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Bureau of Transport and Regional Economics

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from the director

Welcome to the fifth edition of Avline.

The Australian domestic aviation industry has undergone significant change since the events that led to the collapse of Ansett in September 2001.

This issue's feature article examines the industry's response to that event, the current situation, and the outlook going forward.

Phil Potterton

Executive Director

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at a glance

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AUSTRALIA'S DOMESTIC AVIATION INDUSTRY THREE YEARS AFTER ANSETT

Introduction

For over 50 years, the Australian domestic aviation industry was dominated by two major airlines. Up until 1990, this duopoly arrangement was legislated under the two airlines policy. Following deregulation, new airlines were able to enter the market but the commercial challenge of establishing trunk route services in competition to the established carriers proved significant. New airlines Compass, and Compass Mark 2, introduced services in 1990 and 1992 respectively but both ventures were short-lived.

Following a government decision to amend foreign ownership rules to allow for 100 per cent foreign ownership of Australian domestic airlines, Virgin Blue entered the domestic market in August 2000. Prior experience suggested that the new entrant may be the most commercially vulnerable of the three major airlines so it came as a major shock when established carrier Ansett collapsed in September 2001.

Response to the Ansett collapse

Prior to the collapse of Ansett, the domestic industry (including all regional operations) was operating at record levels with 3.0 million passengers, 3.2 billion revenue passenger kilometres (RPKs) and 50,340 airline flights operated in July 2001.

In addition to the Ansett collapse, the terrorist attacks on the United States in September 2001 created a climate of uncertainty generally in the aviation industry as it worked to address the new security environment. By October, normally the busiest month of the year for Australian airlines, the number of passengers had fallen to 2.4 million, 20.8 per cent down on July 2001. RPKs had fallen to 2.5 billion, a reduction of 21.2 per cent and the number of flights decreased to under 40,000, 22.6 per cent less than July 2001.

The surviving airlines responded by immediately increasing capacity on previous Ansett routes. Qantas increased its capacity from 1.9 billion available seat kilometres (ASKs) in August 2001 to 2.2 billion in October 2001 (an increase of 18.9 per cent) and to 2.4 billion in November 2001 (an increase of 27.6 per cent).

Virgin Blue also accelerated its growth plans, increasing capacity from approximately 263 million ASKs in August 2001 to 288 million in October 2001 (up 9.5 per cent) and to almost 318 million in November 2001 (up 20.9 per cent).

Recovery of the industry

From the low point following the collapse of Ansett, the Australian domestic airline industry has been in a continued period of expansion, to the point where traffic levels now significantly exceed those of the pre-Ansett environment.

In the year to July 2004, 36.9 million passengers were carried on domestic and regional airlines, an increase of 14.0 per cent on the year to July 2003, and an increase of 7.0 per cent on the period to July 2001 (Figure 1).

The industry is now operating at record levels. The seven busiest, and ten of the twelve busiest months ever in Australia's domestic aviation history, occurred between September 2003 and July 2004. In July 2004, a record high of 3.44 million passengers was carried on domestic routes, an increase of over 16.4 per cent over July 2003 and 12.7 per cent above July 2001.

Total RPKs performed in July 2004 were 3.94 billion, 18.1 per cent higher than July 2003 and 22.7 per cent higher than July 2001, indicating the increased number of passengers being carried on longer-haul direct services.

Aircraft productivity is significantly higher than in the pre-Ansett period. While load factors dropped initially following Ansett's collapse and the subsequent introduction of new capacity by Qantas and Virgin Blue, they have been strong since early 2002. For several months in late 2003, load factors exceeded 80 per cent. The introduction of additional capacity by Virgin Blue through 2004 and by the new Qantas low-cost subsidiary, Jetstar, in late May brought load factors down to 74.9 per cent in June 2004, but by July 2004 they had once again exceeded 80 per cent.

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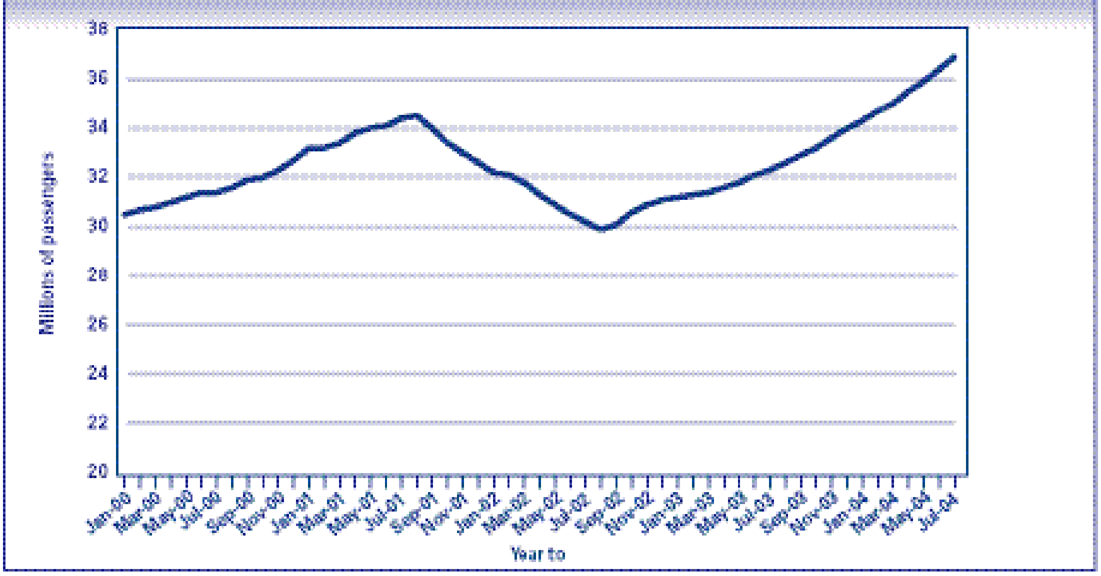
FIGURE 1 DOMESTIC AND REGIONAL PASSENGERS (ANNUAL)



Note *Regional data component includes BTRE estimates.*
Source *BTRE Transport Statistics.*

Regional services

Although overall the domestic aviation industry is carrying more passengers than ever, the recovery has not been consistent across all routes.

With the collapse of Ansett, the future of regional affiliates Hazelton, Kendall, Skywest and Aeropelican was in doubt. Fortunately, all were able to resume operations. Skywest and Aeropelican continued to operate in their own right while in August 2002, Regional Express began operating with what remained of the Hazelton and Kendall fleet.

For the year to June 2004, the number of passengers on all non-trunk[1] routes was 6.3 million, a decrease of 6.9 per cent from the 6.8 million for the year to June 2001. Recovery has been slower than for the trunk routes, but the 2004 figure represents a growth of 14.6 per cent from the 5.5 million passengers carried on these routes in the year to June 2003.

The number of flights operated on non-trunk routes was 242,100 for the year to June 2004, a decrease of 27.7 per cent from the 334,900 flights for the year to June 2001 and a 6.9 per cent decrease from the 242,100 flights for the year to June 2003.

The number of seats has also dropped. The year to June 2004 saw 8.6 million seats operated on non-trunk routes, a decrease of 6.1 per cent from the 9.1 million for the year to June 2001, and a decrease of 10.6 per cent from the 9.6 million operated in the year to June 2003.

The improving passenger levels over the last twelve months, together with the decrease in seats operated, have led to significantly improved load factors on non-trunk routes over the last year. This is a fundamental productivity indicator for any airline, and offers encouragement for sustained growth in this sector of the market.

Outlook for the industry

The restructure forced upon the industry by the collapse of Ansett has left the Australian domestic airline sector in a stronger, more competitive position than ever before.

Three years ago, it appeared Qantas might occupy a monopoly position in the market. However, Virgin Blue's market share has increased as it has continued to expand services, first concentrating on the discount market, but more recently also marketing to business and other premium passengers.

1 Non-trunk routes refer to services other than those linking capital cities and the major tourist centres Gold Coast, Sunshine Coast, Townsville, Cairns, Hamilton Island, Ayers Rock and Alice Springs

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Qantas, for its part, has continued to grow and has also entered the low cost market with Jetstar in May 2004, allowing the Qantas group to offer differentiated service levels to the market. Consumers have benefited, with increased competition in both the business and discount sectors.

