

# Regional NSW Airport Charges Benchmarking Report

29 March 2011

Nigel Fanning  
Airline Commercial Manager  
Sydney Airport Corporation Limited  
The Ulm Building  
1 Link Road  
Sydney International Airport  
NSW 2020 Australia

29 March 2011

***Private and confidential***

Dear Nigel,

Ernst & Young (EY) is pleased to present Sydney Airport Corporation Limited (SACL) with our final report on the Regional NSW Airport Charges - Benchmarking Report. This report is in response to Ernst & Young's offer dated 1<sup>st</sup> February 2011 and SACL's letter of acceptance on the 1<sup>st</sup> of February 2011.

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Yours sincerely

Oliver Jones  
Partner

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# 1. Regional NSW Airport Charges Benchmarking Report

## 1.1 Report objectives

Sydney Airport Corporation Limited (SACL) have engaged Ernst & Young to perform an analysis and produce a Report that benchmarks Regional (“intrastate”) NSW airport charges between the financial years ending 2002 and 2010.

This Report analyses 26 regional airports’ charges that have scheduled Regular Passenger Transport (“RPT”) services in the state of NSW, plus Sydney airports. These regional airports correspond to the following routes to and from Sydney Airport:

Table 1: Route types

Route type	Routes to and from Sydney Airport
Non Regulated Licensed Routes	<ul style="list-style-type: none"> <li>▶ Coffs Harbour</li> <li>▶ Ballina</li> <li>▶ Albury</li> <li>▶ Port Macquarie</li> <li>▶ Wagga Wagga</li> <li>▶ Dubbo</li> <li>▶ Tamworth</li> <li>▶ Armidale</li> <li>▶ Griffith</li> <li>▶ Orange</li> <li>▶ Lismore</li> <li>▶ Newcastle (Williamtown)</li> </ul>
Regulated Licensed Routes	<ul style="list-style-type: none"> <li>▶ Merimbula</li> <li>▶ Parkes</li> <li>▶ Lord Howe Island</li> <li>▶ Moree</li> <li>▶ Broken Hill</li> <li>▶ Bathurst</li> <li>▶ Moruya</li> <li>▶ Taree</li> <li>▶ Mudgee</li> <li>▶ Grafton</li> <li>▶ Narrandera</li> <li>▶ Narrabri</li> <li>▶ Cooma</li> <li>▶ Cobar</li> </ul>

In addition, the Report includes a benchmark analysis of charges in the major capital cities’ airports in Australia - Sydney Airport, Melbourne Airport, Brisbane Airport, Perth Airport, Adelaide Airport and Bankstown Airport.

In this report, the respective charges are segmented into two categories:

- ▶ Non Regulated Licensed Routes; and
- ▶ Regulated Licensed Routes.

New South Wales intrastate air routes (to and from Sydney Airport) are regulated unless declared deregulated by the Minister of Transport NSW. The following policy currently applies:

- ▶ the threshold for a route being allocated to one operator only, by licensing, is that the route operates at or below 50,000 passengers per annum;
- ▶ the 50,000 passenger threshold was adopted in October 2002;
- ▶ five year licenses (March 2008-March 2013) currently apply;
- ▶ where regulated routes now exceed the 50,000 level, the five year commitment takes precedence over deregulating the routes; and
- ▶ regulated route licenses will run their full term, subject to licence conditions.

## 1.2 Outcomes

The purpose of this analysis is to benchmark Sydney Airport with the airports in NSW and around Australia that offer services to regional operations.

Based on the analysis undertaken in this report, aeronautical charges at Sydney Airport are in most cases considerably lower than at the regional airports from and to which regional airlines operate in New South Wales and Australia.

