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Bureau of Transport and Regional Economics

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Feature article

The feature article in this issue examines **regional aviation in Australia**—a topic first explored in Avline in October 2003. The current feature article provides an update to this information and includes recent statistics on regional airline activity. The article discusses industry trends and some of the factors influencing the data.

Regional aviation is influenced by a number of issues particular to remote or small communities. A research project currently being undertaken by the BTRE is also discussed.

In brief

- Trends in the regional aviation industry are complex. The Australian regional aviation industry is growing. Passengers carried on regional airlines grew 10.8 per cent over the previous financial year, but at a slower rate than the domestic industry. The number of ports served is less than it was several decades ago (page 3).
- The combined domestic and regional industry is continuing to operate at record high levels with 39.5 million passengers carried during the year ending June 2005, an increase of 11.3 per cent on 2003-04 (page 10).
- Domestic airline passengers carried reached 34.6 million for the year ending June 2005, an increase of 11.4 per cent on 2003-04 (page 10).
- Australian domestic airline on time performance for the year ending 30 June 2005 averaged 87.0 per cent for departures and 86.4 per cent for arrivals. Cancellations averaged 0.8 per cent (page 13).
- International aviation into and out of Australia is also performing strongly, with a total of 20.8 million international passengers recorded for the year ending June 2005. A record monthly high of 2.02 million passengers was achieved in January 2005 (page 14).

Feature

Industry snapshot

REGIONAL AVIATION IN AUSTRALIA

Introduction

In October 2003, issue 3 of Avline presented an analysis of the regional aviation industry in Australia. This article provides an update on the earlier information, describes some more current issues and trends, and highlights other work being done by the BTRE in this area.

Regional airlines are defined as **those airlines dedicated to providing regular public transport services to or from regional areas**. This definition includes all air services:

- between metropolitan areas and regional areas; and
- between regional areas.

At June 2005, a total of 29 regional airlines were operating scheduled services throughout Australia. These range from the major operators (such as Eastern Australian Airlines, Regional Express, Sunstate Airlines and Skywest) with annual passenger carriage in the hundreds of thousands, to the smaller operators servicing remote Australian communities.

Domestic airlines—defined as those airlines which primarily operate jet aircraft between capital cities and major tourist centres—also play a significant role in providing air services to the larger regional centres. However, this article focuses on the services provided by regional airlines and, therefore, excludes those flights made to regional centres where they are conducted by domestic airlines (currently Qantas jet operations, Jetstar and Virgin Blue).

Regional air services in perspective

Regional air services in Australia carry only a relatively small number of passengers, but account for nearly half of the non-international scheduled flights conducted in Australia. For the year ending 30 June 2005, over 4.8 million **passengers** were carried on regional airlines, representing 12.3 per cent of the combined total of domestic and regional airline passengers for the year. However, **flights** operated on regional routes numbered 245 000 over the same period, representing 46.8 per cent of all domestic and regional flights operated in Australia (table 1).

TABLE 1 REGIONAL AND DOMESTIC AIRLINE ACTIVITY YEAR ENDING 30 JUNE 2005

	Revenue passengers	Aircraft trips
Regional airlines	4 849 380	245 041
Domestic airlines	34 620 185	278 296
Total	39 469 565	523 337

Source: BTRE Aviation Statistics Section.

Routes

BTRE recorded 365 regional air routes having operated in Australia during the 2004 calendar year. Of these, 315 (86 per cent) were performed by a single regional operator. The remaining 50 routes were performed in competition by two or three regional operators.

Figure 1 shows the busier regional air routes—those with three or more return services per week—that operated in Australia during the 2004 calendar year. There were 154 routes (42 per cent of all regional routes) in this category. The remaining 211 routes (58 per cent) recorded less than three return services per week, and 142 of these recorded, on average, less than one return service per week.

Table 2 presents airline activity for the major competitive regional air routes; that is, where more than 8 000 passengers were carried per month and two or more regional airlines were operating in competition.

TABLE 2 AIRLINE ACTIVITY ON MAJOR COMPETITIVE REGIONAL AIR ROUTES, YEAR ENDING 30 JUNE 2005

	Revenue passengers (000s)	Seats (000s)	Load factor (%)	Aircraft trips
Albury–Sydney	143.3	209	68.6	5 120
Dubbo–Sydney	136.5	218	62.5	6 228
Melbourne–Mildura	134.9	186	72.5	5 061
Sydney–Wagga Wagga	132.9	192	69.2	5 413
Adelaide–Port Lincoln	129.5	198	65.3	6 567
Devonport–Melbourne	109.3	165	66.4	4 305
Melbourne–Burnie	91.2	157	58.0	4 326

Note: Route data is the aggregate of traffic travelling in both directions. Individual routes shown are restricted to those with an average exceeding 8,000 passengers per month where two or more airlines operate in competition.

Source: BTRE Aviation Statistics Section.

Regional aviation trends

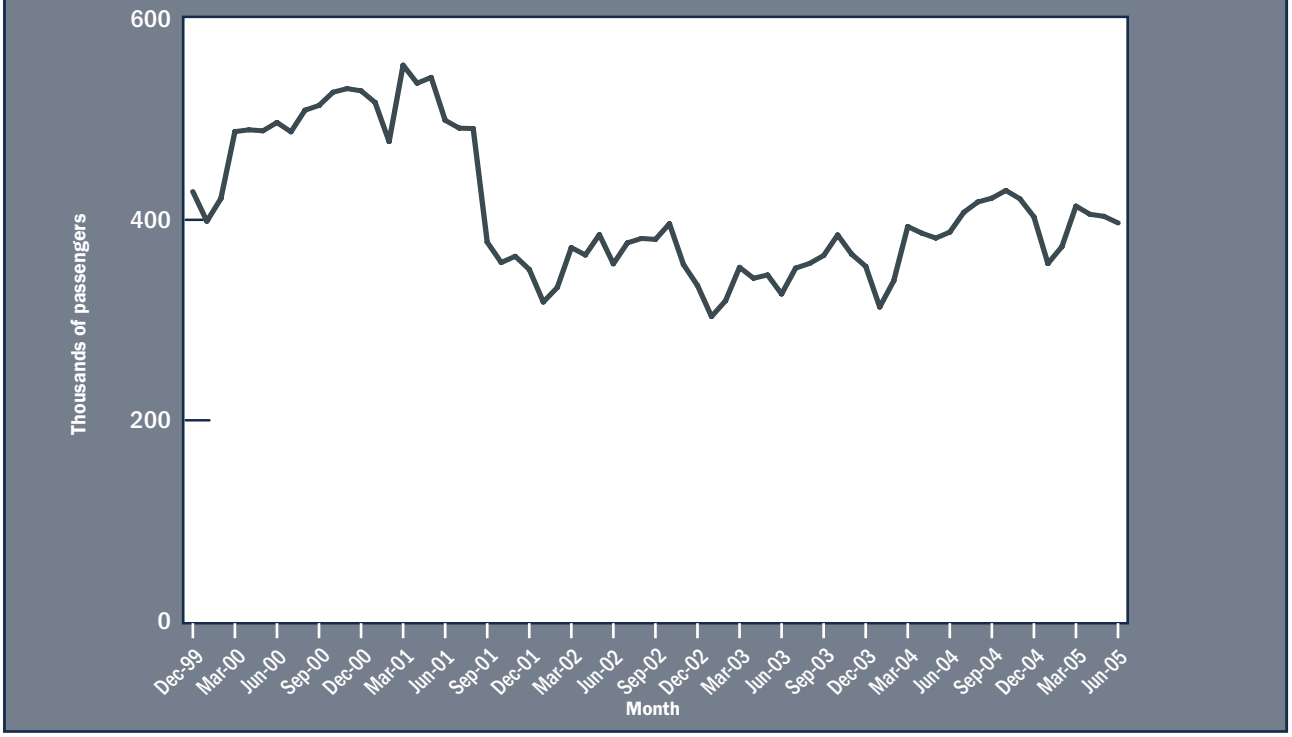
Australia's regional airline activity peaked during 2000 and 2001, with over 554 000 passenger movements recorded in March 2001 and nearly 32 000 flight departures in August 2000 (figures 2 and 3). However, these numbers were artificially inflated as a result of the domestic airlines

FIGURE 1 REGIONAL AIRLINE SERVICES IN AUSTRALIA—YEAR ENDING 31 DECEMBER 2004

Note: Only routes with 3 or more return services per week, and where data has been provided to BTRE, are shown.

Source: BTRE Aviation Statistics Section.

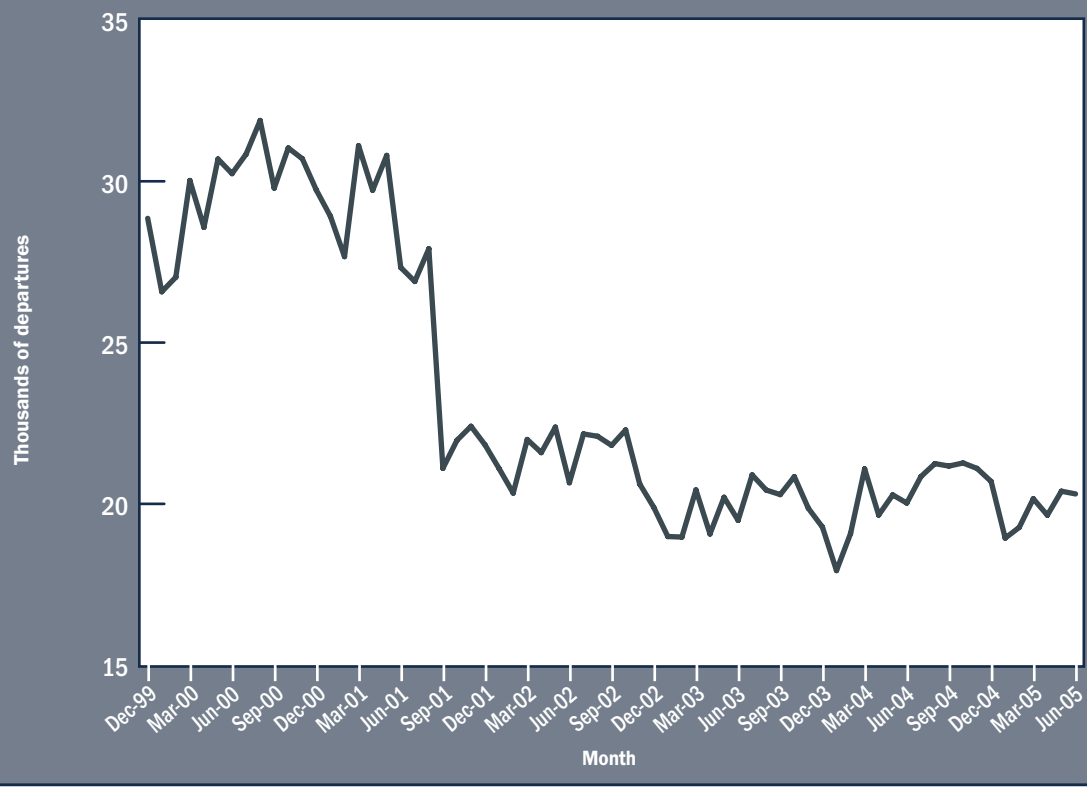
FIGURE 2 REGIONAL AIRLINE PASSENGERS



Note: Includes BTRE estimates.

Source: BTRE Aviation Statistics Section.

FIGURE 3 REGIONAL AIRLINE FLIGHTS



Note: Includes BTRE estimates.

Source: BTRE Aviation Statistics Section.

(Ansett and Qantas) devolving trunk routes to their regional affiliates during the 1990s, rather than a reflection of higher underlying demand for services to regional Australia.

In particular, Ansett tended to move thinner trunk routes to its regional affiliates which had a significant impact on overall regional traffic data. At the peak of its operations during 2000–01, Ansett subsidiary Kendell Airlines was carrying more than 1.9 million passengers annually, nearly doubling its traffic of two years before. Much of this increase in passenger traffic related to non-regional routes.

The situation was then reversed to some extent after Ansett's collapse, as Ansett regional subsidiaries experienced a downturn in traffic and some routes were resumed by domestic airlines.

Following the collapse of Ansett in September 2001, activity showed a significant decline, with the number of passengers dropping to 378 000 and flight departures falling to 21 000 in September 2001. However, it is from this point onwards that regional airline traffic levels can be considered a more accurate reflection of core industry business.

There has been significant growth in regional airline activity in the last 12–18 months, albeit slightly lower growth than the domestic sector of the market (refer also to Avline issue 5: *Australia's Domestic Aviation Industry Three Years After Ansett*).

With growth of 10.8 per cent in passenger numbers recorded over the year ending June 2004, the regional industry is growing at a slightly lower rate than the domestic industry which recorded growth of 11.4 per cent over the same period. Growth in regional flight departures over the year ending June 2005 was 2.2 per cent, compared to 11.5 per cent across the total domestic and regional industry.

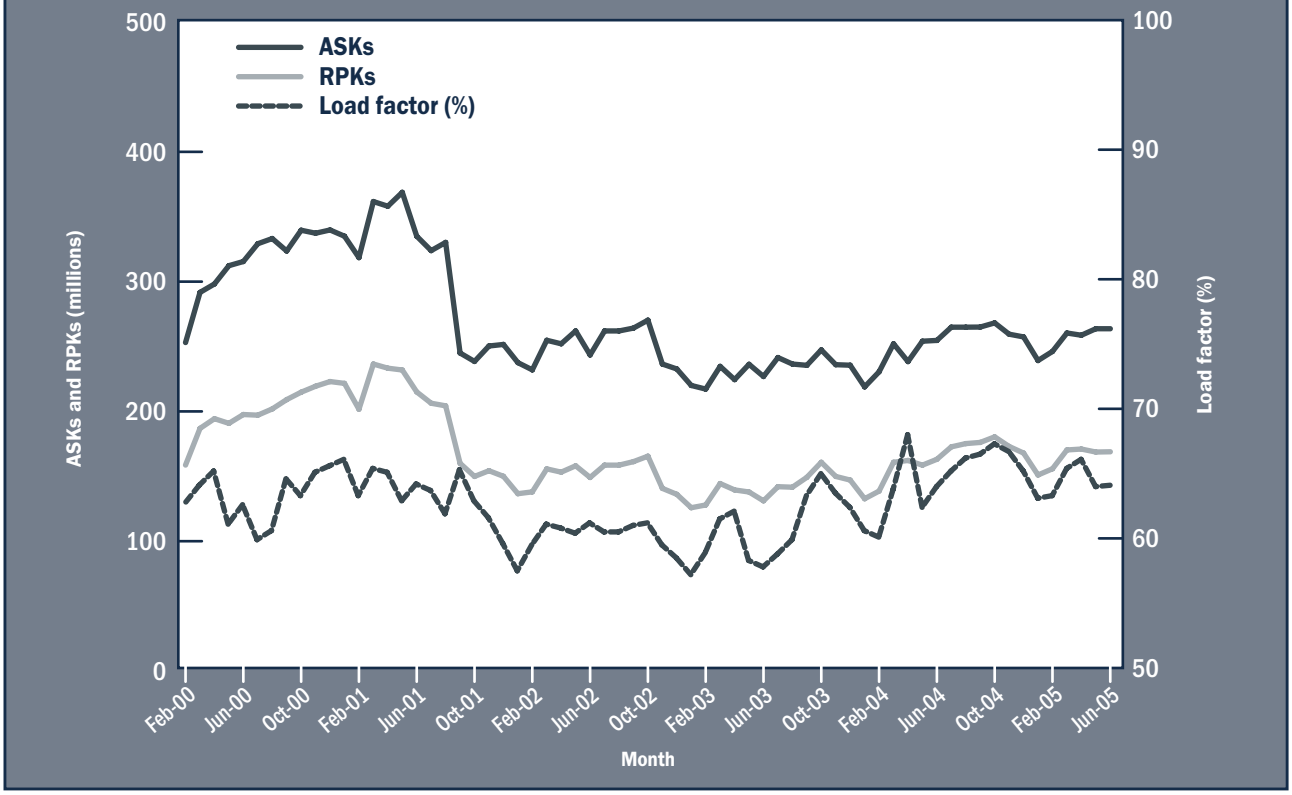
Network Utilisation

Like passenger numbers and flight departures, airline capacity—measured in available seat kilometres (ASKs)—was also artificially high prior to the collapse of Ansett, with activity from September 2001 onwards presenting a picture of a substantially restructured industry (figure 4).