The regional airline sector is still operating with lower passenger volumes than in 2001, though growth signs over the past twelve months have been encouraging with the non-trunk routes now experiencing similar levels of growth to the high-volume trunk routes.

STATE OF PLAY IN AUSTRALIAN AVIATION

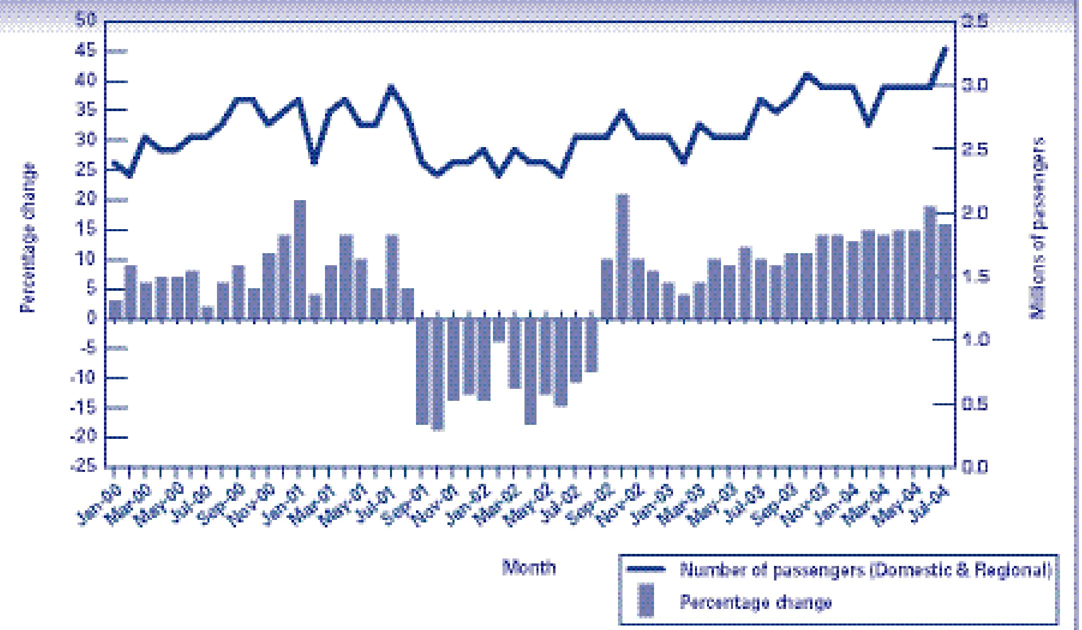
Key dates impacting on data

Since June 2000 a number of significant events have impacted on Australia's aviation industry. They are listed on page 14 of this issue and should be taken into account when interpreting the tables and figures presented throughout the document.

Domestic and regional passengers

The domestic airline industry continued to operate at the high levels described in the last issue of Avline. Apart from a decrease in the month of February 2004, the number of domestic and regional passengers has remained relatively steady at around 3.0 million per month, exceeding the pre-Ansett collapse record month of 2.95 million passengers achieved in July 2001 (see figure 2). Total passengers carried in the month of July 2004 was 3.3 million, an increase of 16.2 per cent over July 2003.

FIGURE 2 DOMESTIC AND REGIONAL PASSENGERS



Note *Regional data component includes BTRE estimates. Growth rates are calculated over the year ending for the same period in the previous year.*

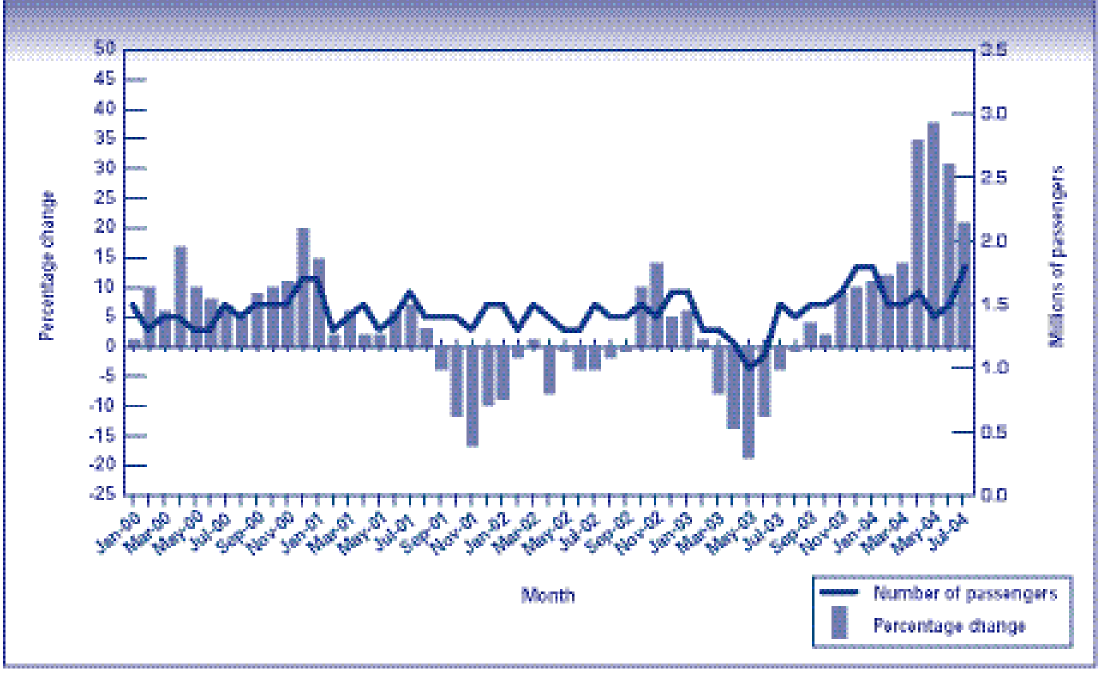
Source *BTRE Transport Statistics.*

International passengers

International passenger numbers have remained high with normal season variation over the past few months.

In July 2004, 1.76 million passengers were carried, an increase of 21.0 per cent on July 2003, when traffic levels were impacted negatively by the SARS crisis (figure 3). Overall, the number of international passengers for July 2004 was 305,000 above July 2003.

FIGURE 3 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.*

Airport activity levels

Passenger and aircraft movements for the five major Australian airports are summarised in Table 1. Total regular public transport (RPT) passenger movements increased strongly at all major airports in the first

TABLE 1 ACTIVITY AT MAJOR AUSTRALIAN AIRPORTS

		International[1]		Domestic[2]		Regional[2 P]		Total regular public transport		
Airport	Half year	Passenger arrivals and departures (millions)	RPT aircraft movements (thousands)	Passenger arrivals and departures (millions)	RPT aircraft movements (thousands)	Passenger arrivals and departures (millions)	RPT aircraft movements (thousands)	Passenger arrivals and departures (millions)	RPT aircraft movements (thousands)	All aircraft movements including military and unscheduled[3] (thousands)
Sydney	Jul–Dec 2002	4.1	23.7	7.2	54.8	0.8	37.3	12.1	115.7	130.8
	Jan–Jun 2003	3.7	23.4	7.0	51.4	0.7	34.8	11.4	109.6	123.7
	Jul–Dec 2003	4.3	25.7	8.0	55.6	0.8	37.3	13.1	118.6	134.5
	Jan–Jun 2004	4.3	27.3	7.8	56.6	0.8	35.6	13.0	119.5	133.7
Melbourne	Jul–Dec 2002	1.7	10.8	6.4	50.2	0.3	13.9	8.3	74.9	80.5
	Jan–Jun 2003	1.5	10.2	6.4	49.2	0.3	12.5	8.1	71.9	77.3
	Jul–Dec 2003	1.7	11.1	7.2	52.2	0.3	12.5	9.2	75.9	81.3
	Jan–Jun 2004	1.9	12.5	7.3	54.0	0.3	12.3	9.5	78.8	83.8
Brisbane	Jul–Dec 2002	1.3	9.1	4.4	38.0	0.4	13.6	6.1	60.7	74.3
	Jan–Jun 2003	1.1	8.1	4.4	37.4	0.3	10.4	5.7	55.9	67.5
	Jul–Dec 2003	1.4	8.6	5.2	40.0	0.3	11.4	6.9	60.1	72.3
	Jan–Jun 2004	1.5	9.9	5.1	40.7	0.3	11.5	6.9	62.2	74.4
Perth	Jul–Dec 2002	0.9	4.3	1.7	15.1	0.1	4.2	2.6	23.6	47.4
	Jan–Jun 2003	0.7	4.2	1.7	15.9	0.1	4.2	2.6	24.3	46.3
	Jul–Dec 2003	0.9	4.6	1.9	16.4	0.1	4.2	2.9	25.3	47.6
	Jan–Jun 2004	0.9	4.6	2.0	16.7	0.1	4.4	3.0	25.7	47.4
Adelaide	Jul–Dec 2002	0.1	0.9	1.9	18.8	0.2	14.8	2.2	34.4	52.2
	Jan–Jun 2003	0.1	0.8	1.9	17.2	0.2	13.8	2.2	31.8	49.3
	Jul–Dec 2003	0.1	1.0	2.2	18.2	0.2	14.2	2.4	33.4	52.1
	Jan–Jun 2004	0.1	0.9	2.2	18.3	0.2	15.4	2.5	34.6	50.3

