

ADDENDUM TO NORTHERN TERRITORY AIRPORTS RESPONSE TO THE GREEN PAPER ON NATIONAL AVIATION POLICY

Further Submission to the Minister for Infrastructure, Transport, Regional Development and Local Government

1. CONTEXT OF NORTHERN TERRITORY AIRPORTS ADDENDUM SUBMISSION

Northern Territory Airports is well placed as a regional airports group to put a further response to the Green Paper – Flight path to the Future.

Darwin International Airport is a low volume capital city airport which:

- is a regional international gateway;
- provides airport facilities for general aviation operations equivalent to Archerfield, Brisbane's general aviation airport;
- is a joint user Defence-Civil airfield;
- has experienced recent volatility in airline services;
- has reached terminal and RPT apron capacity, but is struggling to establish the financial viability of the much needed terminal and aircraft apron expansion project necessary for further development of domestic-international low cost carrier hubbing;
- provides the home airport for northern Australia's jet operating regional and international airline; and
- is one of Australia's 11 security designated airports.

Alice Springs Airport is a low volume domestic regional airport in the geographical centre of Australia which:

- includes significant general aviation operations;
- is one of Australia's 11 security designated airports;
- services thin airline markets with consequent recent history of volatile airline services; and
- is the gateway to the joint US-Australian Pine Gap facility.

2. REGIONAL ACCESS PACKAGE PROPOSAL IN CONTEXT OF LATEST INDUSTRY DEVELOPMENTS IN INTERNATIONAL DARWIN SERVICES

2.1 Regional Access Package

In its submission to the Aviation Issues Paper Northern Territory Airports put a policy proposal on a new international Regional Access Policy. A summary of the original proposal is reiterated below.

Existing Regional Access Package

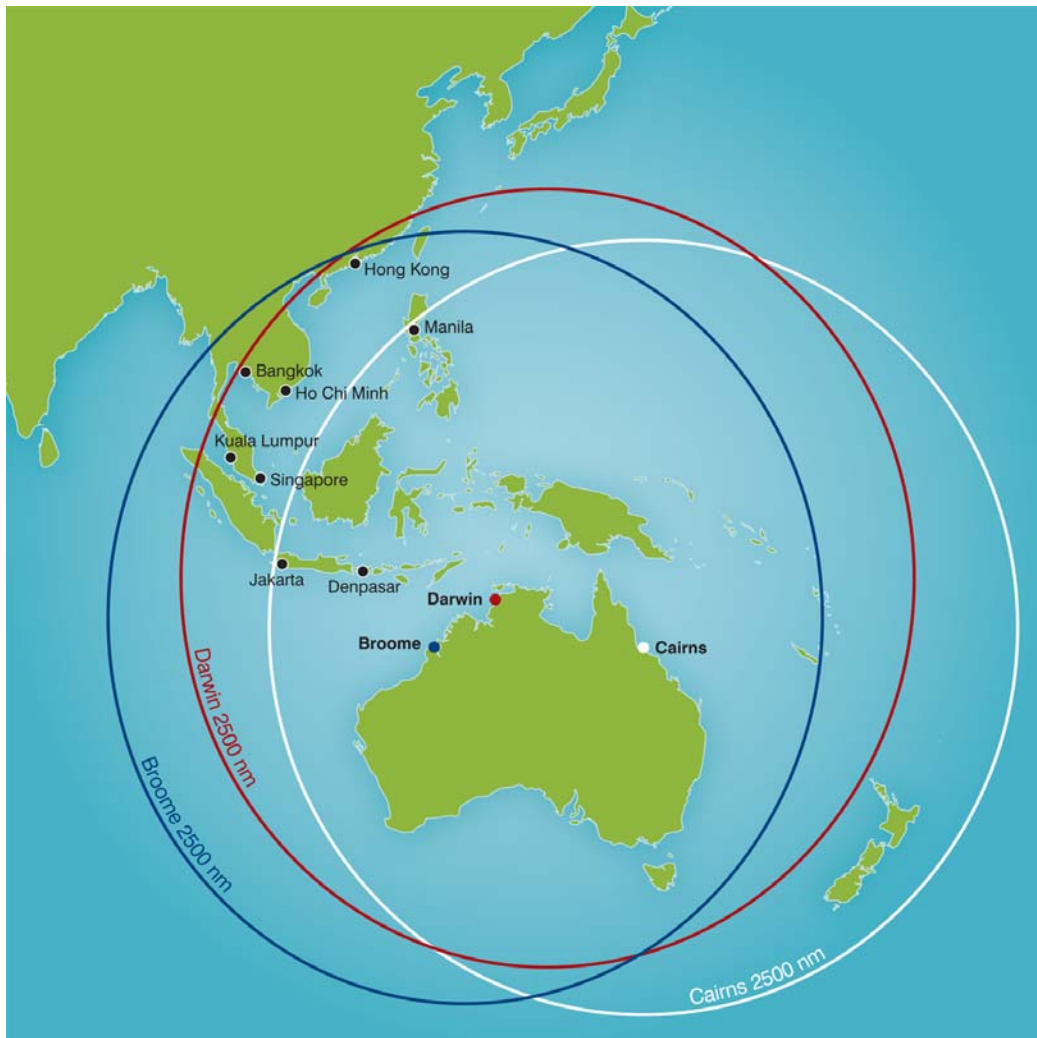
It is clear that the foreign carrier oriented Regional Access Package has not achieved a real increase in services to regional destinations. What is also clear is that an airline decision to commence a new service is driven by market economics and operational requirements, not a relaxation of landing rights and capacity regulatory requirements.