For the year ending June 2005, ASKs were 8.0 per cent higher than the same period in 2004 while RPKs were up 12.4 per cent on 2004. Consequently, load factors have increased slightly (2.6 per cent) over the same period.

Revenue Passenger Kilometres (RPKs) over the regional network peaked at 180.4 million in October 2004, 12.2 per cent higher than October 2003.

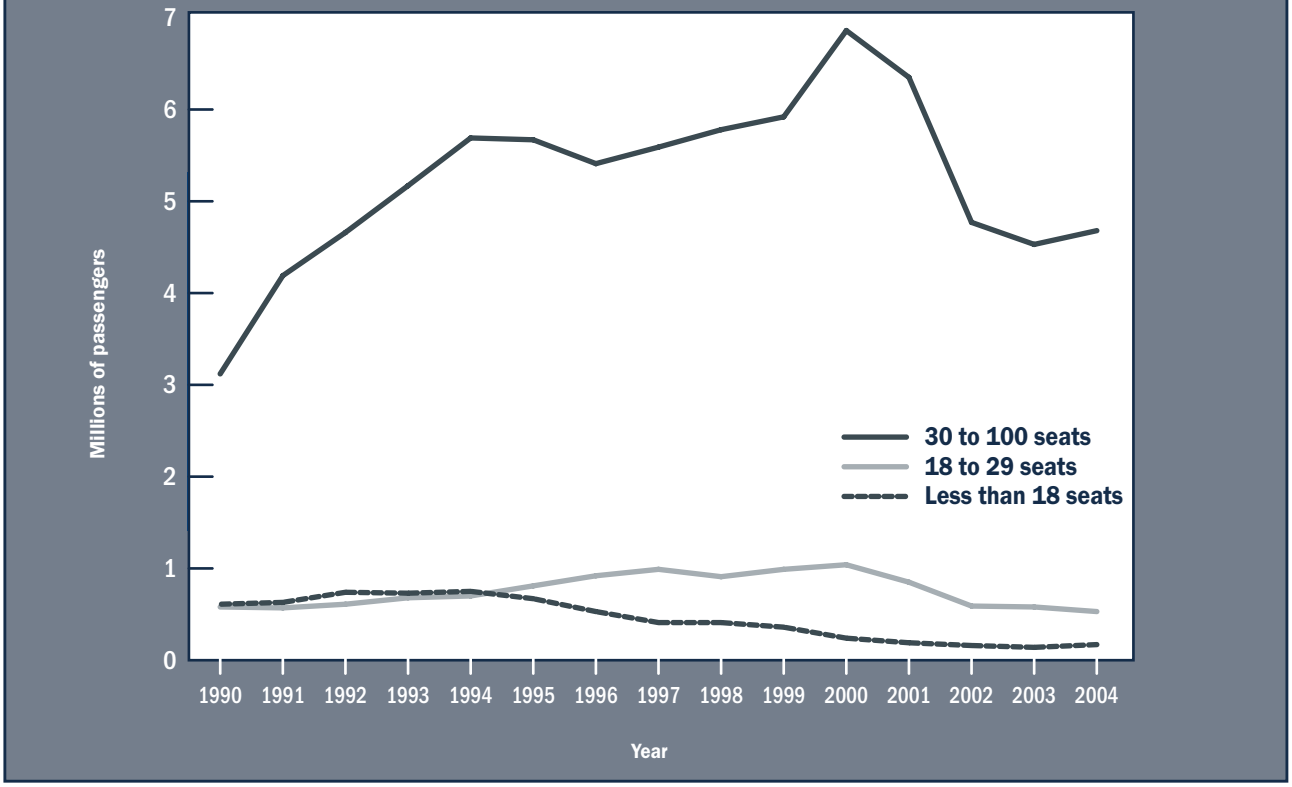
FIGURE 4 REGIONAL AIRLINE NETWORK UTILISATION



Note: Includes BTRE estimates.

Source: BTRE Aviation Statistics Section.

FIGURE 5 REGIONAL AIRLINES BY AIRCRAFT TYPE



Note: Includes BTRE estimates.

Source: BTRE Aviation Statistics Section.

Regional load factors peaked at 66.7 per cent in November 2004, but averaged 64.8 per cent over the year. Regional load factors tend to be consistently lower than those for the total domestic network, where load factors peaked at 82.0 per cent in October 2004 and averaged 78.4 per cent over the year.

Regional airline load factors have traditionally been well below those of domestic airlines, averaging around 15 per cent less over the past decade. The regional airlines are generally limited by fixed markets and higher seat kilometre costs than domestic airlines, and without the margins for deep discounting. The major airlines, on the other hand, have the advantage of routes that can be promoted and grown, and are able to offer significantly more flexibility in service quality and air fares.

Aircraft type

Aircraft operated by regional airlines range from jet aircraft with up to 100 seats, to piston-engined aircraft with around nine seats or less. Figure 5 shows, the number of passengers carried by category of aircraft type, for the period 1990 to 2004. During 2000, almost 6.9 million passengers (84 per cent of all regional airline passengers) were carried on aircraft with between 30 and 100 seats, 1.0 million (13 per cent) were carried on aircraft with between 18-29 seats, and 0.2 million (3 per cent) were carried on aircraft with less than 18 seats.

The proportion of regional airline passengers carried by the largest category of aircraft (between 30 and 100 seats) has varied from 70 per cent in 1989 to 87 per cent in 2004. However, it is important to note that the lines on this graph may reflect fleet changes—and subsequent movement between aircraft type categories—rather than changes in underlying demand.

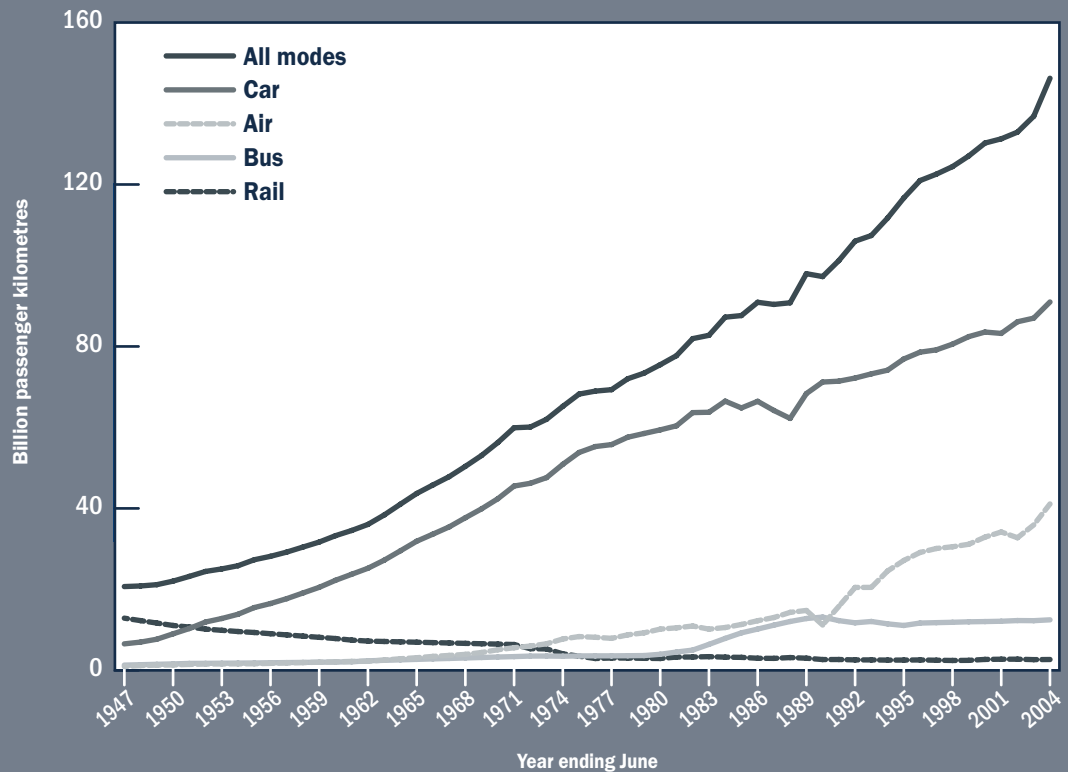
Air travel compared to other non-urban travel

Total non-urban passenger travel (estimated in billion passenger kilometres) has been gradually increasing over the last 60 years with average annual growth of 3.4 per cent. Compared to other modes of non-urban travel, air travel has shown stronger growth (at 7.8 per cent per annum) over the same period.

Since deregulation of interstate airline routes in 1990, growth in air travel has been particularly strong when compared to other modes. Since 1991, air travel has grown at an average rate of 7.7 per cent per annum compared to 2.9 per cent per annum for total non-urban passenger travel.

For the year ending 30 June 2004, it is estimated (BTRE) that 40.93 billion passenger kilometres were travelled by air (figure 6), representing

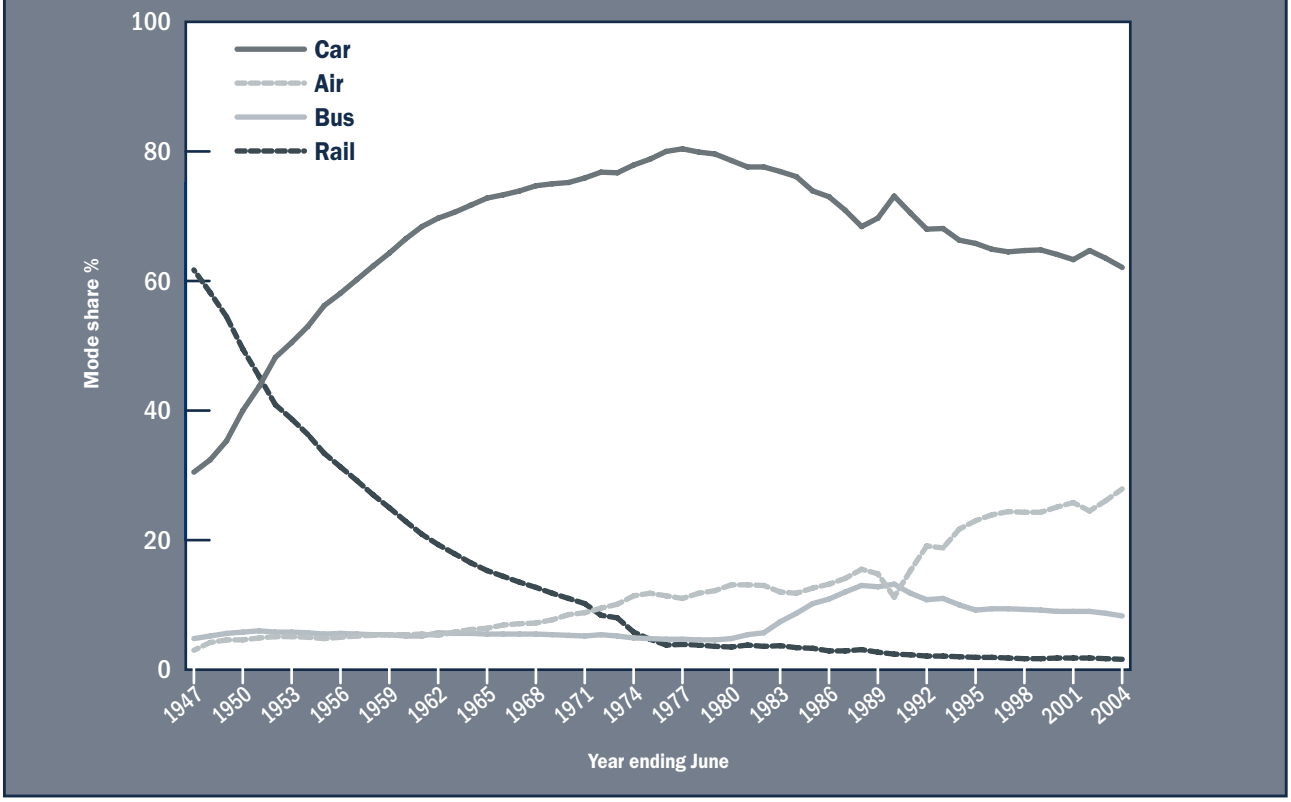
FIGURE 6 MODE SHARE TRENDS IN NON-URBAN PASSENGER TRAVEL



Note: BTRE estimates; Car values also include (non-business) passenger travel by other road vehicles.

Source: BTRE Transport Statistics; Survey of Motor Vehicle Use, Australia (Australian Bureau of Statistics); Motor Vehicle Census, Australia (Australian Bureau of Statistics); Australian Transport Facts, 2003 (Apelbaum Consulting Group, 2005).

FIGURE 7 MODE SHARE IN NON-URBAN PASSENGER TRAVEL



Note: BTRE estimates; Car values also include (non-business) passenger travel by other road vehicles.

Source: BTRE Transport Statistics; Survey of Motor Vehicle Use, Australia (Australian Bureau of Statistics); Motor Vehicle Census, Australia (Australian Bureau of Statistics); Australian Transport Facts, 2003 (Apelbaum Consulting Group, 2005).

27.9 per cent of all non-urban passenger kilometres travelled in Australia over the year (figure 7).

Air mode share of non-urban travel is forecast to continue increasing over coming decades. BTRE projections suggest that travel by air will reach over 85.5 billion passenger kilometres by 2020, forming 41.2 per cent of all non-urban travel in Australia (figure 8).