P Provisional, regional data component includes BTRE estimates, subject to change.
1. International passenger data are the total passengers uplifted and discharged within a flight. This data is provisional.
2. Domestic and regional passenger data are the total passengers on board (POB) by flight stage.
3. Arrival data recorded during the hours in which Airservices Australia provides a tower service.
Sources: BTRE Statistics Section; Airservices Australia monthly aircraft movements at Australian reports (http://wwwairservicesaustralia.com).

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half of 2004 in comparison to the first half of 2003, with an increase of 14.1 per cent at Sydney, 17.5 per cent at Melbourne, 19.6 per cent at Brisbane, 16.0 per cent at Perth and 14.6 per cent at Adelaide.

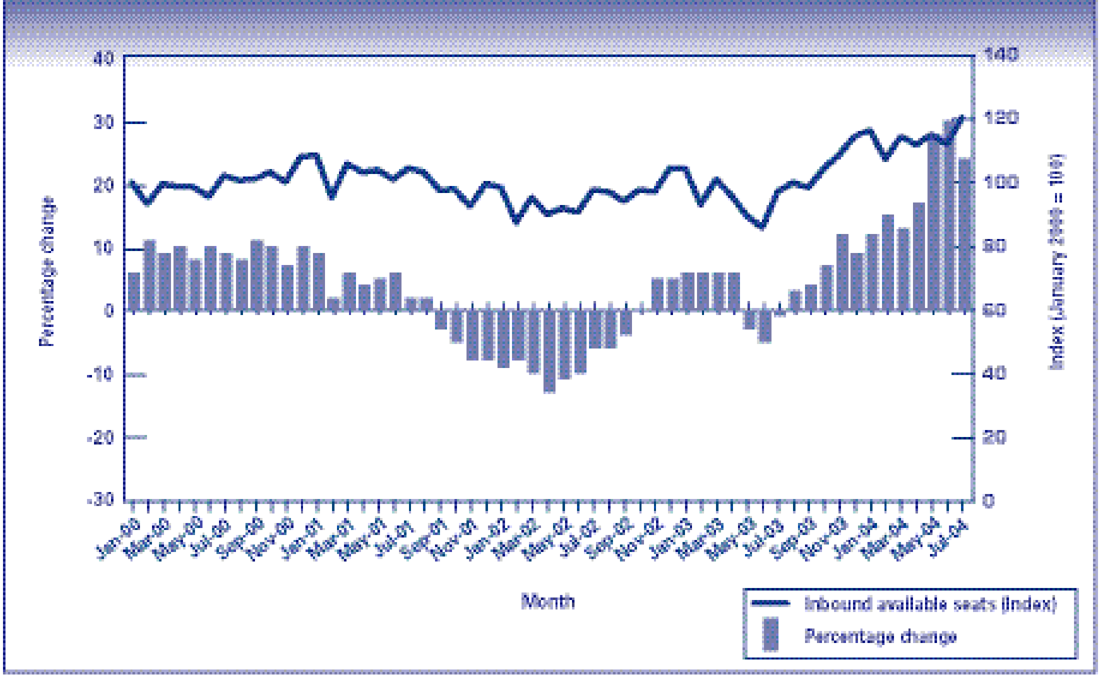
International passenger arrivals and departures increased at all five airports in the January–June 2004 half year compared to the same period in 2003. However, the increases were smaller when compared to the July–December 2003 half year.

The combined Domestic/Regional passenger market also continued to perform strongly at all major airports in the January–June 2004 period, particularly Brisbane (up 16.4 per cent from January–June 2003) and Melbourne (15.3 per cent). Passenger numbers also increased at Sydney (12.2 per cent), Adelaide (13.2 per cent) and Perth (14.3 per cent).

Capacity and flight frequency

This issue continues the series on international airline capacity, measured in terms of inbound available seats (figure 4). Capacity has remained at high levels over the last six months, peaking at a record 1.20 million seats in July 2004.

FIGURE 4 INTERNATIONAL CAPACITY



Note *Growth rates are calculated over the same month in the previous year.*
Source *BTRE Transport Statistics.*

Total regional and domestic capacity, measured in available seat kilometres (ASKs), achieved a new record of 4.70 billion ASKs in July 2004 (figure 5). This is 22.1 per cent higher than the July 2003 figure of 3.85 billion ASKs and 17.0 per cent higher than the pre-Ansett collapse record achieved in July 2001.

Flight frequency data for July 2004 indicates that the number of domestic and regional flights was up 5.4 per cent from July 2003 (figure 6). However, the 42.7 thousand flight stages operated in July 2004 were 15.6 per cent below the 50.6 thousand operated in August 2001, immediately prior to the Ansett collapse.

The increases over February–July 2004 are primarily driven by the growth in the domestic airline sector as both Virgin Blue and Qantas continue to add new aircraft to their fleets. In particular, Virgin Blue's fleet has grown from 22 aircraft in June 2002 to 44 registered aircraft in July 2004.

Jetstar Airways commenced operations on 25 May 2004, initially taking over the former Impulse Airline's fleet of 14 Boeing 717 aircraft. By the end of July, two new Airbus A320s were in use.