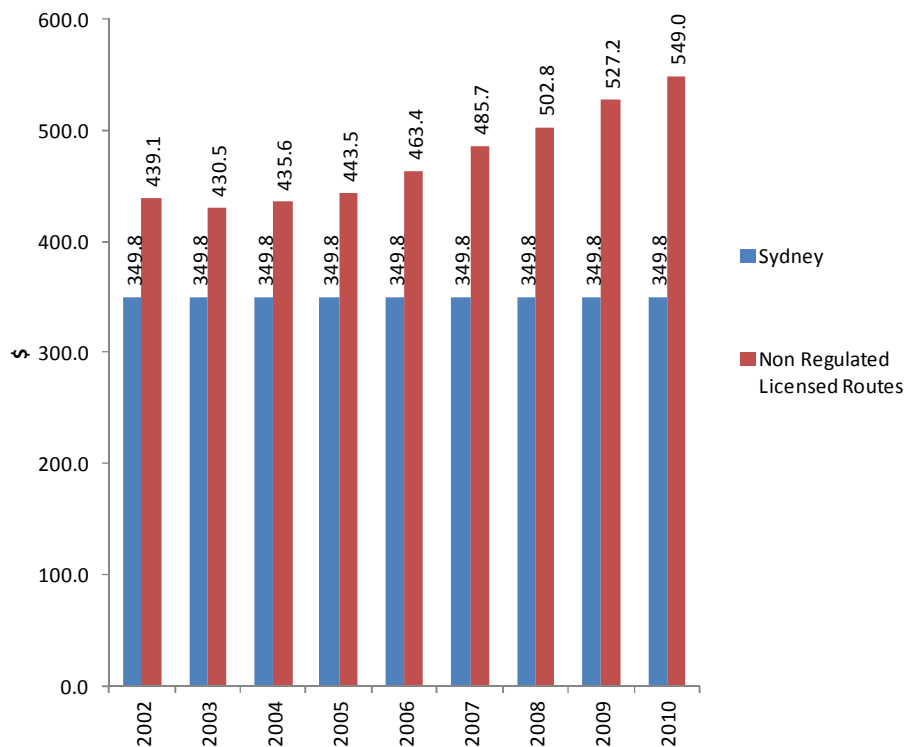
### 1.2.1 Intrastate NSW

The intrastate NSW data has been produced based on the two airport route competition classifications.

#### 1.2.1.1 Non Regulated Licensed Routes

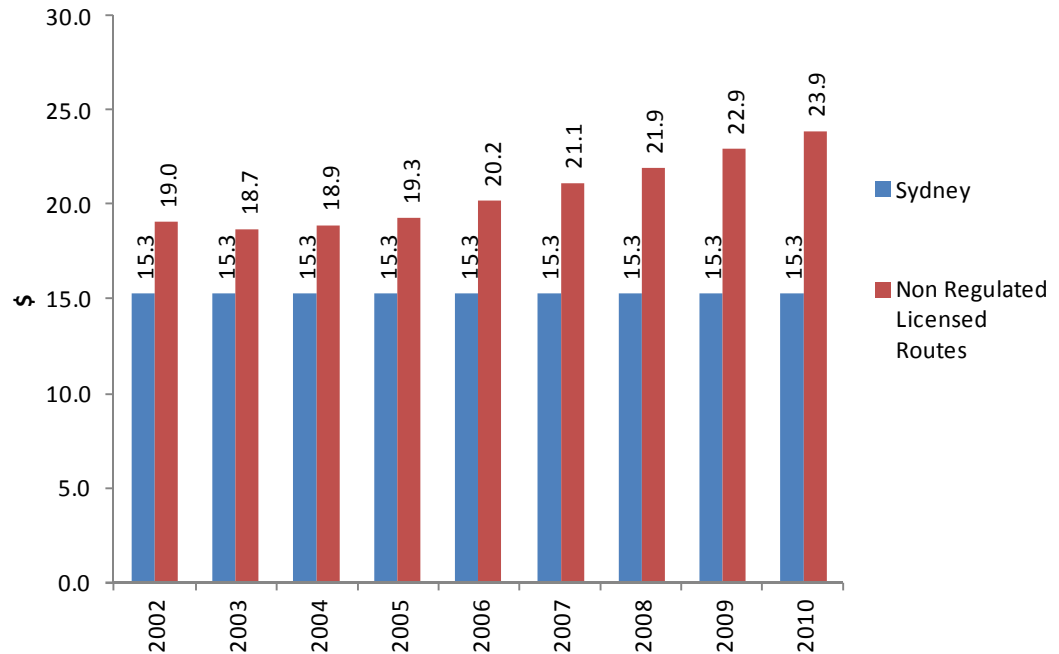
The outcomes of the analysis on airports corresponding to non regulated licensed routes are shown in the figures below. The figure shows the average per turnaround outcomes for Sydney Airport against the average of all airports corresponding to non regulated licensed routes, based on the weighted average.

Figure 1: Per turnaround fees and charges comparison



In addition, the outcome of the per passenger charges has also been produced for Sydney compared to the airports corresponding to non regulated licensed routes, based on the weighted average.

Figure 2: Per passenger fees and charges comparison



The cumulative annual growth rate (CAGR) of airport charges at Sydney was compared to the airports corresponding to non regulated licensed routes, based on the weighted average fees and charges. The growth in fees and charges at the airports, corresponding to non regulated licensed routes, based on the weighted average on a CAGR basis is 2.8% compared to 0% for Sydney Airport over the analysis period.

#### 1.2.1.2 Regulated Licensed Routes

The outcomes of the analysis on airports corresponding to regulated licensed routes are shown in the figures below. The figure below shows the average per turnaround outcomes for Sydney Airport against the average of all airports corresponding to regulated licensed routes, based on the weighted average.

Figure 3: Per turnaround fees and charges comparison



In addition, the outcome of the per passenger charges has also been produced for Sydney compared to the airports corresponding to regulated licensed routes, based on the weighted average.