Issues in regional aviation

Almost 99 per cent of all Australians live within what has been defined as 'reasonable access' of a regional rail, coach or air service:

> *As of 2000–01, almost all Australians (over 99 per cent) living outside the metropolitan areas in urban centres and localities of 200 persons or more were within a reasonable access distance of a regional rail, coach or air service. Adapting Spear and Weil (1999), a recent American study, 'reasonable access' is defined as within a road distance of between 70 to 120 kilometres (depending on the standard of road) of an airport with three or more return air services per week and within 16 kilometres of a passenger rail station or a regional passenger coach stop.*
>
> BTRE Working Paper 51
> pp xxx—xxxi

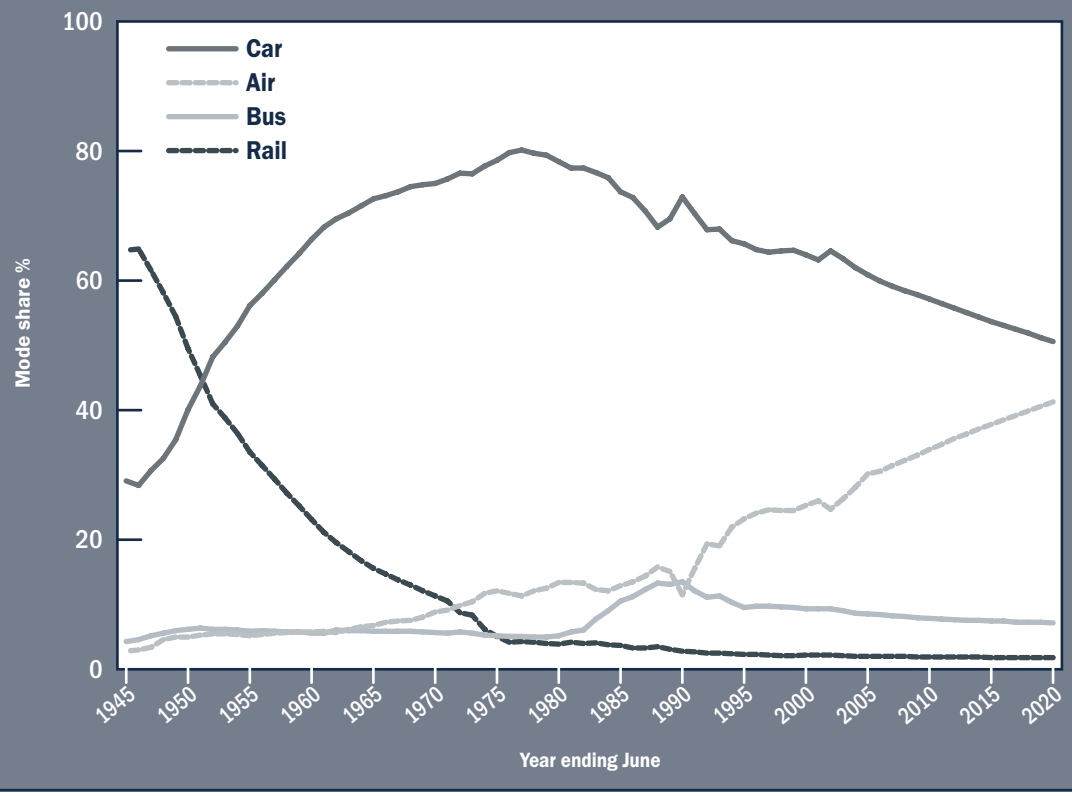
However, in recent years, there has been much debate over the adequacy of air passenger services to and from regional communities. Some communities—particularly those that are remote or have a small population—are facing difficulty attracting new air services or retaining their current services.

As shown in figure 9, the number of ports served by regional airlines contracted following the Ansett collapse before stabilising since 2003. The 240 ports served by regional airlines in 1988 decreased to 174 ports by 2002. Since 2003, the number of ports served has varied between 167 and 189.

The capacity for regional communities to maintain minimal air service levels primarily depends on market size and the cost of operating regional air services. Remote or small communities often lack the population base and level of economic activity to justify commercially viable air services. In some cases, alternatives such as improved land transport, and access to other air services within driving distance, diminish the viability, and also the necessity, of air services to these communities. In other cases, an air transport option for these communities may be essential.

Decisions by airlines on service routes, frequencies and aircraft types are largely motivated by the need to maintain profitability.

FIGURE 8 MODE SHARE IN NON-URBAN PASSENGER TRAVEL—PROJECTIONS

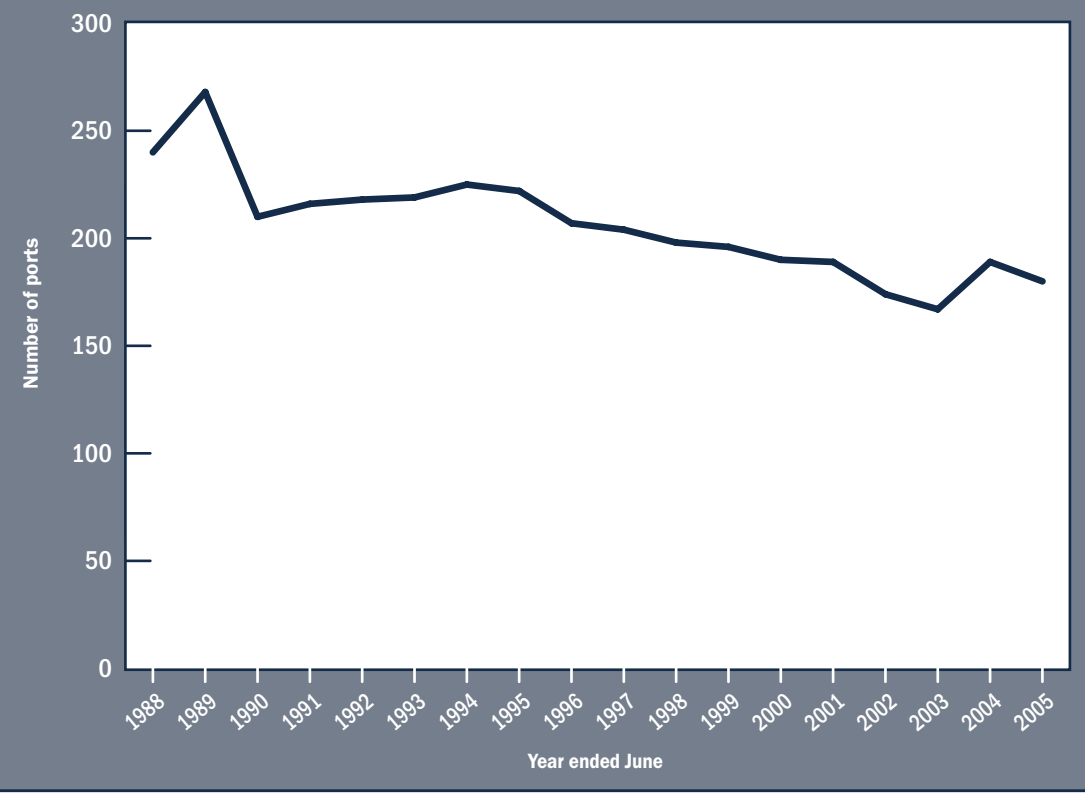


Note: BTRE estimates to 2004; Projections to 2020; Car values also include (non-business) passenger travel by other road vehicles.

Source: BTRE Transport Statistics; Survey of Motor Vehicle Use, Australia (Australian Bureau of Statistics); Motor Vehicle Census, Australia (Australian Bureau of Statistics); Australian Transport Facts, 2003 (Apelbaum Consulting Group, 2005).

Operating without the advantage of economies of scale, regional carriers tend to face the challenge of high capital and operational costs and low returns. Regional carriers that are facing continuing cost pressures and financial losses will often minimise cost by either reducing or terminating air services on unprofitable routes. Most of these routes are to remote or

FIGURE 9 PORTS SERVED BY REGIONAL AIRLINES



Source: BTRE Transport Statistics Section.

thinly populated communities. Australian State governments have adopted differing strategies to maintain services to communities in those cases where an open market, deregulated approach has been judged as unlikely to deliver adequate services to regional and remote communities.

Over the next twelve months, the BTRE will be conducting a study into **Factors affecting demand and access for regional aviation services in Australia**. The project aims to study and model some of the factors that drive demand for air services to regional and remote locations in Australia. The results may assist policy makers to identify circumstances where government intervention may be desirable. It will also study some of the implications of such interventions, particularly as currently applied in Australia, and wider issues in the regional aviation industry.

For further information about the project, contact pohping.lim@dotars.gov.au

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DOMESTIC INDUSTRY

Domestic and regional passengers

Domestic airlines are those primarily operating jet aircraft between capital cities and major tourist centres. Currently there are three domestic airlines—Qantas, Jetstar and Virgin Blue. **Regional airlines** are those primarily servicing regional centres. This covers the major regional carriers such as Regional Express, Eastern Australian Airlines, Sunstate Airlines, Skywest and approximately twenty-five other smaller carriers that perform regular public transport services to regional centres.

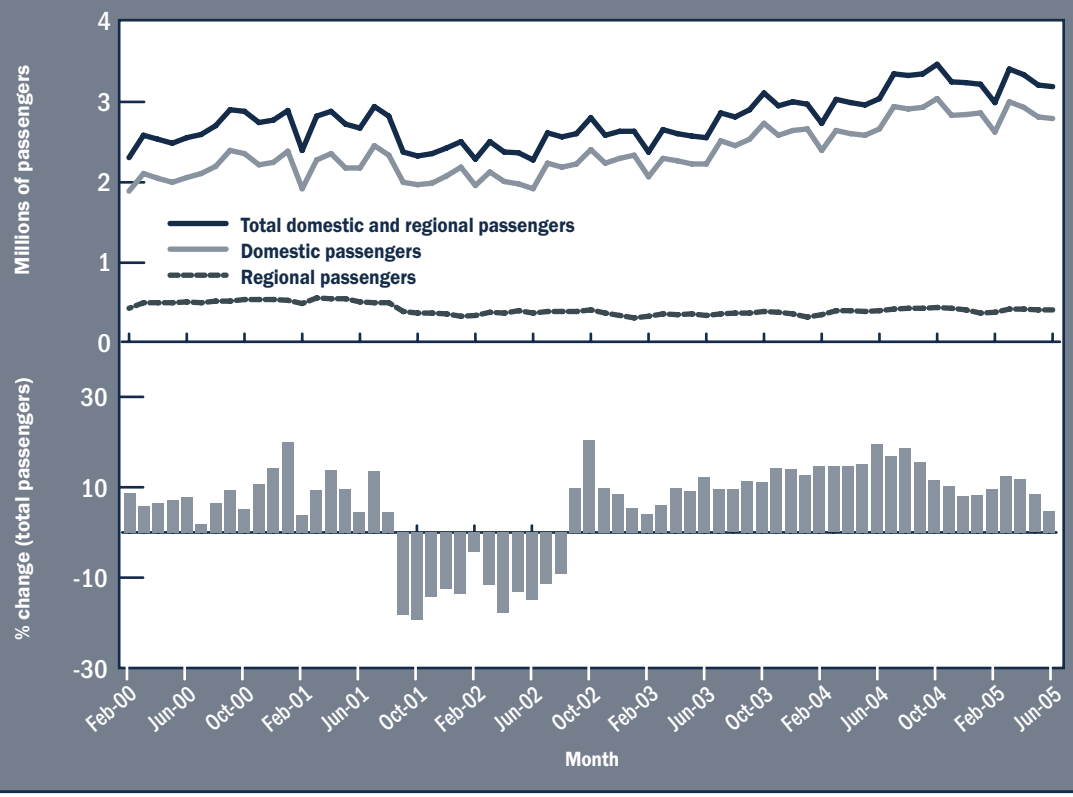
Australia's domestic airline industry has continued to operate at high levels in recent months. Passenger numbers peaked at 3.5 million in October 2004, 11.6 per cent higher than October 2003 (see figure 10). Almost 39.5 million domestic and regional passengers were carried during the twelve months ending June 2005, an increase of 11.3 per cent over the twelve months ending June 2004.

The domestic airline passenger component was 34.6 million (87.7 per cent of the total) for the year ending June 2005. This represented an increase of 11.4 per cent over the 31.1 million domestic passengers carried in 2003-04. Regional airline passengers numbered 4.8 million over the same period (constituting 12.3 per cent of the total). This represented an increase of 10.8 per cent over the 4.4 million passengers carried in 2003-04.

Domestic and regional flights

Figure 11 shows the number of domestic and regional flights (measured in departures).

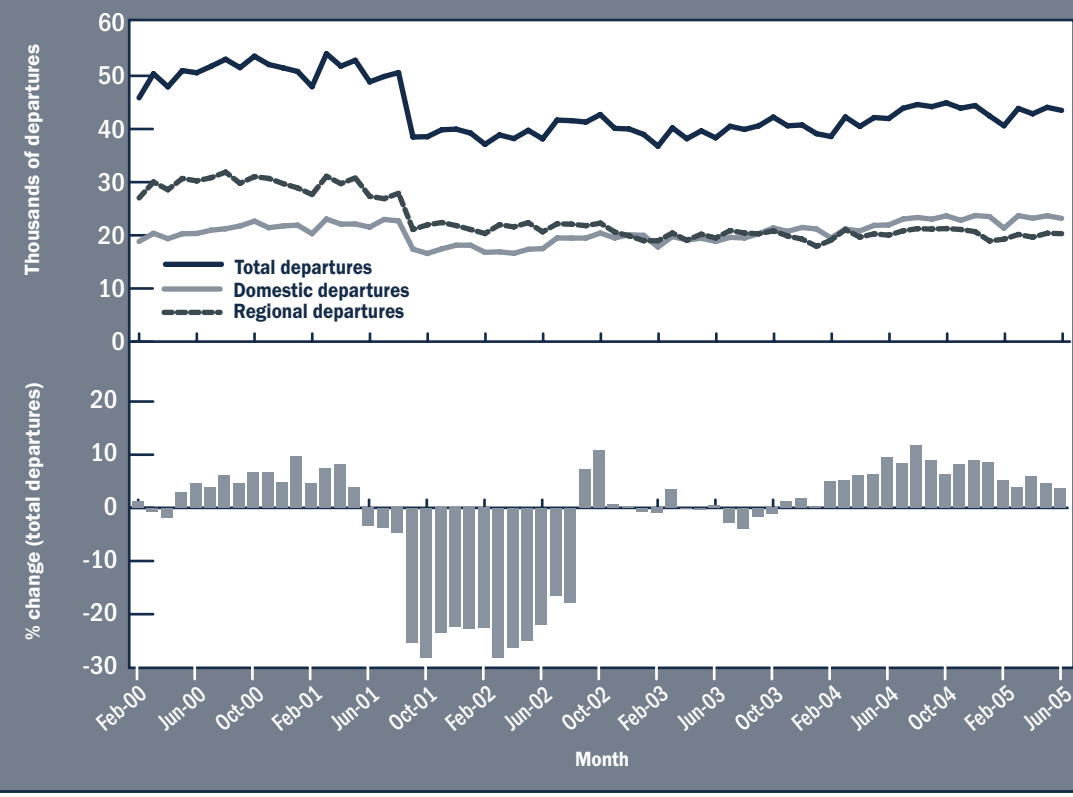
FIGURE 10 DOMESTIC AND REGIONAL PASSENGERS



Note: Regional data component includes BTRE estimates. Growth rates are calculated over the same month in the previous year.
Source: BTRE Aviation Statistics Section.