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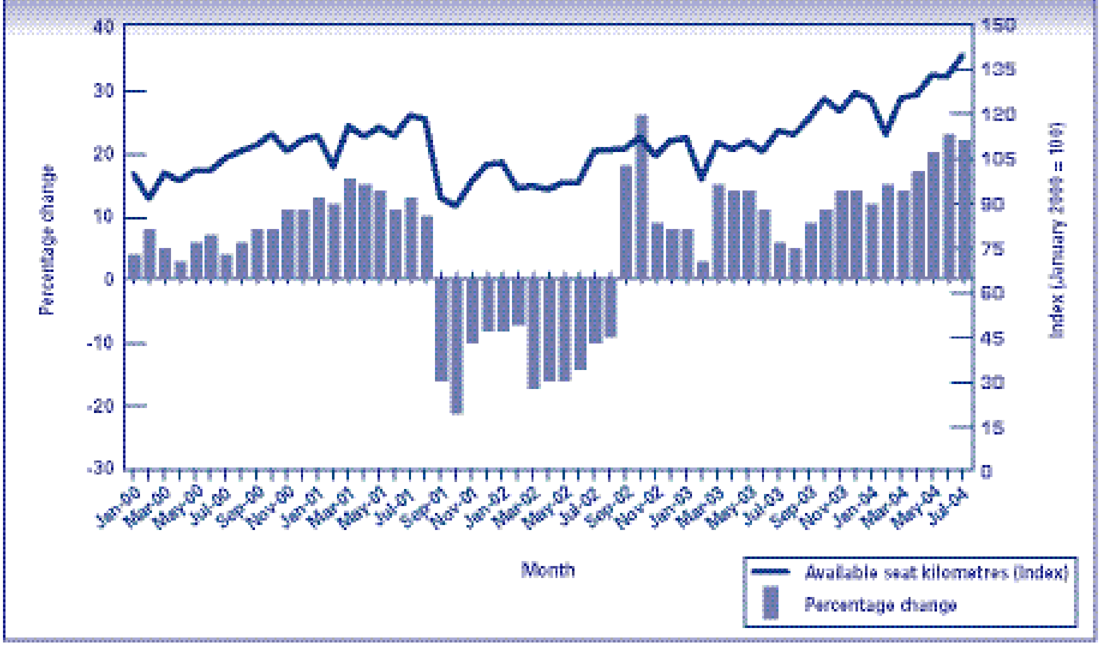
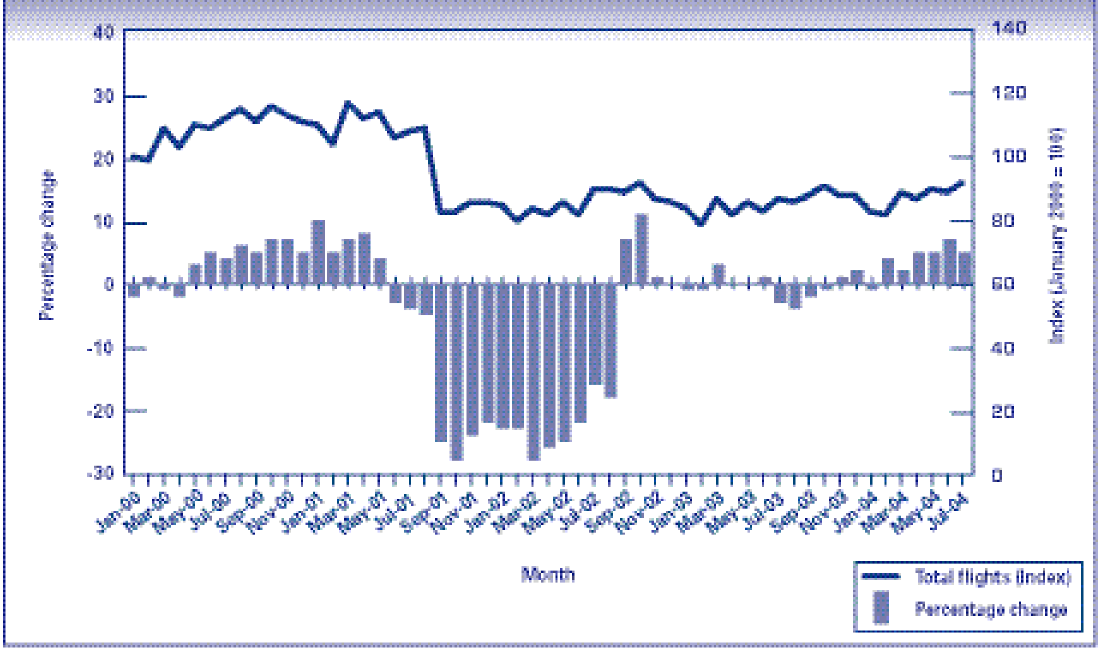
FIGURE 5 DOMESTIC AND REGIONAL CAPACITY



Note *Regional data component includes BTRE estimates. Growth rates are calculated over the year ending for the same period in the previous year.*

Source *BTRE Transport Statistics.*

FIGURE 6 DOMESTIC AND REGIONAL FLIGHTS



Note *Regional data component includes BTRE estimates. Growth rates are calculated over the year ending for the same period in the previous year.*

Source *BTRE Transport Statistics.*

Air freight

The domestic air freight index has been discontinued due to problems with data provision and coverage. BTRE is currently initiating discussions with air freight operators to attempt to resolve these problems.

International air freight tonnes carried to/from Australia on scheduled services for July 2004 was 54,911 tonnes (30,753 inbound and 24,157 outbound). This was 8.7 per cent higher than the July

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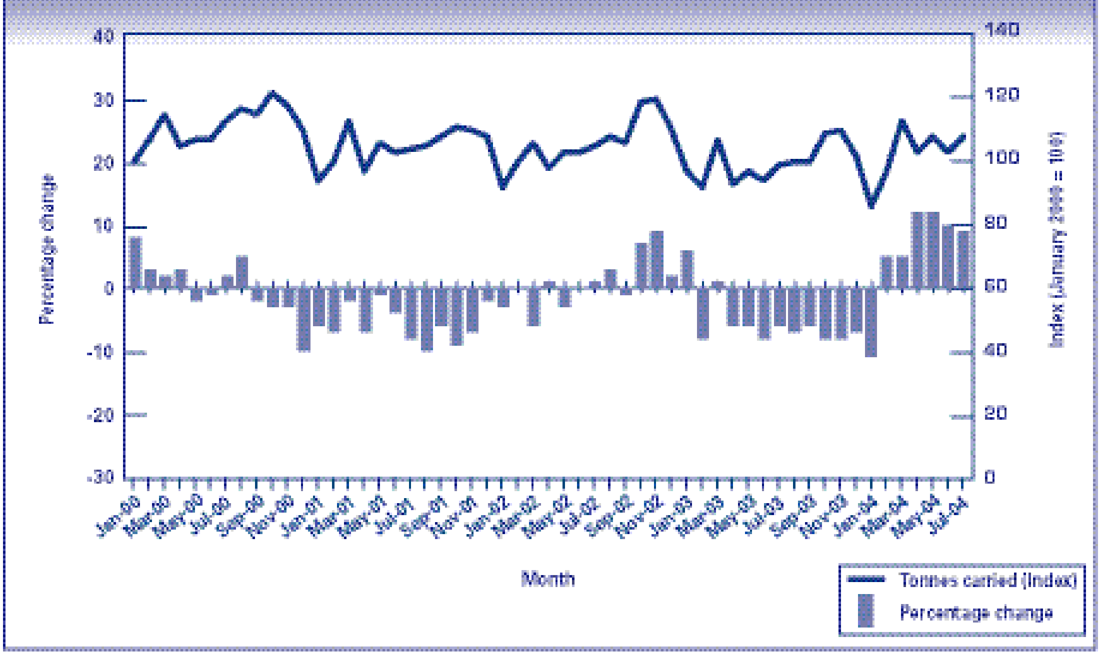
FIGURE 7 INTERNATIONAL AIR FREIGHT TONNAGES



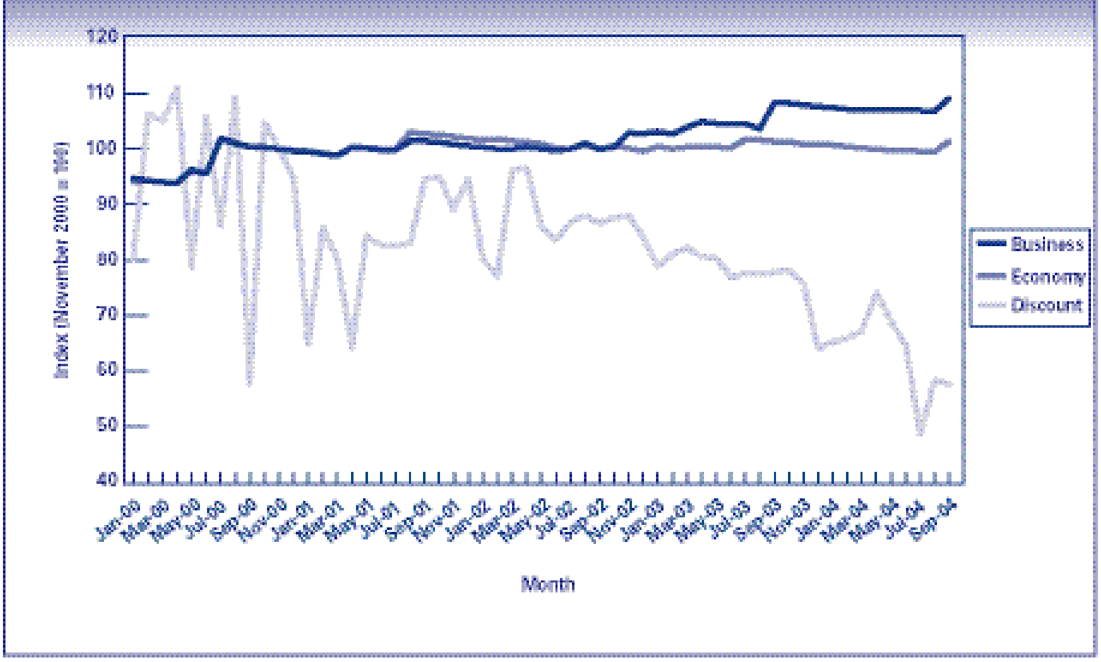
Note *Growth rates are calculated over the same month in the previous year.*
Source *BTRE Transport Statistics.*

2003 total (figure 7). Total international air freight for the year to July 2004 was 631.35 kilotonnes, down 0.1 per cent on the year to July 2003 (605.8 kilotonnes).