Australian Carrier Industry and Aircraft Developments

There have been significant Australian industry developments in recent years including:

- the rise of the low cost carrier with Virgin Blue, Jetstar and more lately the foreign owned Tiger Airways; and
- the historical ownership boundaries between foreign flagged and Australian flagged carriers are becoming increasingly blurred.

Aircraft developments have seen narrow body aircraft now able to comfortably operate 2,500 nautical miles.



As indicated above, destinations such as Bangkok and Hong Kong are now within narrow body range of a regional gateway such as Darwin. This sector length also accords with the longest sectors (6 hours) operated by regional narrow body flights within Asia.

A New Regional Access Package

An Australian carrier focussed Regional Access Package could be created by a single policy decision – allow all Australian domestic carriers to operate international services from regional gateways that can be operated with narrow body aircraft.

The parameters of the new Regional Access Package are recommended to be:

- existing foreign carrier concessions retained;
- any Australian domestic carrier (Australian Air Operators Certificate/VH registration), regardless of ownership, be able to operate limited international services under the following conditions:
 - gateways must be outside Sydney, Melbourne, Brisbane and Perth;
 - sector length up to 2,500 nautical miles;
 - narrow body (single aisle) aircraft must be used; and
 - capacity under the relevant Bilateral International Air Services Agreement would be allocated in accordance with normal International Air Services Commission procedures.

This new Regional Access Package has much to recommend it in policy terms as outlined below.

Pro-Australian and Pro-Regional Development

This is a policy initiative which benefits Australian interests in all respects. It benefits Australian regional gateways, should generate additional employment and tax revenue in regional Australia, and gives all Australian domestic carriers access to regional international destinations within 2,500 nm from Australian regional gateways (subject to International Air Services Commission allocation of capacity).

Policy Responsive to Industry Developments

This is a policy which capitalises on recent Australian industry structural changes and the rapid development of the low cost carrier sector in regional aviation markets. The low cost carriers have shown they can create new demand through low costs and ticket prices.

Potential new routes from regional gateways are likely to be “thin” markets which the low cost carriers are ideally placed to service. This policy initiative will facilitate new route development from Australia’s regional gateways.

Australian Safety and Security Standards Coverage for Regional International Services

Allowing Australian carriers to operate narrow body international services from regional gateways directly facilitates increased coverage of regional services by Australian safety and security standards. This is a significant benefit from the policy change.

Domestic and Regional International Competition Benefits

Competition has been the driver of Australian aviation industry development for the past decade. An open competitive market has enabled the Low Cost Carrier phenomenon. Extension of competition to regional (short haul) narrow body international services can only benefit both domestic and international service levels to/from regional gateways.

2.2 Qantas Group Darwin International Market Dominance Increased

Earlier this month the last foreign carrier serving Darwin withdrew its services. Garuda withdrew from the Darwin market after 25 years, joining Royal Brunei Airlines and Tiger Airways who both withdrew their international services in 2008.

Apart from Airnorth services to Dili, Jetstar is now the sole international carrier serving Darwin.

The Qantas Group now provides 87% of Darwin international capacity, up from 76% advised in the Green Paper submission.

Qantas Group International Capacity by Route		
	December 2008	June 2009
Darwin - Singapore	100%	100%
Darwin - Denpasar	18%	100%
Darwin - Ho Chi Minh	100%	100%
Darwin - Dili	Nil	Nil
Total	76%	87%

Foreign carriers clearly cannot compete with the Jetstar Low Cost Carrier approach. **This makes the Regional Access Package policy proposal summarised above all the more pertinent to the evolving Australian airline sector in order to ensure future competition in thin regional international routes** such as Darwin.

It is clear that Australian domestic low cost carriers such as Tiger Airways are best placed to provide international competition to Jetstar in the future. The Regional Access Package recommended by Northern Territory Airports would facilitate that.