During the past year, the combined total of domestic and regional flights peaked at 44 928 in October 2004. This was 11.2 per cent lower than the 50 600 flights operated in August 2001 (immediately prior to the Ansett collapse), but 6.4 per cent higher than October 2003.

FIGURE 11 DOMESTIC AND REGIONAL FLIGHTS



Note: Regional data component includes BTRE estimates. Growth rates are calculated over the same month in the previous year.
Source: BTRE Aviation Statistics Section.

For the year ending June 2005, a total of 503 550 domestic and regional flights was recorded. This represents an increase of 7.0 per cent on the year ending June 2004. Of these, 278 296 were operated by domestic airlines, an increase of 11.5 per cent on the number of domestic airline flights for the year ending June 2004. The remaining 245 041 flights were operated by regional airlines, an increase of 2.2 per cent on regional airline flights over the same period.

Domestic network utilisation

Combined regional and domestic capacity, measured in available seat kilometres (ASKs), achieved a record of 4.84 billion ASKs in October 2004, 20.5 per cent higher than the pre-Ansett collapse record achieved in July 2001 (figure 12).

Revenue Passenger Kilometres (RPKs) also peaked in October 2004 with a record 3.93 billion performed. This was 27.2 per cent higher than July 2001 indicating the increased number of passengers being carried on longer-haul direct services over this period.

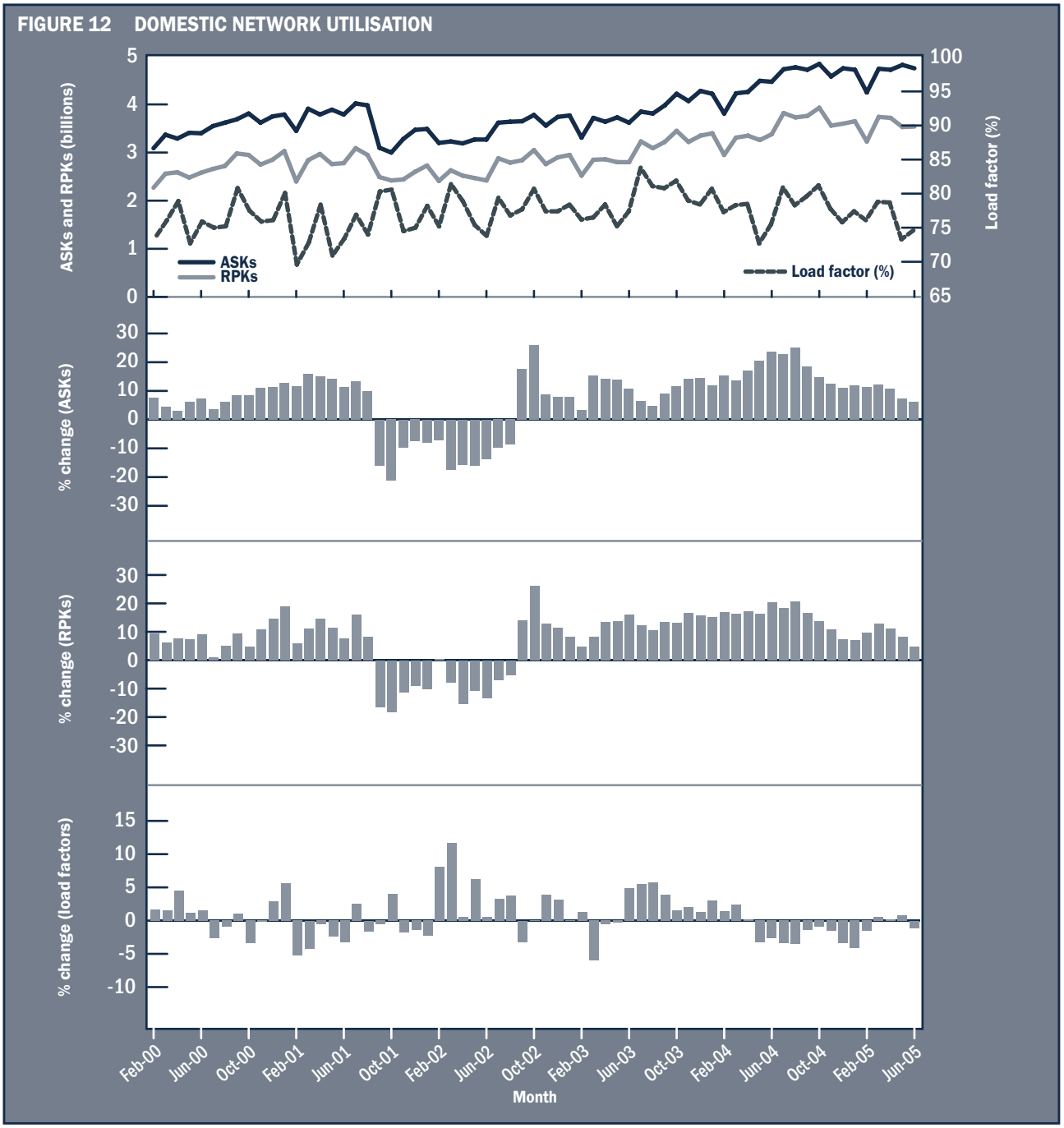
For the year ending June 2005, ASKs were 13.5 per cent higher than the same period in 2004 while RPKs were up 11.8 per cent on 2004.

Over the twelve months to June 2005, load factors were highest in October at 81.2 per cent and dropped to a low of 73.3 per cent in May 2005, but averaged 77.7 per cent over the year.

Domestic airline on time performance

Airline on time performance data covers all services operated by Australia's major airlines: Jetstar,

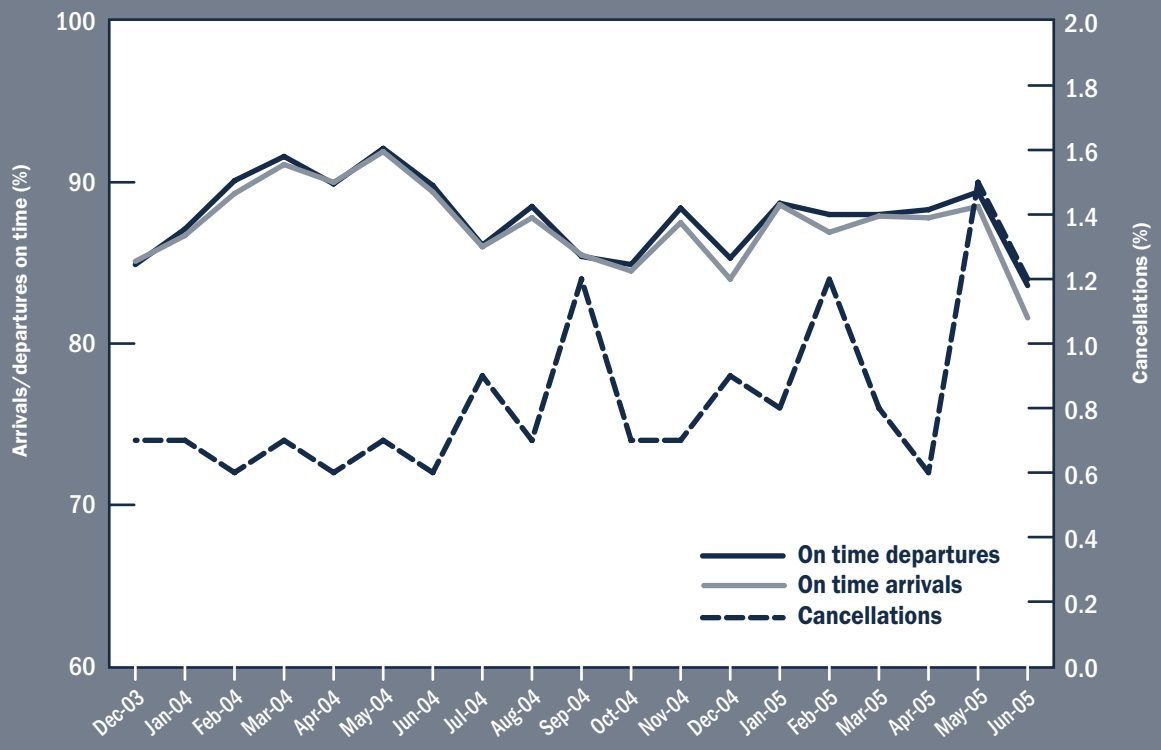
FIGURE 12 DOMESTIC NETWORK UTILISATION



Note: Includes all regional operations. ASKs refers to Available Seat Kilometres. RPKs refers to Revenue Passenger Kilometres. Growth rates are calculated over the same month in the previous year.

Source: BTRE Aviation Statistics Section.

FIGURE 13 DOMESTIC AIRLINE ON TIME PERFORMANCE



Source: BTRE Aviation Statistics Section.

Qantas, QantasLink, Regional Express, Skywest Airlines and Virgin Blue. These operators collectively carry over 95 per cent of Australia's airline traffic.

For the year ending 30 June 2005, 426 662 flights were reported and, of these, 371 337 (87.0 per cent) departed on time and 368 530 (86.4 per cent) arrived on time. Cancellations averaged 0.9 per cent of all scheduled flights.

The highest level of on time performance was recorded in January, with 88.7 per cent of departures on time and 88.6 per cent of arrivals on time. The lowest percentage of cancellations was recorded in April, with 0.6 per cent of scheduled flights cancelled (figure 13).

The lowest level of on time performance was recorded in June, when airline operations on the east coast of Australia were particularly impacted by wet weather. In June, 83.6 per cent of departures and 81.6 per cent of arrivals were on time. The highest percentage of cancellations was recorded in May, with 1.5 per cent of scheduled flights cancelled.

The highest on time performance levels for the year were achieved by Western Australian operator Skywest, with 92.3 per cent of both its arrivals and departures on time. The lowest level of cancellations was achieved by New South Wales operator, Regional Express, at 0.2 per cent (table 3).

TABLE 3 DOMESTIC ON TIME PERFORMANCE BY AIRLINE, YEAR ENDING 30 JUNE 2005

	Jetstar	Qantas	Qantas Link	Regional Express	Skywest	Virgin Blue	All Airlines
Sectors Scheduled	43 994	122 081	96 584	55 885	10 718	101 452	430 714
Sectors Flown	43 411	120 763	95 605	55 796	10 670	100 417	426 662
On Time Departures	37 382	102 410	83 241	50 701	9 847	87 756	371 337
On Time Arrivals	37 774	103 532	80 971	49 816	9 847	86 590	368 530
Cancellations	577	1 318	979	115	48	1 035	4 072
OnTime Departures (%)	86.1%	84.8%	87.1%	90.9%	92.3%	87.4%	87.0%
OnTime Arrivals (%)	87.0%	85.7%	84.7%	89.3%	92.3%	86.2%	86.4%
Cancellations (%)	1.3%	1.1%	1.0%	0.2%	0.4%	1.0%	0.9%

Note: 'On time departures' refer to flights that depart within 15 minutes of the scheduled departure time. 'On time arrivals' refer to flights that arrive within 15 minutes of the scheduled arrival time. 'Cancellations' refer to flights cancelled or rescheduled within 7 days of the scheduled departure time.

Source: BTRE Aviation Statistics Section.

Domestic air freight

Information on domestic air freight has been discontinued due to difficulties securing data and the coverage of data. BTRE is working with air freight operators to attempt to resolve these problems.

INTERNATIONAL INDUSTRY

International passengers

Passenger traffic on Australian international flights has remained at high levels over the past twelve months. January 2005 saw a record high of 2.02 million international passengers (figure 14). This was an increase of 12.6 per cent on January 2004. Growth has been consistently strong through 2004, with particularly strong growth mid year due to the impact of the SARS crisis in 2003.

ending July 2004. The number of foreign visitors grew by 5.4 per cent over the same period.

International flights

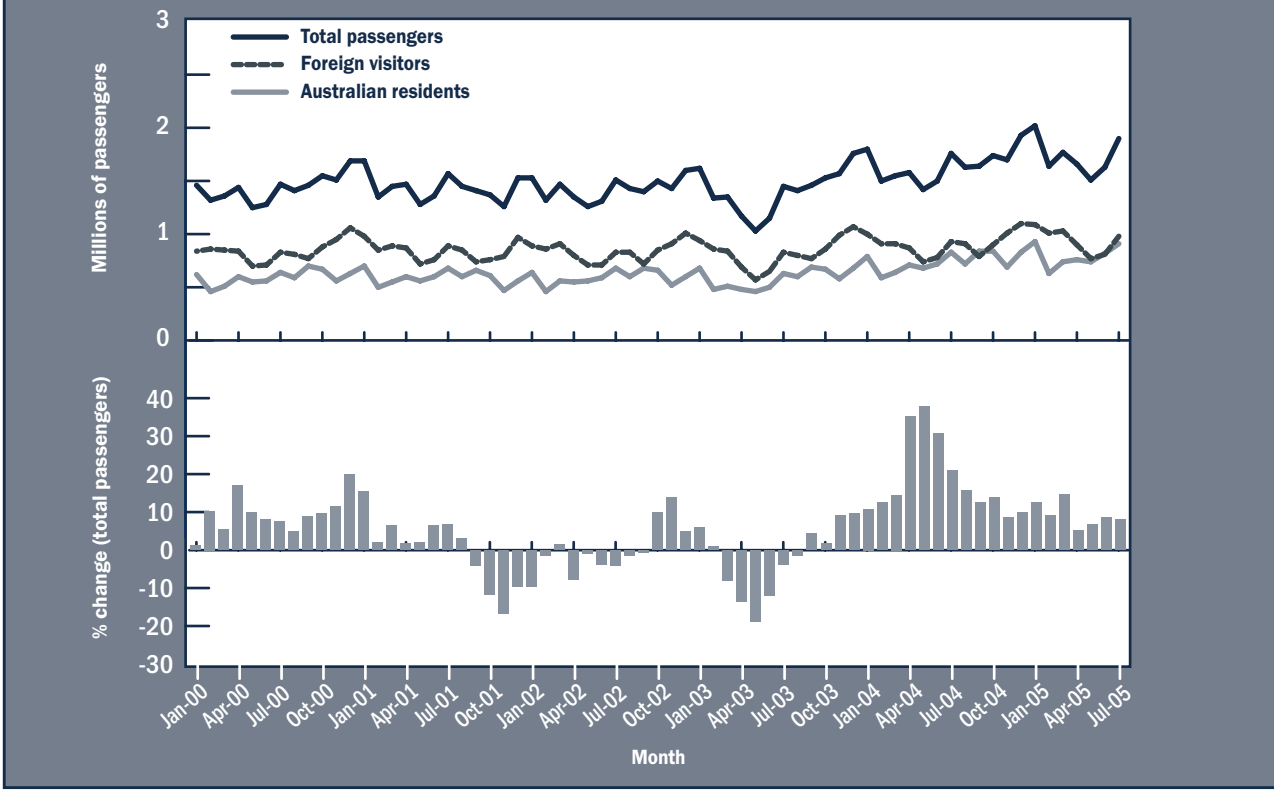
International activity reached a record high of over 10 300 flights in January 2005 (figure 15). This was 17.1 per cent higher than January 2004 and 51.9 per cent higher than the low of 6 800 flights recorded in June 2003 when activity was negatively impacted by SARS.