Domestic air fares

From this issue, the domestic air fares indexes have been rebased to November 2000 and now consistently include those taxes and charges that are collected as part of the airfare (security, certain airport charges and GST). The indexes, based on the lowest business, economy and discount air fares available through the Sabre Pacific Computer Reservation System, provide a measure of changes to air fares over time.

FIGURE 8 REAL DOMESTIC AIRFARES



Sources BTRE Transport Statistics; SABRE Computer Reservation System (disclaimer applies).

The real best discount fares index was 26 per cent lower in September 2004 than in September 2003 (figure 8). A record low of 48.7 was achieved in July 2004.

The real economy fare index has remained relatively steady over recent months and is now only 0.05 per cent higher than the September 2003 levels, whereas the real business fare index is now 0.7 per cent per cent higher than the September 2003 levels. Prior to November 2002 the business fare index was consistently slightly lower than the economy fare index.

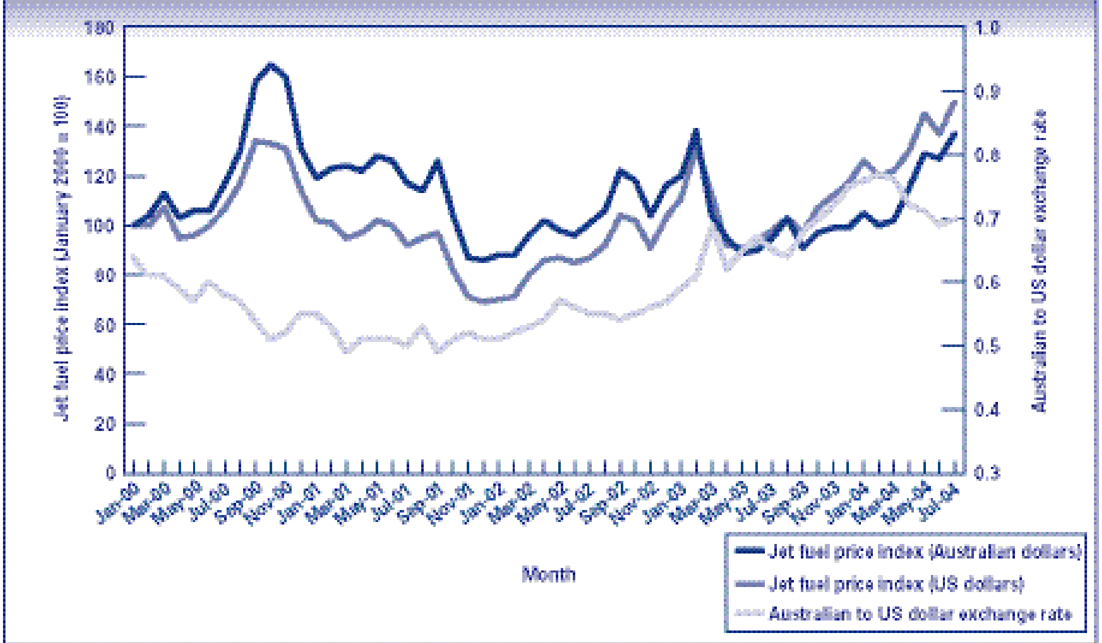
Jet fuel price index

Aviation jet fuel costs in Australian dollars were 43.3 per cent higher in July 2004 than in July 2003. In US dollar terms, the aviation fuel price index was 53.3 per cent higher in July 2004 than July 2003.

This trend was noted recently in *Airline Business* with the warning that "airlines will need to adjust to an era of higher fuel prices, and work on fuel efficiency, even if tariffs descend from their current levels, according to leading industry organisations"[2].

In response to the record high international oil prices, both Qantas and Virgin Blue introduced fuel surcharges on domestic and international flights in May 2004. Increases in surcharges followed for both airlines in August. In October, Qantas announced a further increase in its fuel surcharges, while Virgin Blue announced a review of fares through its entire network.

FIGURE 9 WORLD AVERAGE JET FUEL PRICES



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

Economic activity

GDP for the air and space industries for the June quarter 2004 was 18.5 per cent higher than the previous June quarter 2003, and 1.6 per cent higher than the preceding March quarter 2004. This compares with a 4.1 per cent increase in the all industries GDP between the July quarter 2003 and the July quarter 2004 and a 0.6 per cent increase over the July quarter 2003 (figure 10).

Airline share prices

Figure 11 shows the end of month closing price for Qantas, Virgin Blue and the ASX/S&P AS200 Index.

2 Conway, Peter. Fuel price keeps climbing. In Airline Business. Reed Business Information. September 2004, p 11.

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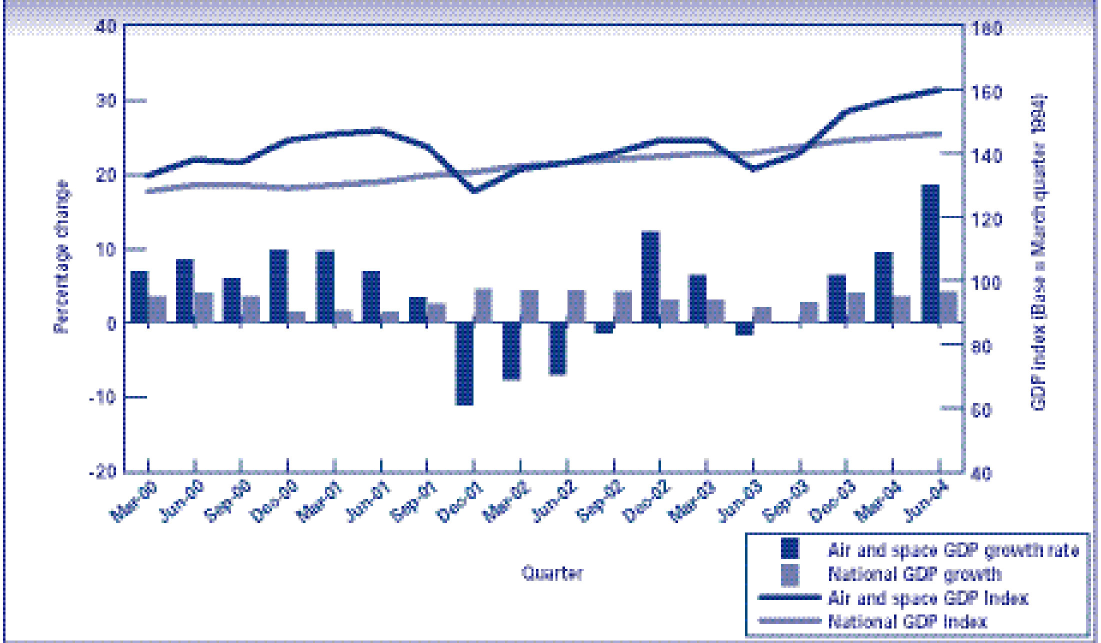
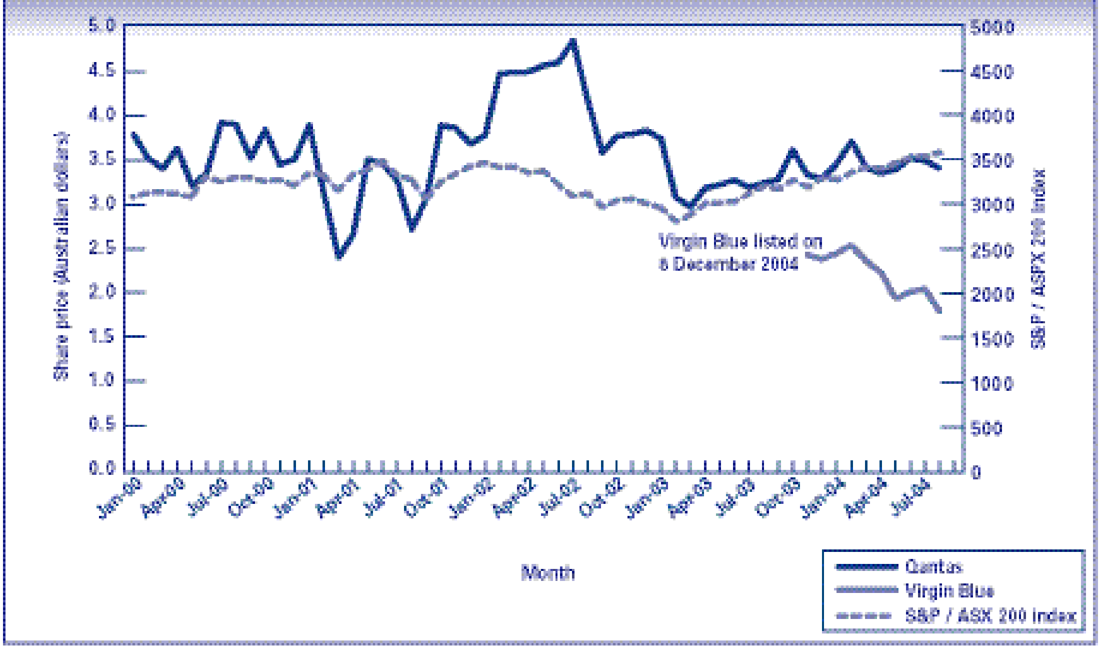
FIGURE 10 INDUSTRY GDP CHANGES