3. DARWIN AND ALICE SPRINGS NOT MAJOR AIRPORTS

There are significant reasons why Darwin and Alice Springs Airports should not be considered 'major airports' for the application of Airport Planning Advisory Panels or formalised community consultation groups. These are outlined below.

3.1 Low Volume Airports with Existing Sound Community Relations

Australia's Top 20 Airports		
Airport	Total Passengers 2007/08	% of Total Australian Market
Sydney**	32,700,964	27.2
Melbourne**	23,943,342	19.9
Brisbane**	18,297,730	15.2
Perth**	8,952,069	7.5
Adelaide**	6,619,267	5.5
Cairns**	3,777,154	3.1
Gold Coast**	4,323,355	3.6
Canberra**	2,853,480	2.4
Hobart**	1,758,241	1.5
Darwin**	1,562,216	1.3
Townsville	1,365,959	1.1
Launceston	1,106,375	0.9
Newcastle	1,065,972	0.9
Maroochydore	919,393	0.8
Mackay	837,416	0.7
Rockhampton	690,242	0.6
Alice Springs**	627,425	0.5
Hamilton Island	463,845	0.4
Ayers Rock	361,965	0.3
Currently subject to price monitoring		
Previously subject to price monitoring		
Never subject to price monitoring		
Security Designated (CTFR) Airport		**

As can be seen from the above table, Darwin and Alice Springs do not comprise 2% of the total Australian market between them. Every RPT statistic (domestic passengers, international passengers, heavy aircraft movements etc) reflect that fact.

It is difficult to comprehend that Darwin, with less than 2 million passengers per annum would be classified exactly the same as airports with 18 million, 24 million or 32 million passengers, but that is the case under all aviation related law.

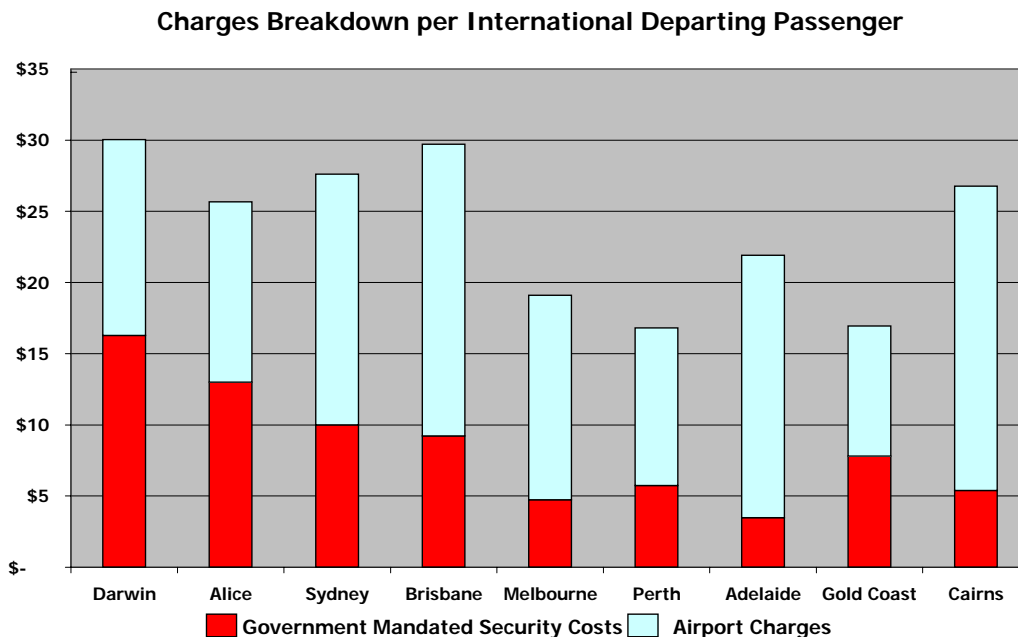
This should not be extended to further requirements for 'major airports', including any Airport Planning Advisory Panel.

In regard to community consultation, Northern Territory Airports works closely with the Northern Territory Government at the political and agency level on all Airport developments which raise issues for Northern Territory ministers or agencies. Similarly with the Darwin City Council and Alice Springs Town Council elected members and officers. As a result, Northern Territory Airports enjoys a good working relationship with local planning and service authorities.