For the year ending June 2005, nearly 116 000 flights were conducted, representing annual growth of 15.6 per cent.

International network utilisation

In January 2005, international airline capacity (measured in available seats) reached a record 2.7 million seats, 16.1 per cent up on January 2004 (figure 16).

FIGURE 14 INTERNATIONAL PASSENGERS



Note: Growth rates are calculated over the same month in the previous year.

Source: ABS catalogue 3401.0, overseas arrivals and departures, Australia.

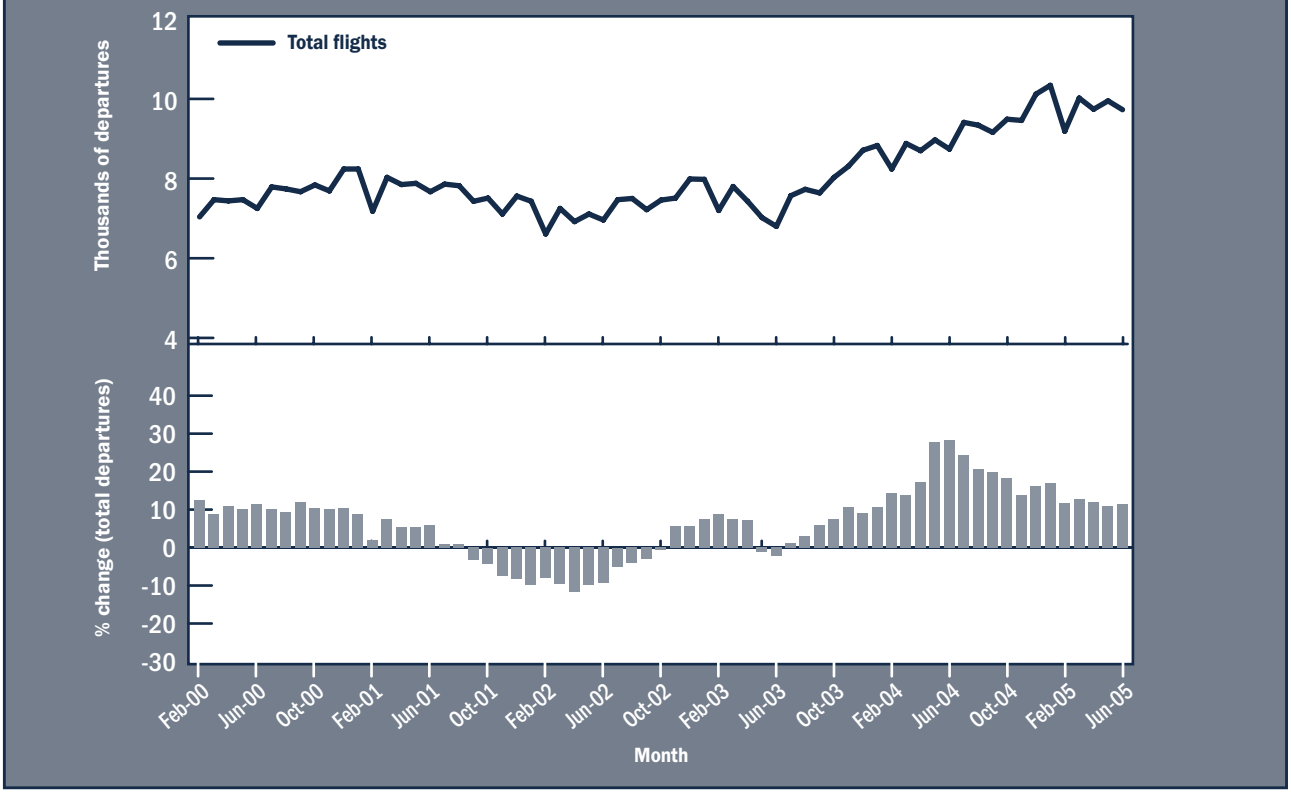
For the year ending June 2005, a total of 20.8 million international passengers was recorded, comprising 11.3 million foreign visitors and 9.5 million Australian residents.

Growth of international passenger traffic (9.2 per cent overall) was driven by the increase in the number of Australian residents travelling on international flights, 14.0 per cent up on the year

For the year ending June 2005, available seats numbered 29.7 million, an increase of 14.7 per cent on the previous year.

Seat utilisation (shown as an average of inbound and outbound seats) reached a high of 76.3 per cent in January 2005 and dropped to a low of 59.9 per cent in May 2005, but averaged 69.5 per cent over the year.

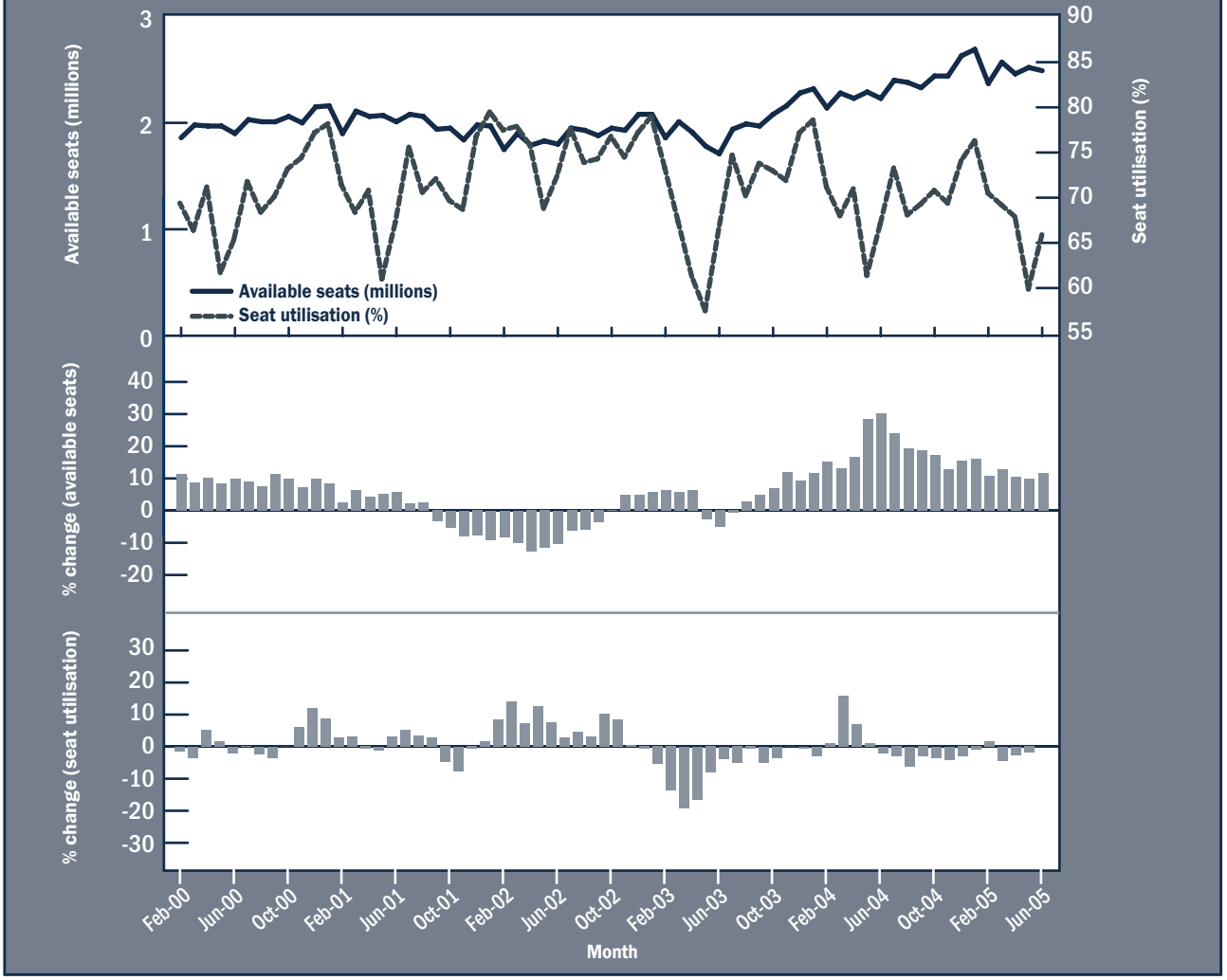
FIGURE 15 INTERNATIONAL FLIGHTS



Note: Growth rates are calculated over the same month in the previous year.

Source: BTRE Aviation Statistics Section.

FIGURE 16 INTERNATIONAL NETWORK UTILISATION



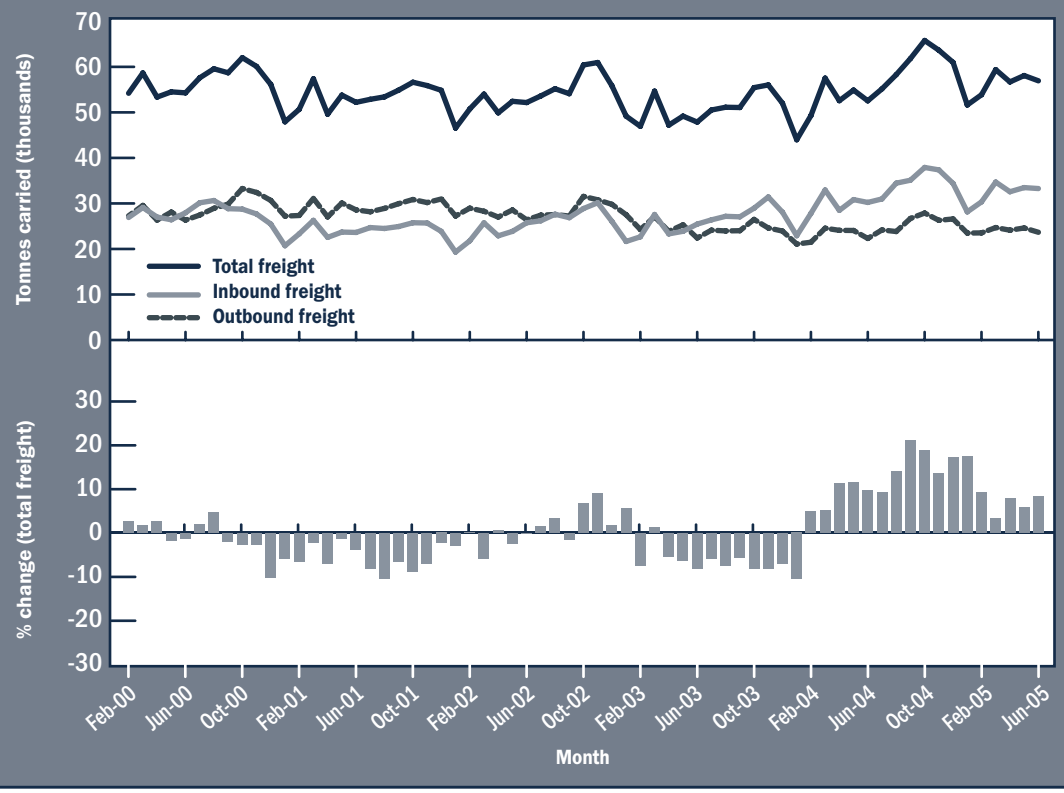
Note: Available seats is a total of inbound seats (in millions). Seat utilisation is an average of inbound and outbound seat utilisation (%). Growth rates are calculated over the same month in the previous year.

Source: BTRE Aviation Statistics Section.

International air freight

Air freight carried on Australian international flights (in thousands of tonnes) is presented in figure 17.

FIGURE 17 INTERNATIONAL AIR FREIGHT



Note: Growth rates are calculated over the same month in the previous year.

Source: BTRE Aviation Statistics Section.

Over the past twelve months, freight peaked at 65.7 thousand tonnes in October 2004. This was 18.7 per cent higher than October 2003. This total comprised 37.9 thousand tonnes (58.7 per cent) inbound and 26.2 thousand tonnes (41.3 per cent) outbound freight.

Inbound air freight has continued to exceed outbound air freight over the past two years. The 402.7 thousand tonnes of inbound freight carried over the twelve months ending June 2005 was 12.0 per cent higher than the same period in 2004, while the 299.6 thousand tonnes of outbound freight for the year ending June 2005 represented an increase of 5.2 per cent. Total freight increased by 12.0 per cent over the same period.

AIRPORT ACTIVITY

Airport activity levels

Table 4 summarises passenger and aircraft movements at the five major Australian airports for the last three calendar years.

For the year ending June 2005, Brisbane Airport recorded the strongest growth in passenger movements at 11.5 per cent over the year ending June 2004, followed by Perth (10.8 per cent), Adelaide (9.5 per cent), Melbourne (8.8 per cent) and Sydney (7.1 per cent).

In terms of total scheduled aircraft movements, Brisbane Airport also had the strongest growth (at 10.3 per cent) with continued strong increases in capacity of Virgin Blue and Jetstar. Aircraft movements were also high at Melbourne Airport with an increase of 9.2 per cent over 2003-04.

Growth was particularly strong in the international sector at Adelaide Airport where passenger traffic increased by 27.2 per cent over 2003-04, and at Brisbane Airport where international passenger traffic increased by 19.6 per cent over 2003-04.

International aircraft movements showed the highest growth at Brisbane Airport where an increase of 20.1 per cent over 2003-04 was recorded.

At Perth Airport, regional passenger numbers increased by 44.1 per cent over 2003-04, primarily due to the Skywest's expansion of 100-seat jet aircraft services.

Noise complaints at Sydney Airport

July 2005 was the busiest month for Sydney Airport over the past year, with 23 426 aircraft movements, an increase of 1.4 per cent on

TABLE 4 ACTIVITY AT MAJOR AUSTRALIAN AIRPORTS

		Passenger movements (millions)				Aircraft movements (thousands)				
Airport	YE June	International	Domestic	Regional	Total	International	Domestic	Regional	Sub total	Total*
Sydney	2005	9.3	16.8	1.8	27.9	57.9	120.7	73.2	251.8	281.4
	2004	8.6	15.8	1.7	26.1	53.1	112.2	72.7	238.0	268.2
	2003	7.8	14.2	1.5	23.4	47.1	106.2	72.1	225.3	254.5
Melbourne	2005	4.1	15.5	0.6	20.3	27.7	116.0	26.2	170.0	180.2
	2004	3.6	14.5	0.5	18.6	23.6	106.2	24.8	154.7	165.1
	2003	3.1	12.7	0.5	16.4	21.0	99.4	26.3	146.8	157.8
Brisbane	2005	3.5	11.2	0.7	15.4	22.3	89.5	24.7	136.5	161.8
	2004	2.9	10.3	0.6	13.8	18.5	80.7	23.0	122.3	146.7
	2003	2.4	8.8	0.6	11.8	17.1	75.4	24.0	116.6	141.9
Perth	2005	1.9	4.3	0.3	6.5	10.4	33.7	11.3	55.5	100.2
	2004	1.7	3.9	0.2	5.9	9.2	33.1	8.5	50.9	95.0
	2003	1.6	3.4	0.2	5.2	8.4	31.0	8.4	47.9	93.7
Adelaide	2005	0.3	4.7	0.4	5.4	2.2	39.1	28.0	69.3	107.0
	2004	0.3	4.3	0.3	4.9	1.9	36.5	28.4	66.9	102.4
	2003	0.2	3.8	0.3	4.4	1.7	36.0	28.6	66.2	101.5

Notes: International passenger data are the total passengers uplifted and discharged within a flight. This data is provisional. Domestic and regional passenger data are the total passengers on board (POB) by flight stage. The regional component is provisional and includes BTRE estimates. International, domestic and regional data represents Regular Public Transport operations. Total includes military and unscheduled aircraft. Aircraft movements recorded during the hours in which Airservices Australia provides a tower service.*

Sources: BTRE Aviation Statistics Section; Airservices Australia monthly aircraft movements at Australian airports. (http:www.airservicesaustralia.com).