Note	*Growth rates are calculated over the same quarter in the previous year. Chain volume measures reference year is 2001–02. Seasonally adjusted.*
Source	*ABS Catalogue No. 5206.0.*

FIGURE 11 AIRLINE SHARE PRICES



Sources Share prices: GS JB Were, ASX.

Virgin Blue's share price closed at $1.79 at the end of August 2004, down 24.8 per cent on the closing price for the first month of trading in December 2003 marginally below the December closing price of $2.38 per share.

The Qantas share price closed at $3.41 at the end of August 2004, up 3.6 per cent on the December 2003 closing price of $3.29, and up 5.2 per cent on the $3.24 closing price at the end of August 2003.

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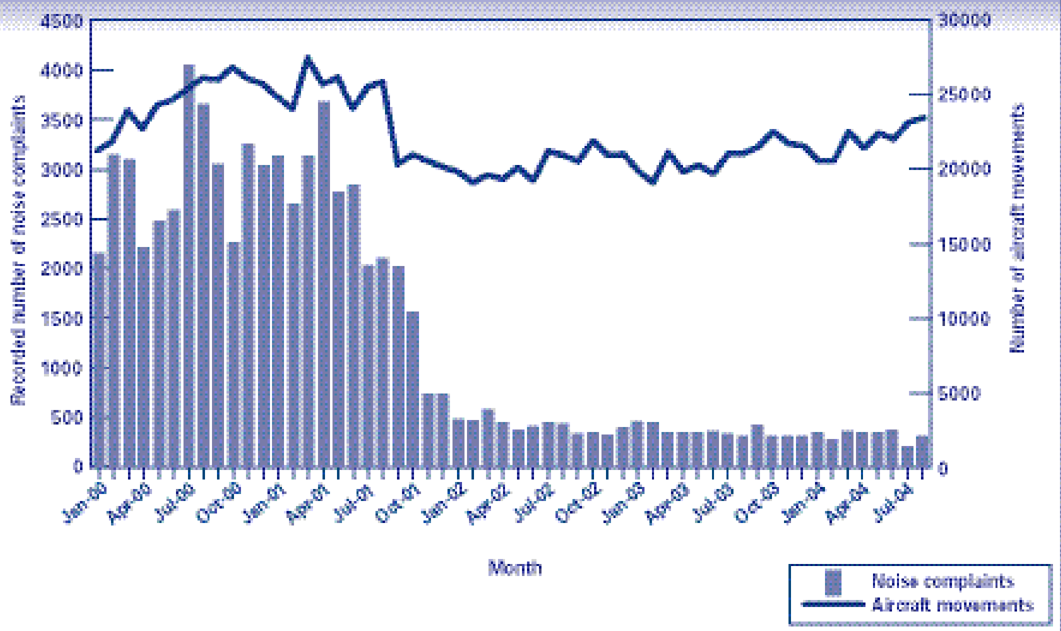
Qantas reported a pre tax profit of $965 million for the year to 30 June 2004. This was a 92 per cent increase on the year to June 2003 pre tax profit of $502 million. The $648 million after tax profit to June 2004 was up 88.8 per cent over the same period last year.

Sydney aircraft noise

Total Sydney aircraft noise complaints for August 2004 were 0.6 per cent above the level recorded for August 2003, while total Sydney aircraft movements increased 11.2 per cent compared with August 2003 (figure 12). In the year ended August 2004 there were 3,904 complaints recorded, 10.0 per cent down on the year to August 2003.

FIGURE 12 NOISE COMPLAINTS: SYDNEY AIRPORT



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

Airport Charges

Table 2 provides the parameters used by the BTRE in its airport charges calculations displayed in table 3 (page 15). The load factors are Australia-wide averages derived by the BTRE. Calculated airport charges may, therefore, differ from actual charges incurred by operators at an airport.

The aircraft types shown are representative of international, trunk route domestic, and large, medium and smaller regional routes.

TABLE 2 PARAMETERS USED IN AIRPORT CHARGE CALCULATIONS

Aircraft type	*Operational sector*	*Aircraft maximum take-off weight (tonnes)*	*Number of aircraft seats*	*Average passenger load factor (per cent)*
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
SAAB340B	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.

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.

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Table 3 presents the estimated charges incurred by aircraft operators at Australia's major capital city airports of Sydney, Melbourne, Brisbane, Perth and Adelaide, per return passenger, for all categories of aircraft type, effective as at 31 July 2004.

Airport charges are based on the publicly available charges published by airport authorities and Airservices Australia. They should, however, be interpreted with caution as actual rates may vary for individual aircraft operators based on negotiated contracts.

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.

In summary:

- Airport charges increased slightly at all ports other than Sydney (charges subject price cap)
- Airservices charges remain unchanged since July 2002
- Security charges for international services increased significantly at Brisbane and Adelaide airports

In comparison with January 2004, July 2004 the nominal five ports total charges increased marginally for all aircraft types except for the representative international 747-438 aircraft, which increased 4.8 per cent mainly due to the increases in security charges at Brisbane and Adelaide airports.

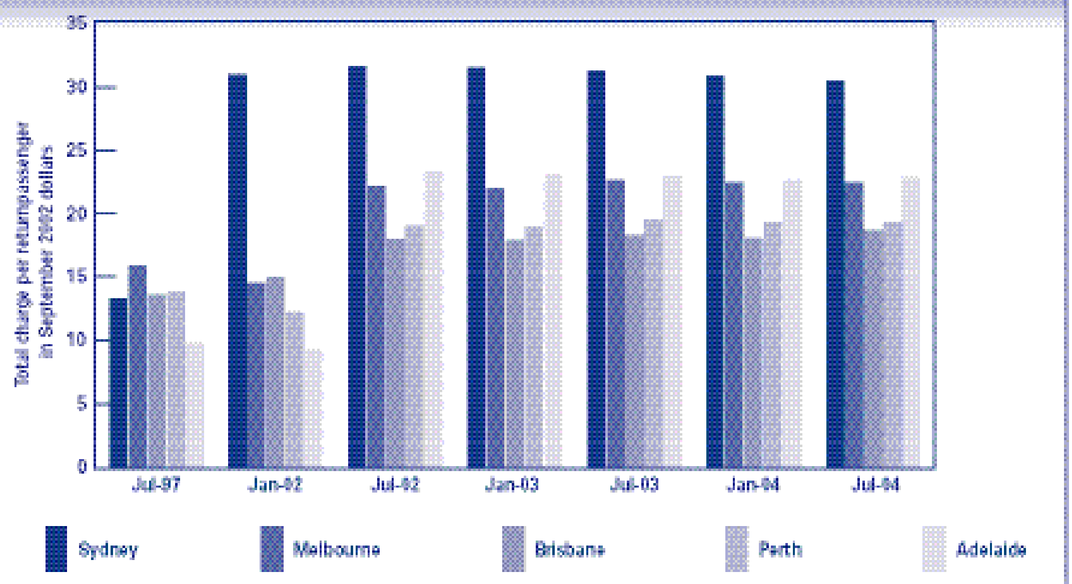
At Sydney, total charges for airport usage, Airservices and security services remain unchanged since January 2004, however, total charges are around 1 per cent higher than for July 2003.

