie chart of Direct Operating Costs (ie the actual flying costs) illustrates the typical cost breakup for an airline operating a flight to Darwin. While depending on fuel price, Direct Operating Costs generally comprise around 70% of overall costs.

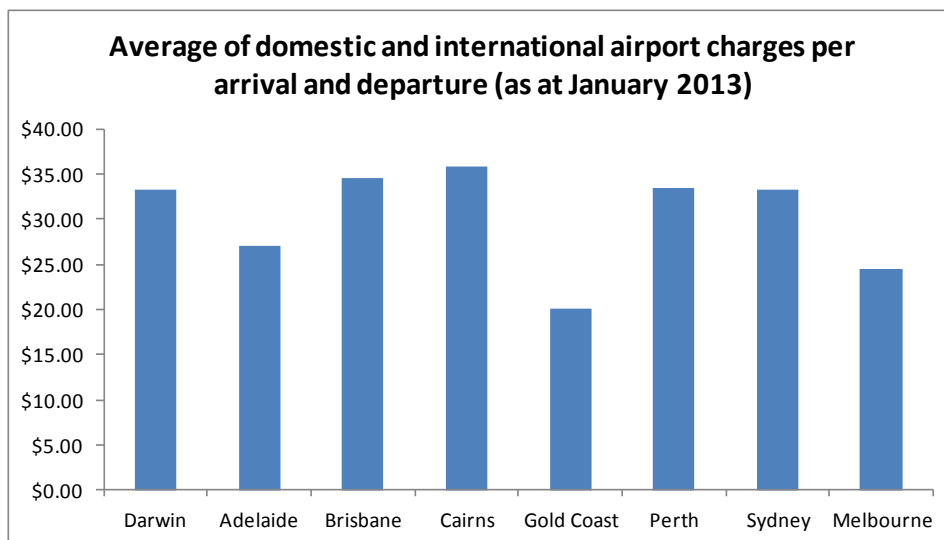
Darwin Airport Charges No Dis-Incentive to Any Airline

Illustrated over the page is a comparison of Airport Charges per passenger for domestic (blue) and international (red) passengers. As can be seen, Darwin is in the middle of the pack for international passengers, and only a little more expensive than Melbourne. Perth Airport has the highest charge of the group for domestic passengers, while Darwin is only 45% higher than Sydney even though Sydney has 20 times the

volume of Darwin and Darwin has the costs associated with a 24 hour operation. Darwin International Airport is efficient in both the infrastructure it provides and its operating costs.



When international and domestic Airport Charges are averaged, Darwin is comparable with most other international gateway airports.



Outlined below is the impact of Darwin Airport Charges on the average domestic fare by destination. As domestic flights to/from Darwin are 3.5 to 4.5 hours in duration, Darwin Airport Charges are correspondingly less as a percentage of the fare than Sydney or Melbourne Airport charges would be of the average fare to/from those cities i.e Darwin Airport Charges have less percentage impact on the airfare than most Australian airports. It is hence **very difficult to sustain the position**, even though Darwin is a low volume airport without the opportunity to realize economies of scale, **that Airport Charges are any dis-incentive for either full service or low cost airlines to operate into Darwin.**

Darwin Airport Charges as % of Darwin Domestic Airfares (2012)				
Darwin to/from	Average Airfare *	Airport Charge (excl security) as % of Av. Airfare	Lead-in Airfare +	Airport charge as % of Lead-in Airfare
Brisbane	\$ 394	4.4%	\$ 170	10.1%
Sydney	\$ 420	4.1%	\$ 195	8.8%
Melbourne	\$ 424	4.0%	\$ 165	10.4%
Adelaide	\$ 472	3.6%	\$ 199	8.6%
Perth	\$ 475	3.6%	\$ 165	10.4%

* Av. Annual fares on sector sourced from Sabre MIDT + Lead-in fares sourced from airline websites