July 2004. Noise complaints fluctuated over the same period, peaking at 635 in April 2005, but decreasing to 478 in July 2005 (figure 18a).

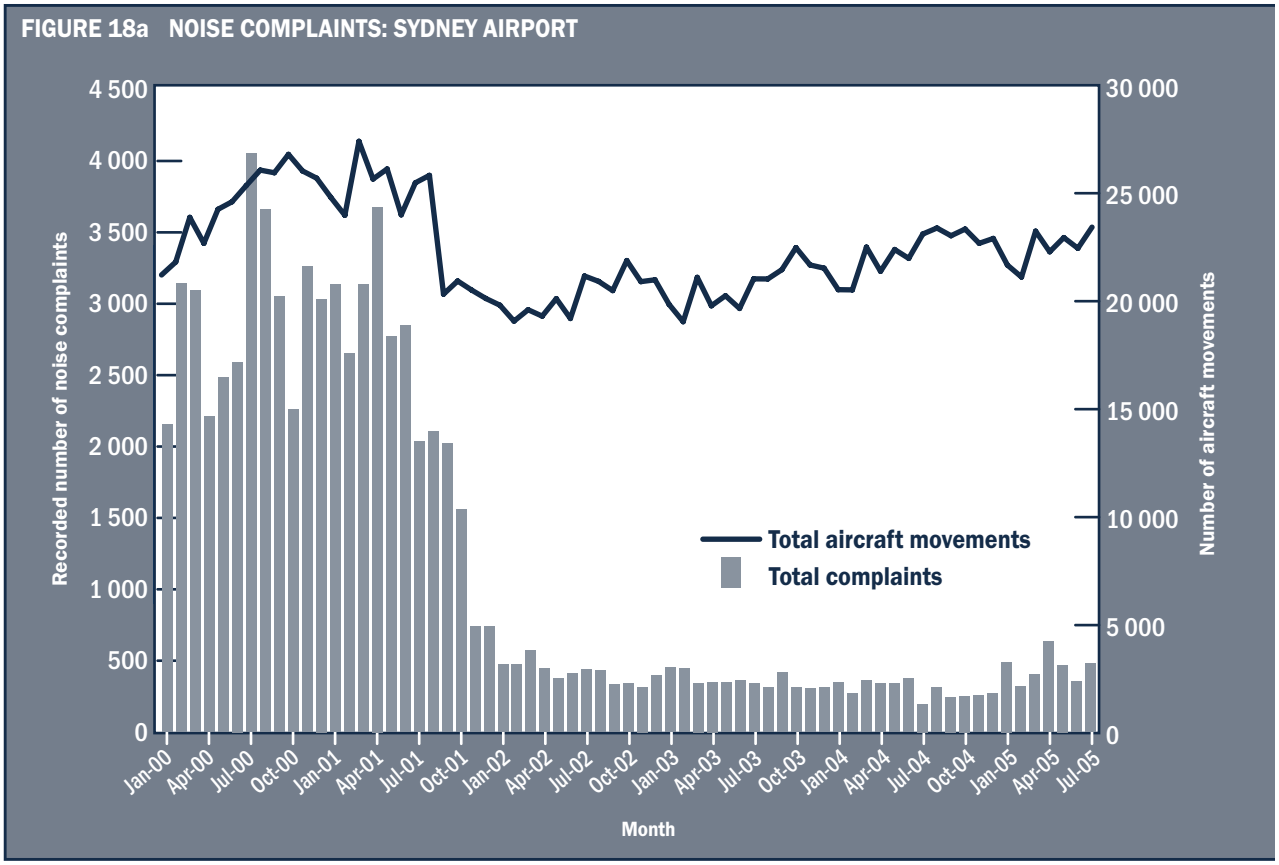
For the twelve months ending July 2005, noise complaints totalled 4 494, an increase of 15.2 per cent over the previous twelve months. Over the same period, there were 272 487 aircraft movements, an increase of 4.6 per cent on the previous twelve months. Figure 18b zooms in on the period from January 2002 to July 2005.

ECONOMIC INDICATORS

Real domestic air fares

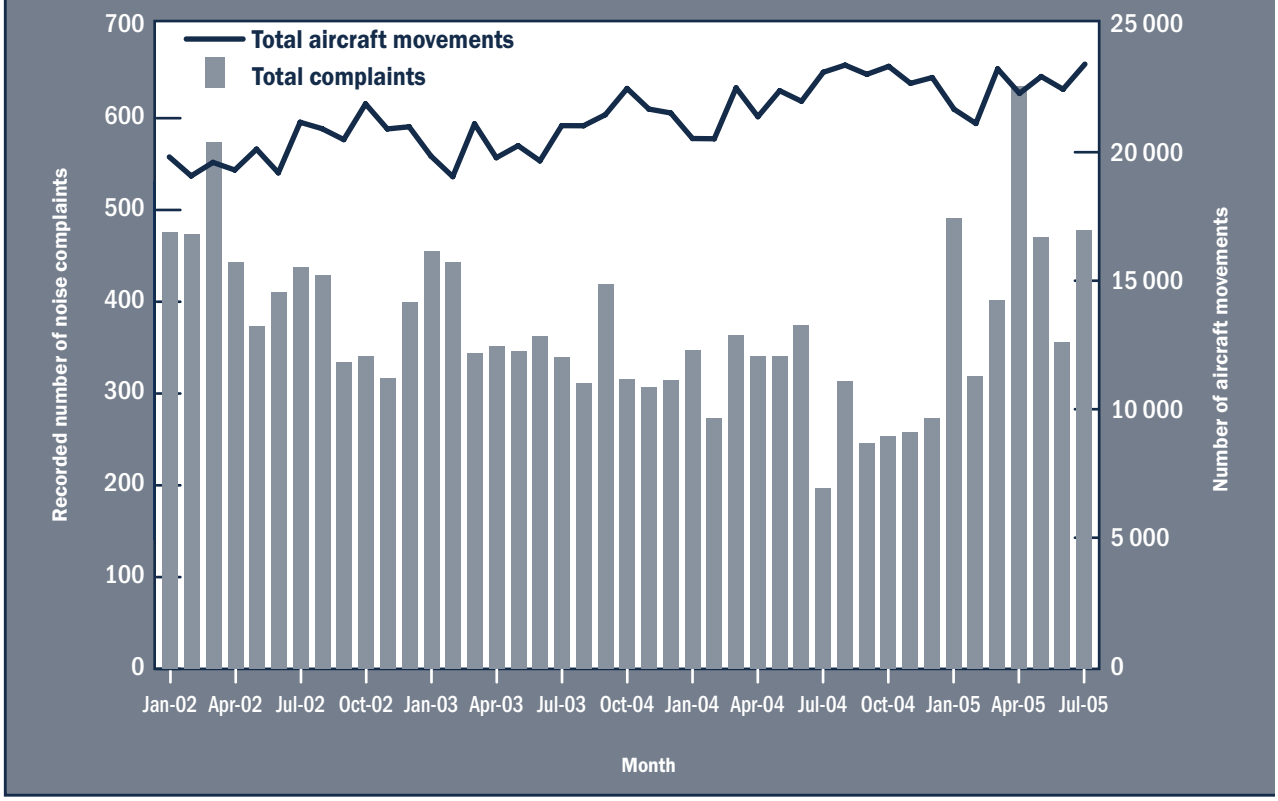
From this issue of Avline, figure 19 presents the real domestic air fares indexes for Business Class, Full Economy, Restricted Economy and Best Discount air fares, showing 13 month moving averages. The indexes have been re-based from July 2003. Indexes prior to July 2003 were constructed using SABRE Pacific's Computer Reservations System. Indexes for July

FIGURE 18a NOISE COMPLAINTS: SYDNEY AIRPORT



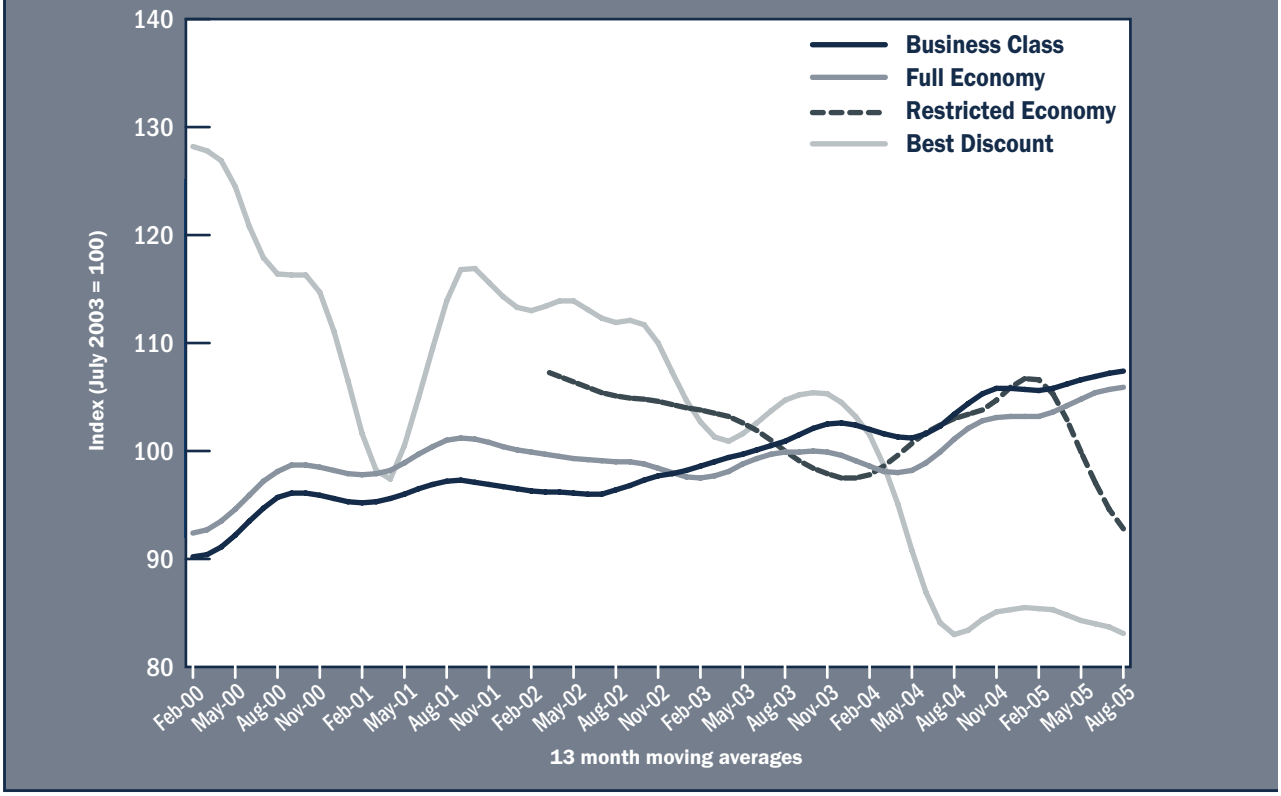
Source: Airservices Australia, monthly Sydney Airport operational statistics (preliminary data).

FIGURE 18b NOISE COMPLAINTS: SYDNEY AIRPORT



Source: Airservices Australia, monthly Sydney Airport operational statistics (preliminary data).

FIGURE 19 REAL DOMESTIC AIRFARES



Note: CPI adjusted. SABRE Pacific does not warrant the accuracy of any of the data provided by its system. Under no circumstances will SABRE Pacific be liable for the loss of profits, loss of use of contracts, or for any economic or consequential loss whatsoever, whether arising from errors in data, negligence, breach of contract or otherwise.

Source: BTRE Aviation Statistics Section; SABRE Computer Reservation System (prior to July 2003); BTRE internet air fare survey (July 2003 onwards); Australian Bureau of Statistics (CPI data).

2003 onwards are based on airfares collected from BTRE Internet air fare survey. All indexes are Consumer Price Index (CPI) adjusted and set at a base value of 100.0 for July 2003.

The real domestic air fares indexes include those taxes and charges that are collected as part of the airfare (security, certain airport charges and GST). The indexes provide a measure of changes to air fares over time.

Over the last few months, the most notable change in air fares has occurred in relation to Restricted Economy fares, with a high of 106.7 recorded in January 2005, decreasing by 13.1 per cent to an index of 92.8 in August 2005.

The Best Discount Fare Index achieved a record low of 83.0 in August 2004, 20.7 per cent lower than August 2003. Since then, however, it has shown little variation peaking at 85.5 in January 2005 but returning to 83.1 by August 2005.

Business Class and Full Economy fares have risen by 3.9 per cent and 4.8 per cent, respectively, over the twelve months to August 2005. These may be partially influenced by the continued rise in jet fuel prices (discussed overleaf).