Brisbane airport charges increased around 5 per cent for all aircraft types in July 2004 compared to January 2004. Security charges for international passengers increased 44 per cent over the same period, while the security charges for domestic and regional passengers increased by 27 per cent overall.

At Perth, there was a 1.6 per cent increase in the airport charge for all representative aircraft types over January 2004.

Airport charges at Melbourne and Adelaide airports in July 2004 increased by around 2 per cent in comparison to January 2004. The security charge for international services at Adelaide increased by 78 per cent over the same period.

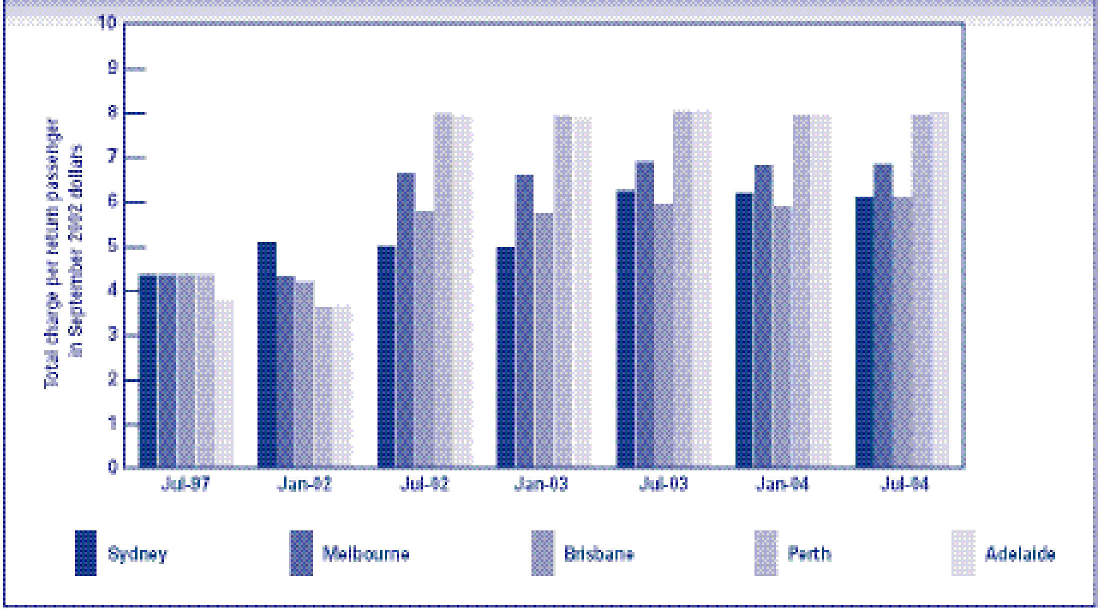
FIGURE 13 REAL INTERNATIONAL CHARGES FOR A B747-400



Note *Charge calculations are based on BTRE assumptions and may differ from actual charges incurred by specific operators.*
International charge estimates include terminal charges.
Data for periods from July 2000 are GST inclusive.
Sydney charges exclude the noise charge.
An indicative international load factor of 72.0 per cent is assumed.

Sources *Published airport charge data, ABS 8 capital city CPI (6401.0); BTRE assumptions.*

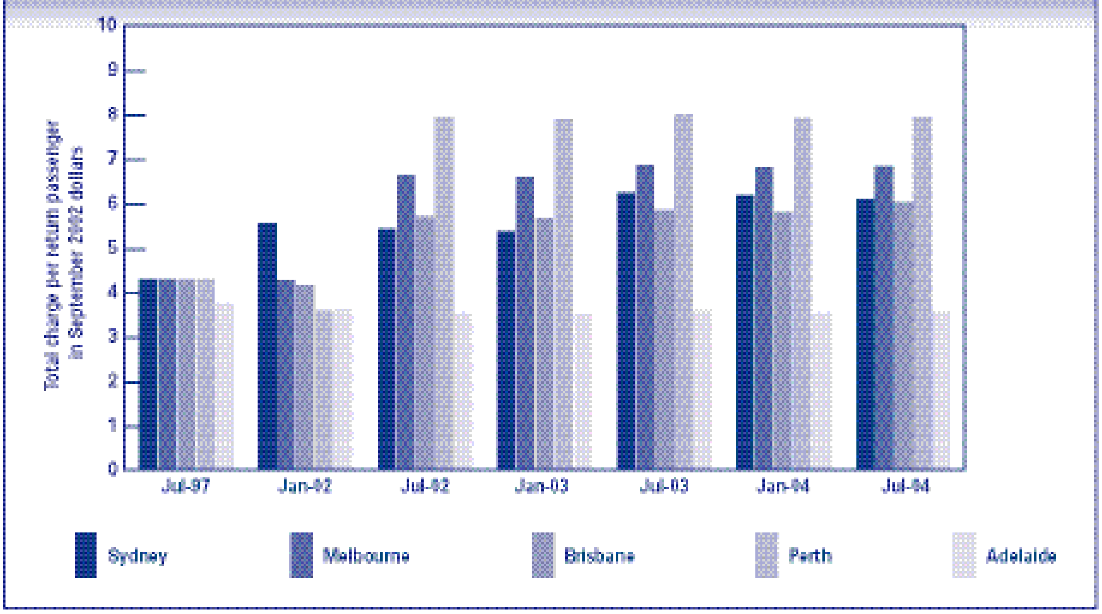
FIGURE 14 REAL DOMESTIC CHARGES FOR A B737-800



Note *Charge calculations are based on BTRE assumptions and may differ from actual charges incurred by specific operators.*
International charge estimates include terminal charges.
Data for periods from July 2000 are GST inclusive.
Sydney charges exclude the noise charge.
An indicative international load factor of 72.0 per cent is assumed.

Sources *Published airport charge data, ABS 8 capital city CPI (6401.0); BTRE assumptions.*

FIGURE 15 REAL DOMESTIC CHARGES FOR A SAAB340B



Note *Charge calculations are based on BTRE assumptions and may differ from actual charges incurred by specific operators.*
International charge estimates include terminal charges.
Data for periods from July 2000 are GST inclusive.
Sydney charges exclude the noise charge.
An indicative international load factor of 72.0 per cent is assumed.

Sources *Published airport charge data, ABS 8 capital city CPI (6401.0); BTRE assumptions.*

DEFINITIONS

Domestic Airline—an airline performing regular public transport services and whose fleet contains exclusively high capacity aircraft, defined as aircraft with more than 38 seats or with a payload of more than 4,200 kg.

Regional Airline—an airline performing regular public transport services and whose fleet contains exclusively low capacity aircraft, defined as aircraft with 38 seats or less or with a payload of 4,200 kg or less.

Note: a number of airlines still classified as 'regional' currently operate aircraft of 50 seats or more, blurring the clear line of demarcation that once existed between the domestic and regional airline sectors. This has meant that in some cases 'domestic' and 'regional' airlines service the same route.

In practice, the definition of regional airline (and the one used in this publication) has become "an airline performing regular public transport services and primarily servicing regional centres".

So as to provide a meaningful indication of the 'state of play', a number of data sets in this publication represent the combined domestic and regional airline sectors.

Airport charges data—estimates what an airline may expect to pay based on publicly available airport charges data 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.