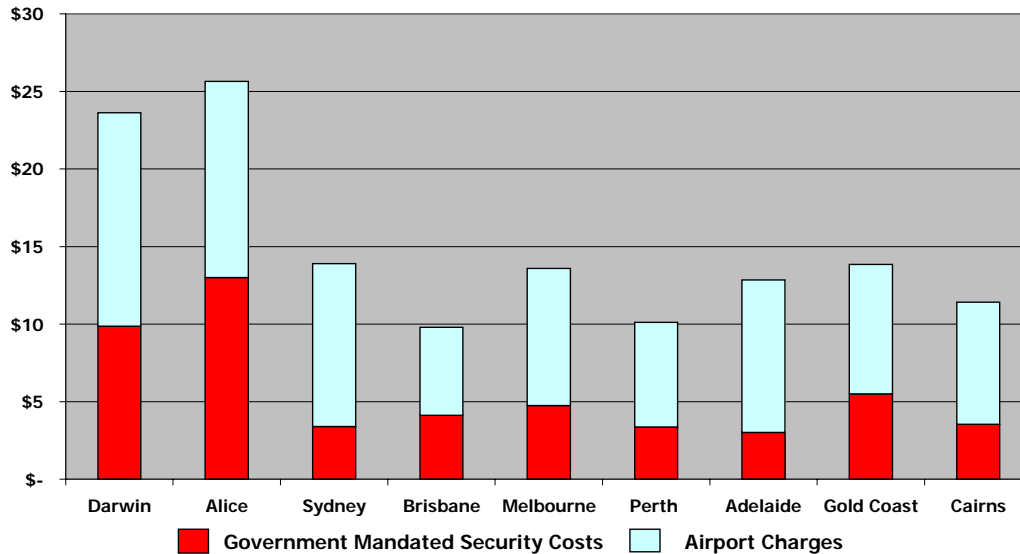
The point is that **Northern Territory Airports does not operate in a politically charged environment** and is seen as both an essential service and contributor to Darwin and Alice Springs communities and the wider Northern Territory society (extensive general aviation and regional airline operations).

A telling point about Northern Territory Airports existing community relationship is that the recently approved Terminal Expansion Major Development Plan and Home and Lifestyle Centre Major Development Plan drew one comment each from the public.

3.2 Already High Security and Airport Charges Compared to Other Airports



Charges Breakdown per Domestic Departing Passenger



As can be seen from the above tables, Darwin and Alice Springs already suffer high security costs and airport charges due to combination of the:

- largely fixed cost infrastructure;
- low passenger and aircraft movement volume; and
- same mandated security standards which apply at high volume airports.

Another factor which increases the costs of operating from Darwin International Airport is the \$47 Passenger Movement Charge levied on international sectors, all of which are between 1 and 4.5 hours. The PMC is a relatively high percentage of each airfare compared to southern departure points such as Sydney or Melbourne. This is a further cost disincentive for Darwin.

These significant cost disadvantages that the low volume Darwin and Alice Springs already face should not be added to by mechanisms such as mandated Airport Planning Advisory Panels and community consultation groups.

3.3 Cost of Large General Aviation Sectors Which Cannot Pay Commercial Rates

As outlined in the Green Paper submission, although it only has low volume aircraft activity, Darwin is several airports within one. Darwin’s function as the capital in a largely remote area jurisdiction means that there is 185 general aviation aircraft based at Darwin International Airport. This is equivalent to the total activity at Archerfield Airport in Brisbane and reflects the social and economic reliance on general aviation for transport of people and goods in the Northern Territory.

Alice Springs Airport's general aviation operation performs a similar role for the Central Australian region.

The Green Paper outlined the extent of internal subsidy funded by Darwin and Alice Springs Airports in support of the wider economic and social role of general aviation based at each airport. This is not a cost borne by the higher volume airports and should not be added to by additional *Airports Act* requirements.

3.4 Darwin as Joint User Airport Occupies Minority of Airport Site

The Civil Area in the Joint User Deed for Darwin Airport occupies only around 20% of the total RAAF Base/Airport site, with the airfield component of the joint civil-military operation subject to joint management and funding with Department of Defence.

Many of the planning and public issues sit more with Department of Defence rather than the civil airport operation eg civil aircraft noise does not project much beyond the Airport boundary but military aircraft noise does.

The practical value of a civil oriented Airport Planning Advisory Panel and formal community consultation group in this joint civil-military operational and planning setting is questioned.

4. OVERVIEW

A new Australian carrier focussed Regional Access Package, with the departure of foreign carriers from Darwin experienced over the last 12 months and the almost total reliance on Qantas Group international capacity, is clearly in the interest of regional Australia international service development.

Darwin and Alice Springs Airports together comprise less than 2% of national passenger volume, already suffer from low volume induced high security and airport charges and support large general aviation operations. Both Airports have good community relationships.

Additionally, Darwin is a joint user airport with the civil area comprising only 20% of the total RAAF Base/airport site and military activity a prominent part of total aviation operations. Any civil oriented external planning panel would seem to be of limited use in these circumstances.

Neither Darwin nor Alice Springs should be categorised as 'major airports' for the purposes of Airport Planning Advisory Panels or formal community consultation groups.

Northern Territory Airports 26 May 2009