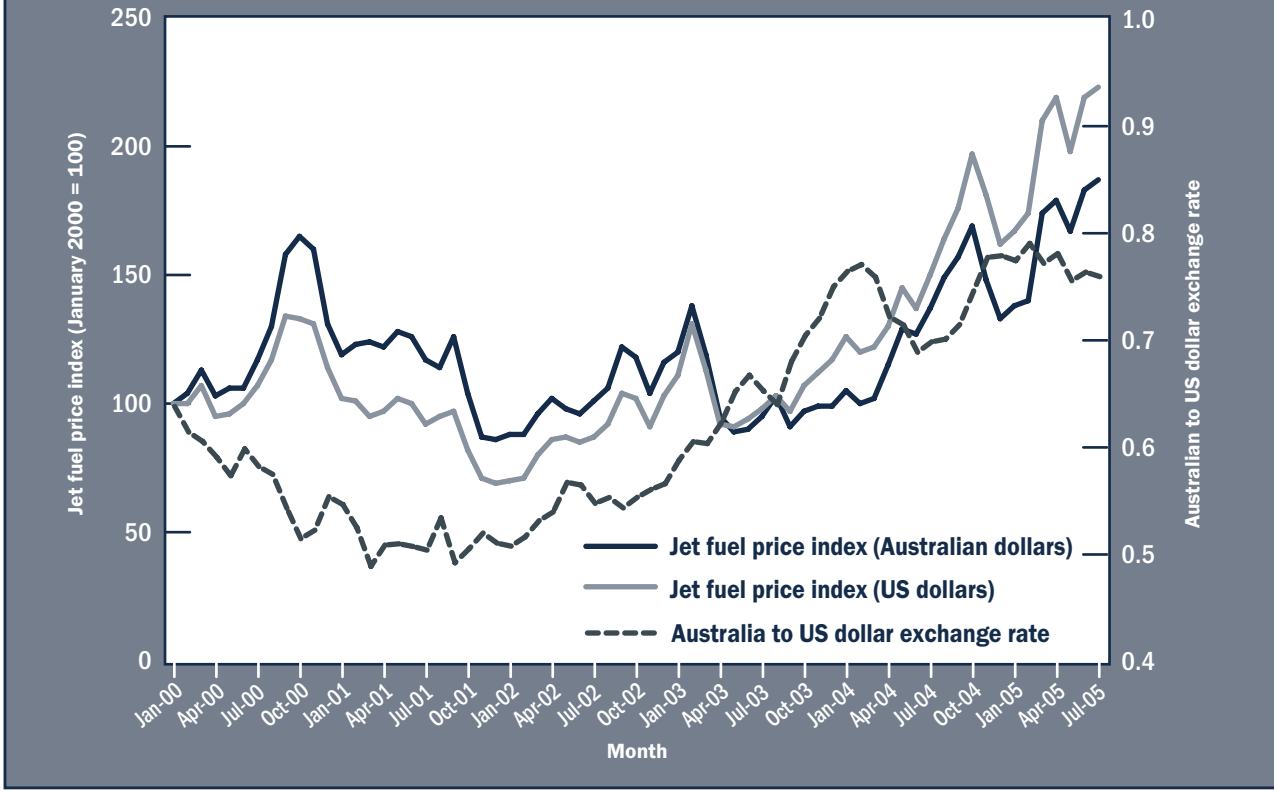
Jet fuel prices

Aviation jet fuel costs have continued to rise dramatically over recent months, exceeding the previous record highs (in October 2004) reported in Issue 6 of Avline. At July 2005, the jet fuel price index in US dollars was 223, an increase of 48.7 per cent on July 2004 and 127.9 per cent on July 2003. In Australian dollar terms, the index reached 187 which was 36.7 per cent higher than July 2004 and 95.9 per cent higher than July 2003 (figure 20).

The trend toward higher fuel prices, as well as the corresponding introduction of fuel surcharges by Qantas and Virgin Blue, was noted in Issue 5 of Avline. Since then prices have continued to rise. In recent months, Qantas, Virgin Blue and Regional Express have all increased their fuel surcharges in response to the record high oil prices.

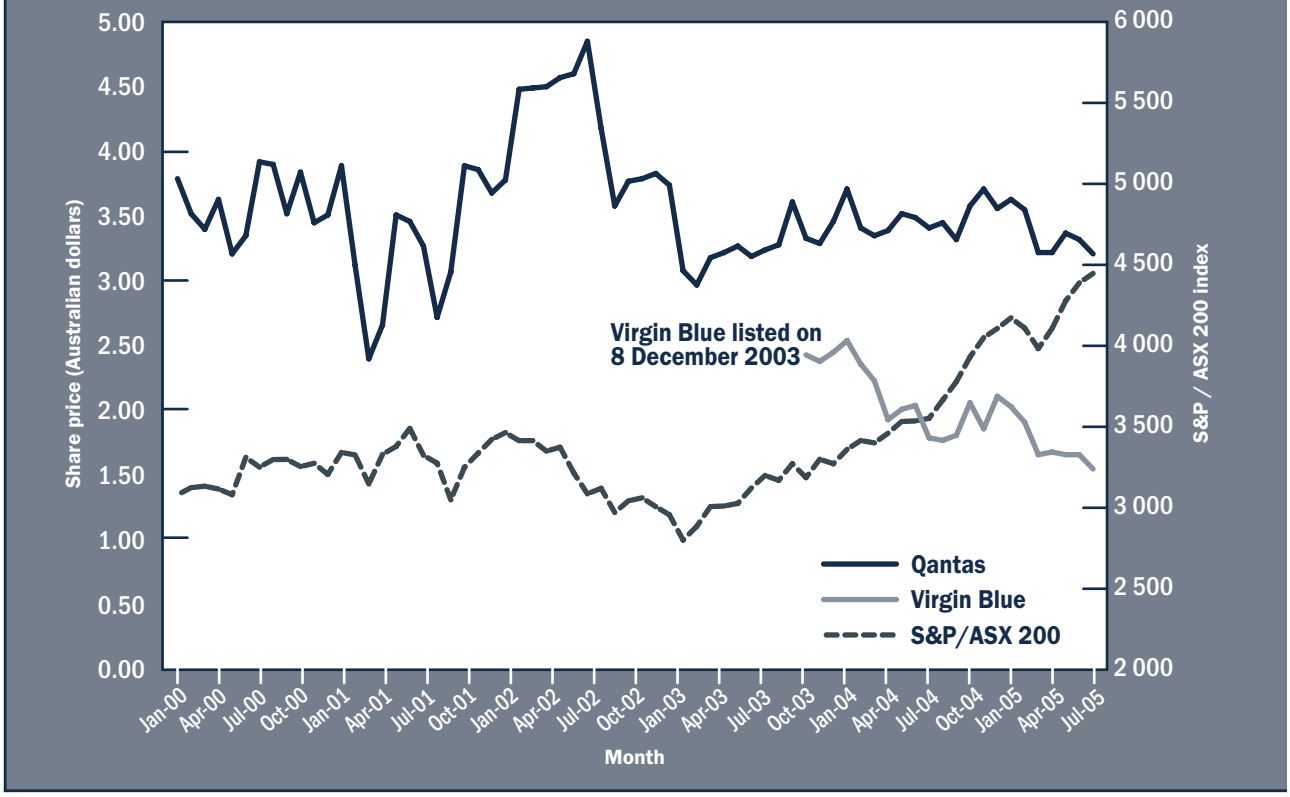
In April 2005, Qantas announced increases in its fuel surcharges from $12.00 to $20.00 per sector for domestic travel in Australia and New Zealand; $29.00 to $40.00 per sector for trans-Tasman travel; $29.00 to $60.00 per sector for other international travel; and $10.00 to $19.00 per sector for Jetstar flights. Further increases were announced in August 2005.

FIGURE 20 WORLD AVERAGE JET FUEL PRICES



Source: BTRE analysis using ICIS-LOR fuel prices (cited in Airline Business); Reserve Bank of Australia Bulletin, Statistical Table F11.

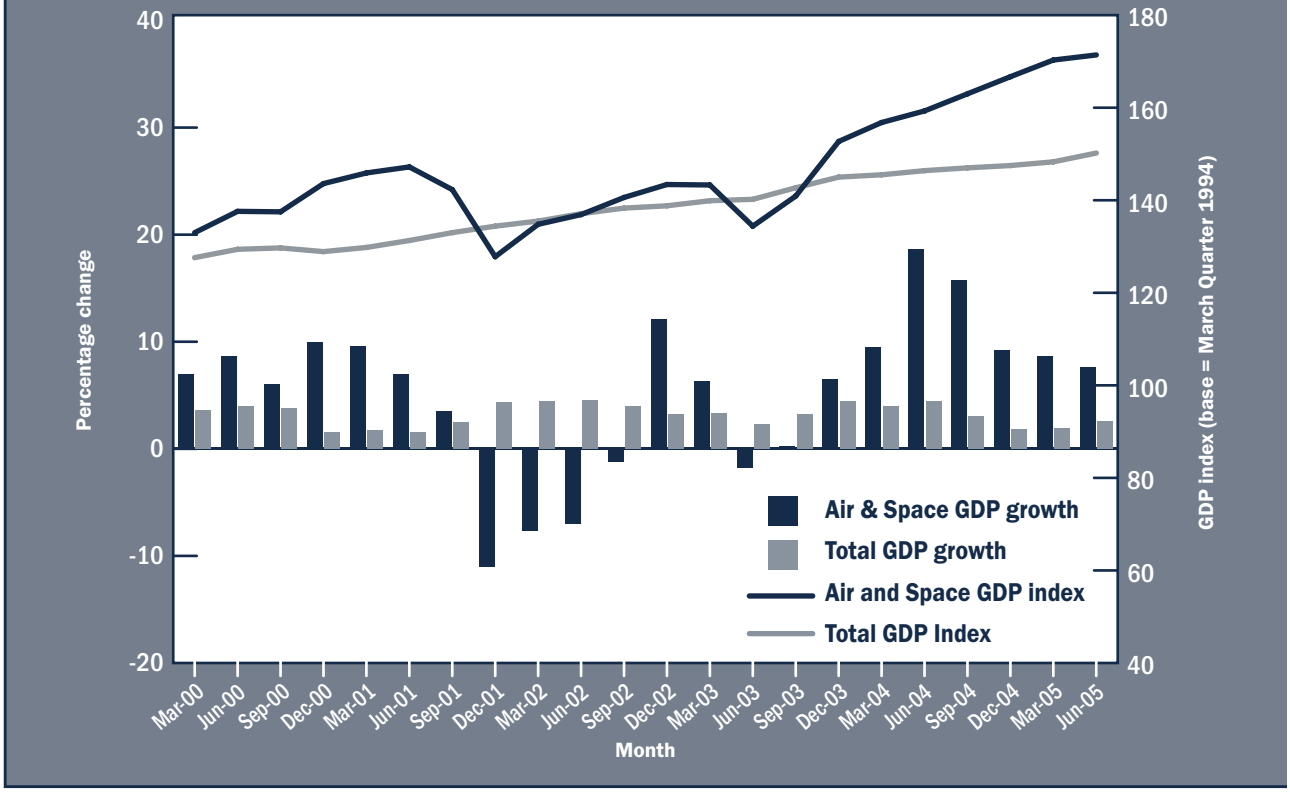
FIGURE 21 AIRLINE SHARE PRICES



Note: Share prices are monthly closes.

Source: Share prices: GS JB Were, ASX, Australian Financial Review.

FIGURE 22 GROSS DOMESTIC PRODUCT



Note: Chain volume measures reference year is 2001–02. Seasonally adjusted. Growth rates are calculated over the same quarter in the previous year.

Source: ABS Catalogue No. 5206.0.

Also in April 2005, Virgin Blue announced increases in its fuel surcharges from $10.00 to $19.00 per sector for domestic flights, and $20.00 to $35.00 per sector on international flights. In September 2005, Virgin Blue made a further announcement that, while no further increases in fuel surcharges are planned at this stage, they will "examine fares on a route by route basis … however no decisions [about fare increases] have been made at this time".

Regional Express announced an increase of $8.00 per sector in April 2005 and a further increase of $2.00 per sector in August 2005.

Airline share prices

Figure 21 shows the end of month closing prices for Qantas, Virgin Blue and the S&P/ASX 200 Index.

Virgin Blue's share price peaked at $2.11 per share in January 2005, but reached a low of $1.55 per share in August 2005, 13.4 per cent down on the closing price for August 2005.

The Qantas share price reached a high of $3.56 per share in December 2004. In January 2005, Qantas shares closed at $3.21, up 5.9 per cent down on August 2004.

Qantas reported a pre-tax profit of $1027.2 million for the year ending June 2005. This was a 6.5 per cent increase over the same period in 2004. The $763.6 million after-tax profit to June 2005 was 17.8 per cent higher than the twelve months to June 2004.

Virgin Blue reported a pre-tax profit of $226.2 million for the twelve months ending March 2005, up 45 per cent on the year ending March 2004. Its after-tax profit for the same period was $159.0 million, up 47 per cent on the year ending March 2004.

Gross Domestic Product

Figure 22 shows indexes based on Australia's Gross Domestic Product (GDP), comparing all industries with the air and space industry component.

Air and space industries showed strong growth over the year, with the Air and Space Index peaking at 171.4 in the quarter ending June 2005. This was up 7.6 per cent over the previous June quarter.

The Total GDP Index showed steady growth. The Index reached 150.2 for the June quarter 2005, up 2.6 per cent on the corresponding quarter in 2004.

AIRPORT CHARGES

Table 5 shows the real charges incurred by aircraft operators per return passenger at

TABLE 5 NOMINAL AIRPORT CHARGES (PER PASSENGER) BY AIRCRAFT TYPE

	Sydney			Melbourne			Brisbane			Perth			Adelaide		
Aircraft	**Jul-04**	**Jan-05**	**Jul-05**	**Jul-04**	**Jan-05**	**Jul-05**	**Jul-04**	**Jan-05**	**Jul-05**	**Jul-04**	**Jan-05**	**Jul-05**	**Jul-04**	**Jan-05**	**Jul-05**
747-438															
Airport	29.25	29.19	29.15	22.49	22.22	22.37	18.62	18.41	19.01	19.34	19.12	21.37	22.81	22.55	22.79
Airservices	7.38	6.78	8.43	6.08	5.92	7.62	8.60	8.27	9.93	13.25	11.93	14.87	16.66	15.14	19.33
Security	6.09	4.18	6.40	3.56	2.69	3.20	8.33	8.24	6.99	3.03	5.12	5.57	10.60	10.47	6.77
Total	42.73	40.15	43.98	32.13	30.84	33.19	35.56	34.91	35.93	35.62	36.18	41.80	50.07	48.16	48.88
737-800															
Airport	6.11	6.04	6.07	6.84	6.76	6.81	6.11	6.04	6.26	7.97	7.88	7.78	8.01	7.91	7.99
Airservices	3.47	3.19	3.96	2.86	2.78	3.58	4.04	3.88	4.66	6.23	5.61	6.99	7.83	7.11	9.08
Security	2.67	1.41	2.31	0.39	0.31	0.31	0.62	0.61	0.56	2.99	3.59	3.54	0.76	0.75	0.68
Total	12.25	10.63	12.35	10.08	9.86	10.70	10.77	10.53	11.49	17.19	17.08	18.30	16.59	15.77	17.75
Dash 8-300															
Airport	6.11	6.04	6.07	6.84	6.76	6.81	5.79	5.73	5.94	7.97	7.88	7.78	3.42	3.38	3.41
Airservices	3.29	3.02	3.76	2.71	2.64	3.40	3.83	3.68	4.42	5.91	5.32	6.63	7.42	6.75	8.61
Security	2.67	1.41	2.31	0.39	0.31	0.31	0.59	0.58	0.53	2.99	3.59	3.54	0.00	0.00	0.00
Total	12.07	10.47	12.14	9.94	9.71	10.51	10.21	9.99	10.89	16.87	16.79	17.94	10.84	10.12	12.02
SAAB340B															
Airport	6.11	6.04	6.07	6.84	6.76	6.81	6.03	5.96	6.18	7.97	7.88	7.78	3.55	3.51	3.55
Airservices	3.42	3.14	3.79	2.82	2.74	3.35	3.99	3.83	4.42	6.14	5.53	6.69	7.72	7.02	8.56
Security	2.67	1.41	2.31	0.39	0.31	0.31	0.61	0.60	0.55	2.99	3.59	3.54	0.00	0.00	0.00
Total	12.20	10.59	12.18	10.05	9.82	10.46	10.62	10.39	11.15	17.10	17.01	18.00	11.28	10.53	12.11
Metro 23															
Airport	7.67	7.58	7.48	6.84	6.76	6.81	6.15	6.08	6.30	7.97	7.88	7.78	3.79	3.58	3.62
Airservices	3.49	3.21	3.87	2.88	2.80	3.41	4.07	3.91	4.51	6.27	5.64	6.82	8.24	7.16	8.73
Security	1.90	1.16	1.96	0.39	0.31	0.31	0.62	0.61	0.56	2.99	3.59	3.54	0.00	0.00	0.00
Total	13.06	11.95	13.31	10.10	9.88	10.53	10.84	10.60	11.37	17.23	17.12	18.14	12.03	10.74	12.35

Note: Calculated on a return passenger basis, that is, assuming one arrival and one departure, for price schedules as at 31 January and 31 July each year. A portion of security charges may apply to passengers going through airport-operated terminals only. Sydney international charges (airport and security components) have been adjusted to exclude transit and transfer passengers.