KEY DATES IMPACTING ON DATA

5 June 2000. Impulse Airlines commenced B717 operations

31 August 2000. . . . . Virgin Blue commenced operations in Australia

15 September -1 October 2000 . . . Olympic Games, Sydney 2000

22 May 2001 . . . . Impulse Airlines merged with Qantas

11 September 2001 . . . . terrorist attacks on US

14 September 2001 . . . . Ansett Airlines placed in hands of administrator and reduced operations

5 March 2002 . . . . Ansett Airlines ceased all operations

2 August 2002. . . . . Regional Express (REX) commenced operations (merger of former Ansett subsidiaries—Kendell and Hazelton Airlines)

27 October 2002. . . . . Australian Airlines commenced low cost international operations

10 February 2003 . . . . SARS outbreak first reported in China, international airline activity to/from Asia is severely affected, particularly during May 2003

20 March 2003 . . . . war with Iraq commenced

1 December 2003 . . . . Qantas announced it's new low cost domestic carrier—Jetstar, set to commence operations on 25 May 2004

8 December 2003 . . . . Virgin Blue Airlines lists on the Australian Stock Exchange

29 January 2004 . . . . Pacific Blue (international subsidiary of Virgin Blue Airlines), commenced international operations with Christchurch–Brisbane service

25 May 2004 . . . . Jetstar Airways commenced domestic operations

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TABLE 4 NOMINAL ESTIMATED CHARGES INCURRED BY AIRCRAFT OPERATORS (PER PASSENGER)

	Sydney					Melbourne					Brisbane					Perth					Adelaide					Five ports				
Aircraft type	Jul-02	Jan-03	Jul-03	Jan-04	Jul-04	Jul-02	Jan-03	Jul-03	Jan-04	Jul-04	Jul-02	Jan-03	Jul-03	Jan-04	Jul-04	Jul-02	Jan-03	Jul-03	Jan-04	Jul-04	Jul-02	Jan-03	Jul-03	Jan-04	Jul-04	Jul-02	Jan-03	Jul-03	Jan-04	Jul-04
747-438																														
Airport	31.38	31.50	31.62	31.62	31.62	22.00	22.00	22.94	22.94	23.34	17.90	17.90	18.53	18.53	19.33	18.92	18.92	19.76	19.76	20.07	23.12	23.12	23.20	23.20	23.68	22.66	22.69	23.21	23.21	23.61
Airservices	7.66	7.66	7.66	7.66	7.66	6.32	6.32	6.32	6.32	6.32	8.93	8.93	8.93	8.93	8.93	13.76	13.76	13.76	13.76	13.76	17.29	17.29	17.29	17.29	17.29	10.79	10.79	10.79	10.79	10.79
Security	6.80	6.80	6.62	7.02	7.02	2.66	3.60	3.72	3.72	3.70	5.34	5.34	5.99	5.99	8.65	4.44	4.75	4.26	3.14	3.14	5.89	5.89	6.17	6.17	11.00	5.03	5.28	5.35	5.21	6.70
Total 747-438	**45.84**	**45.96**	**45.90**	**46.30**	**46.30**	**30.98**	**31.92**	**32.98**	**32.98**	**33.36**	**32.17**	**32.17**	**33.45**	**33.45**	**36.91**	**37.12**	**37.42**	**37.78**	**36.66**	**36.97**	**46.30**	**46.30**	**46.66**	**46.66**	**51.97**	**38.48**	**38.75**	**39.35**	**39.21**	**41.10**
737-800																														
Airport	4.97	4.97	6.34	6.34	6.34	6.60	6.60	6.98	6.98	7.10	5.75	5.75	6.04	6.04	6.34	7.92	7.92	8.14	8.14	8.27	7.87	7.87	8.14	8.14	8.31	6.62	6.62	7.13	7.13	7.27
Airservices	3.60	3.60	3.60	3.60	3.60	2.97	2.97	2.97	2.97	2.97	4.20	4.20	4.20	4.20	4.20	6.47	6.47	6.47	6.47	6.47	8.13	8.13	8.13	8.13	8.13	5.07	5.07	5.07	5.07	5.07
Security	0.60	0.60	2.63	2.77	2.77	0.60	0.50	0.40	0.40	0.40	0.76	0.76	0.50	0.50	0.64	1.00	2.79	3.00	3.10	3.10	1.32	1.32	0.78	0.78	0.78	0.86	1.19	1.46	1.51	1.54
Total 737-800	**9.17**	**9.17**	**12.57**	**12.71**	**12.71**	**10.17**	**10.07**	**10.35**	**10.35**	**10.47**	**10.71**	**10.71**	**10.74**	**10.74**	**11.18**	**15.38**	**17.18**	**17.60**	**17.71**	**17.84**	**17.32**	**17.32**	**17.05**	**17.05**	**17.22**	**12.55**	**12.89**	**13.66**	**13.71**	**13.88**
Dash 8-300																														
Airport	4.71	4.71	6.34	6.34	6.34	6.60	6.60	6.98	6.98	7.10	5.46	5.46	5.73	5.73	6.01	7.92	7.92	8.14	8.14	8.27	3.36	3.36	3.48	3.48	3.55	5.61	5.61	6.13	6.13	6.25
Airservices	3.42	3.42	3.42	3.42	3.42	2.81	2.81	2.81	2.81	2.81	3.98	3.98	3.98	3.98	3.98	6.13	6.13	6.13	6.13	6.13	7.71	7.71	7.71	7.71	7.71	4.81	4.81	4.81	4.81	4.81
Security	0.00	0.00	2.63	2.77	2.77	0.60	0.50	0.40	0.40	0.40	0.72	0.72	0.48	0.48	0.61	0.00	2.79	3.00	3.10	3.10	0.00	0.00	0.00	0.00	0.00	0.26	0.80	1.30	1.35	1.38
Total Dash 8-300	**8.13**	**8.13**	**12.39**	**12.53**	**12.53**	**10.01**	**9.91**	**10.19**	**10.19**	**10.31**	**10.16**	**10.16**	**10.19**	**10.19**	**10.60**	**14.05**	**16.85**	**17.27**	**17.38**	**17.51**	**11.07**	**11.07**	**11.18**	**11.18**	**11.25**	**10.68**	**11.22**	**12.24**	**12.29**	**12.44**
SAAB340B																														
Airport	5.39	5.39	6.34	6.34	6.34	6.60	6.60	6.98	6.98	7.10	5.67	5.67	5.96	5.96	6.26	7.92	7.92	8.14	8.14	8.27	3.50	3.50	3.62	3.62	3.69	5.82	5.82	6.21	6.21	6.33
Airservices	3.55	3.55	3.55	3.55	3.55	2.93	2.93	2.93	2.93	2.93	4.14	4.14	4.14	4.14	4.14	6.38	6.38	6.38	6.38	6.38	8.02	8.02	8.02	8.02	8.02	5.00	5.00	5.00	5.00	5.00
Security	0.00	0.00	2.63	2.77	2.77	0.60	0.50	0.40	0.40	0.40	0.75	0.75	0.50	0.50	0.63	0.00	2.79	3.00	3.10	3.10	0.00	0.00	0.00	0.00	0.00	0.27	0.81	1.30	1.35	1.38
Total SAAB340B	**8.95**	**8.95**	**12.52**	**12.66**	**12.66**	**10.13**	**10.03**	**10.31**	**10.31**	**10.43**	**10.56**	**10.56**	**10.59**	**10.59**	**11.03**	**14.30**	**17.09**	**17.51**	**17.62**	**17.75**	**11.51**	**11.51**	**11.63**	**11.63**	**11.70**	**11.09**	**11.63**	**12.51**	**12.56**	**12.71**
Metro 23																														
Airport	7.96	7.96	7.96	7.96	7.96	6.60	6.60	6.98	6.98	7.10	5.79	5.79	6.08	6.08	6.38	7.92	7.92	8.14	8.14	8.27	3.57	3.57	3.69	3.69	3.76	6.37	6.37	6.57	6.57	6.70
Airservices	3.63	3.63	3.63	3.63	3.63	2.99	2.99	2.99	2.99	2.99	4.22	4.22	4.22	4.22	4.22	6.51	6.51	6.51	6.51	6.51	8.18	8.18	8.18	8.18	8.18	5.10	5.10	5.10	5.10	5.10
Security	0.00	0.00	1.97	1.97	1.97	0.60	0.50	0.40	0.40	0.40	0.76	0.76	0.51	0.51	0.64	0.00	2.79	3.00	3.10	3.10	0.00	0.00	0.00	0.00	0.00	0.27	0.81	1.17	1.20	1.22
Total Metro 23	**11.59**	**11.59**	**13.56**	**13.56**	**13.56**	**10.19**	**10.09**	**10.37**	**10.37**	**10.49**	**10.78**	**10.78**	**10.81**	**10.81**	**11.25**	**14.43**	**17.22**	**17.64**	**17.75**	**17.88**	**11.74**	**11.74**	**11.87**	**11.87**	**11.94**	**11.74**	**12.28**	**12.85**	**12.87**	**13.02**

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.*

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

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