Source: BTRE estimates based on airport public price schedules supplied by airport operators; Airservices Australia published price schedule.

Australia's major capital city airports as at 31 July 2004, 31 January 2005 and 31 July 2005. This is presented by category of aircraft type and shows airport, air services and security components.

Airport charges data estimates what an airline may expect to pay—based on publicly available information published by airport authorities and Airservices Australia—that:

- includes GST
- excludes confidential agreements between airports and airlines
- excludes terminal charges for domestic and regional services, which are often confidential and may differ by terminal and airline.

The data should be interpreted with caution as actual rates may vary for individual aircraft operators based on negotiated contracts.

International transit and transfer passengers at Sydney and Brisbane airports do not incur the international terminal charge. In order to exclude these passengers from the international terminal charge calculation at these airports, the BTRE has assumed that transit and transfer passengers comprise 10 per cent of international passengers.

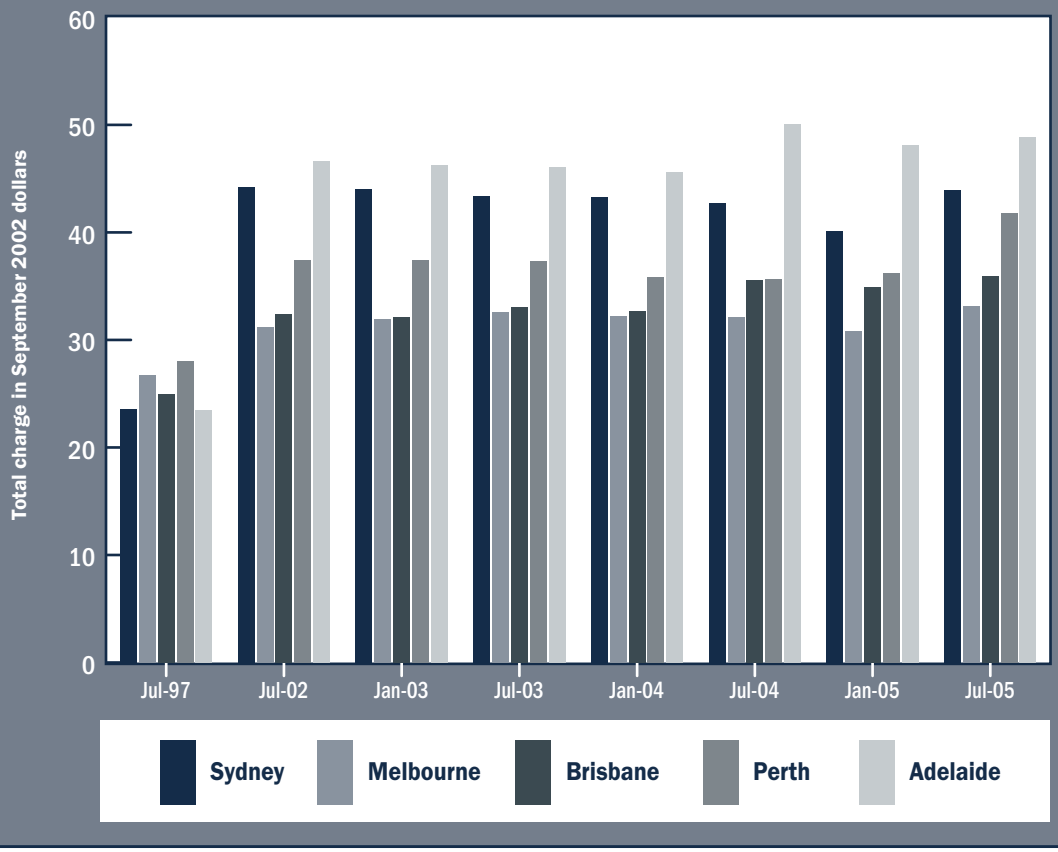
All five airports set security charges on a cost-recovery basis. If significant over (under) recovery occurs in a period, security charges are reduced (increased) in the subsequent period, which may result in period to period variations in total charges.

Over the six months between January and July 2005, total airport charges increased at all airports primarily due to increases in air services charges. Security charges rose at Sydney and for international flights at Perth and Melbourne airports. The airport charge component of the total increased slightly for all categories of aircraft at Brisbane, Adelaide and Melbourne. Sydney and Perth showed increases for some categories of aircraft and slight decreases for others. Perth's airport charges for international passengers rose due to the introduction of a baggage handling system charge.

Over the twelve month period between July 2004 and July 2005, total charges increased for all categories of aircraft at all ports, except for international aircraft at Adelaide and SAAB340B aircraft at Sydney. Again, these increases were largely due to rises in the air services component which offset decreases in other charges.

Real airport charges for the international, domestic and regional sectors are also shown in Figures 23, 24 and 25 respectively. These are

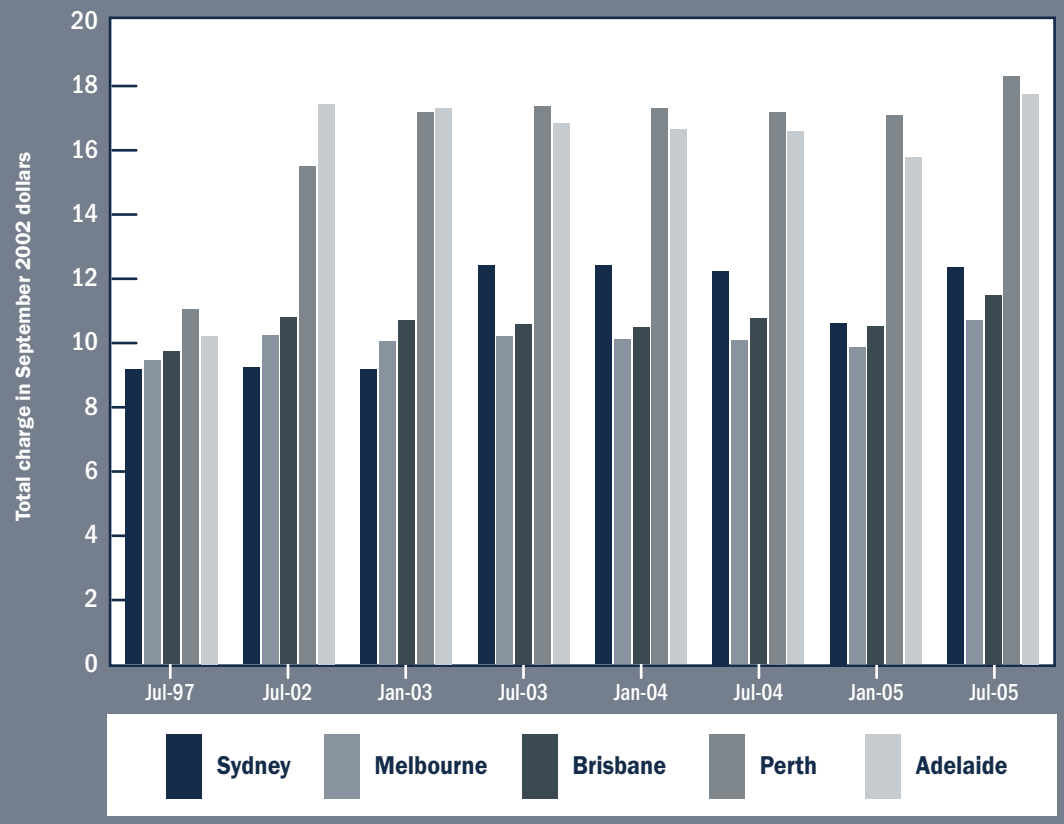
FIGURE 23 REAL INTERNATIONAL AIRPORT CHARGES (per return passenger)



Note: This graph shows total airport charges for a 747-438 as representative of international flights. Charge calculations are based on BTRE assumptions and may differ from actual charges incurred by specific operators. International charge estimates exclude terminal charges. Data for periods from July 2000 are GST inclusive. Sydney charges exclude the noise charge. An indicative domestic load factor of 72.0 per cent is assumed.

Source: Published airport charges data; ABS 8 capital city CPI (6401.0); BTRE assumptions.

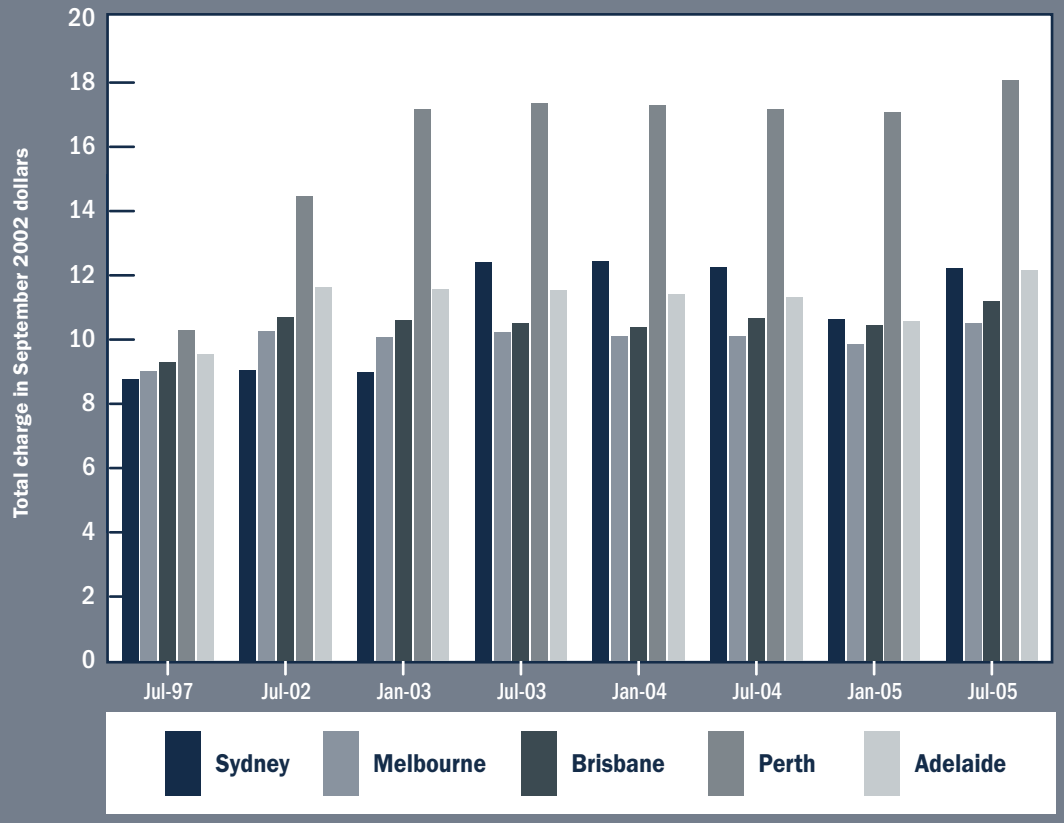
FIGURE 24 REAL DOMESTIC AIRPORT CHARGES (per return passenger)



Note: This graph shows total airport charges for a 737-800 as representative of domestic flights. Charge calculations are based on BTRE assumptions and may differ from actual charges incurred by specific operators. Domestic and regional charge estimates exclude terminal charges. Data for periods from July 2000 are GST inclusive. Sydney charges exclude the noise charge. An indicative domestic load factor of 76.5 per cent is assumed.

Source: Published airport charges data; ABS 8 capital city CPI (6401.0); BTRE assumptions.

FIGURE 25 REAL REGIONAL AIRPORT CHARGES (per return passenger)



Note: This graph shows total airport charges for a SAAB340B as representative of regional flights. Charge calculations are based on BTRE assumptions and may differ from actual charges incurred by specific operators. Domestic and regional charge estimates exclude terminal charges. Data for periods from July 2000 are GST inclusive. Sydney charges exclude the noise charge. An indicative domestic load factor of 60.0 per cent is assumed.

Source: Published airport charges data; ABS capital city CPI (6401.0); BTRE assumptions.

based on aircraft considered representative of each sector and show data by airport from July 2002 to July 2005. January 1997 is included as the base year for comparison.

The parameters used by the BTRE in its airport charges calculations are summarised in Table 6. The aircraft types shown are representative of international, trunk route domestic, and large, medium and smaller regional routes.

TABLE 6 PARAMETERS USED IN AIRPORT CHARGE CALCULATIONS

Aircraft type	Operational sector (typical)	Aircraft maximum take-off weight (tonnes)	Number of aircraft seats (nominal)	Average passenger load factor (%)
747-438	**International**	394.6	394	72.0
737-800	**Domestic**	79.0	158	76.5
Dash 8-300	**Regional**	18.6	50	60.0
SAAB 340B	**Regional**	13.2	34	60.0
Metro 23	**Regional**	7.5	19	60.0

Note: The load factor is the proportion of total aircraft seats that are filled by paying passengers. Aircraft load factors are derived from BTRE Statistics Section data collections for the relevant operational sector and may not reflect actual load factors at specific airports.

Sources: Airline websites; CASA aircraft register; BTRE aviation databases and assumptions.

DEFINITIONS

Available seats	The number of aircraft seats available for passenger use.
Available Seat Kilometres (ASKs)	Calculated by multiplying the number of seats available on each flight stage, by the distance in kilometres between the ports. The distances used are Great Circle Distances.
Cancellation	A flight that is cancelled or rescheduled within seven days of its scheduled departure time.
City pair	The ports shown make up the city pair route. Passenger movements shown for a city pair reflect total traffic in both directions.
Domestic airline	An airline performing regular public transport services between capital cities and major tourist centres.
Flight stage	The operation of an aircraft from take-off to landing.
Great Circle Distance	The shortest distance between any two points on the globe as measured over the earth's surface.
Load factor	The proportion of total aircraft seats that are filled by paying passengers.
On time arrival	A flight arrival that arrives at the gate within 15 minutes of the scheduled arrival time shown in the carrier's schedule.
On time departure	A flight departure that departs the gate within 15 minutes of the scheduled departure time shown in the carrier's schedule.
On time performance	Measured as number of flights operating on time as a percentage of the number of flights operated on any particular sector.
Passenger movements	Revenue passengers carried.
Regional airline	An airline performing regular public transport services and primarily servicing regional centres.
Revenue Passengers	All passengers paying any fare. Frequent flyer redemption travellers are regarded as revenue passengers.
Revenue Passenger Kilometres (RPKs)	Calculated by multiplying the number of revenue passengers travelling on each flight stage, by the distance in kilometres between the ports. The distances used are Great Circle Distances.
Regular Public Transport (RPT)	Aircraft transport available to the public and operated to fixed schedules and between specified fixed terminals.

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