Figure 4: Per passenger fees and charges comparison

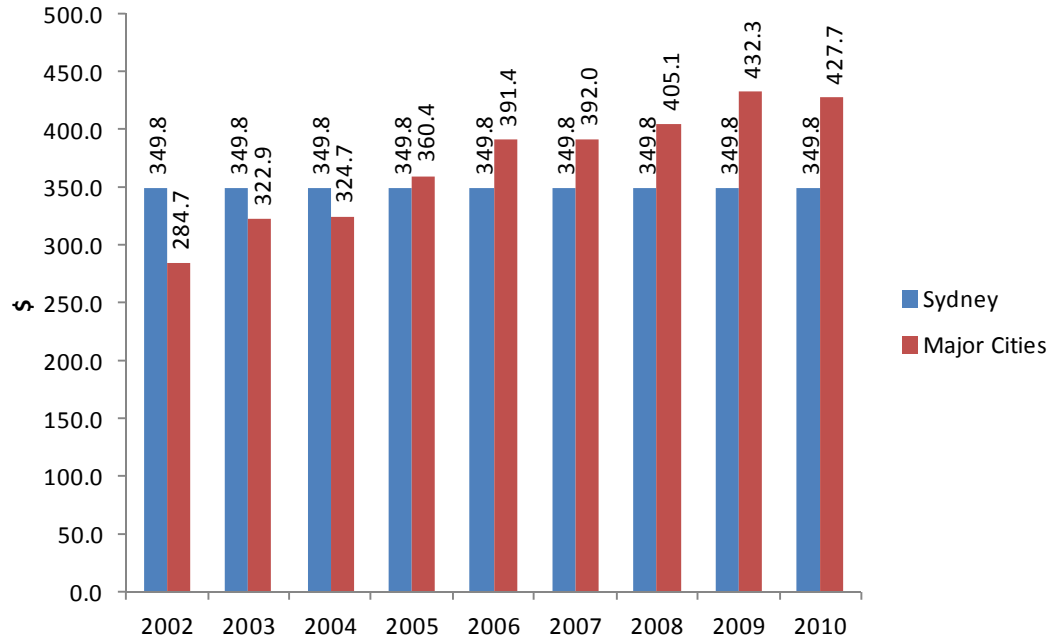


The cumulative annual growth rate (CAGR) of airport charges at Sydney was compared to the airports corresponding to regulated licensed routes, based on the weighted average fees and charges. The growth in fees and charges at the airports corresponding to regulated licensed routes, based on the weighted average on a CAGR basis is 9.5% compared to 0% for Sydney Airport over the analysis period.

## 1.2.2 Major Cities

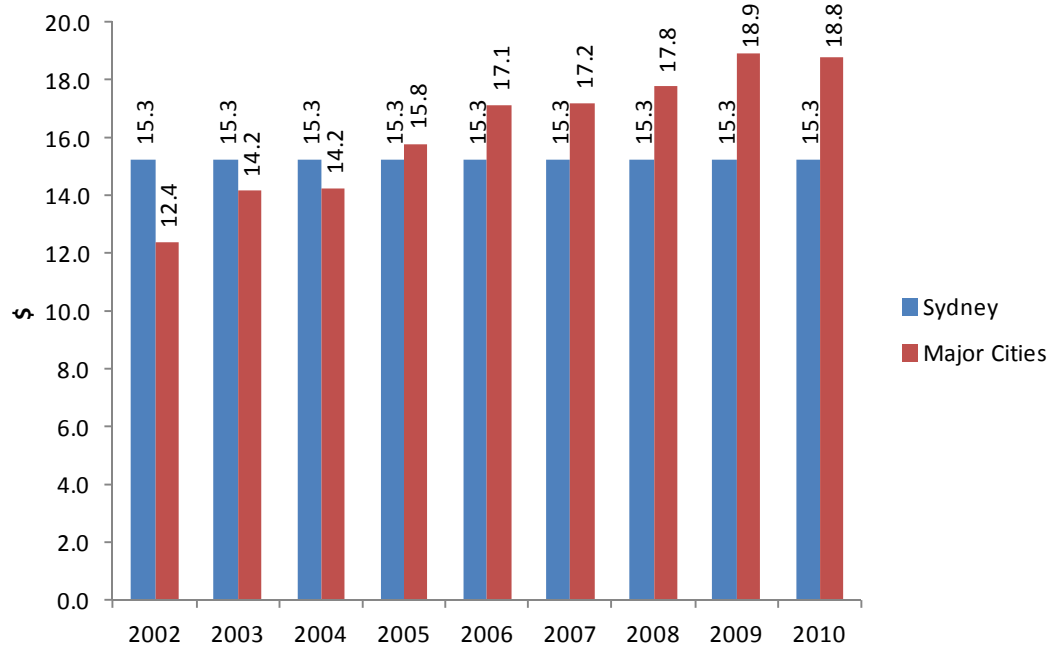
The outcomes of the analysis are shown in the figure below. The figure shows the average per turnaround and passenger outcomes for Sydney Airport against the average of all major city airports, inclusive of Sydney Airport.

Figure 5: Per turnaround fees and charges comparison



In addition, the outcome of the per passenger charges has also been produced for Sydney compared to the major capital city average.

Figure 6: Per passenger fees and charges comparison





The cumulative annual growth rate (CAGR) of airport charges at Sydney was compared to the other major capital cities. As can be seen the growth in fees and charges at the major airports on a CAGR basis is 5.3% compared to 0% for Sydney Airport over the analysis period.

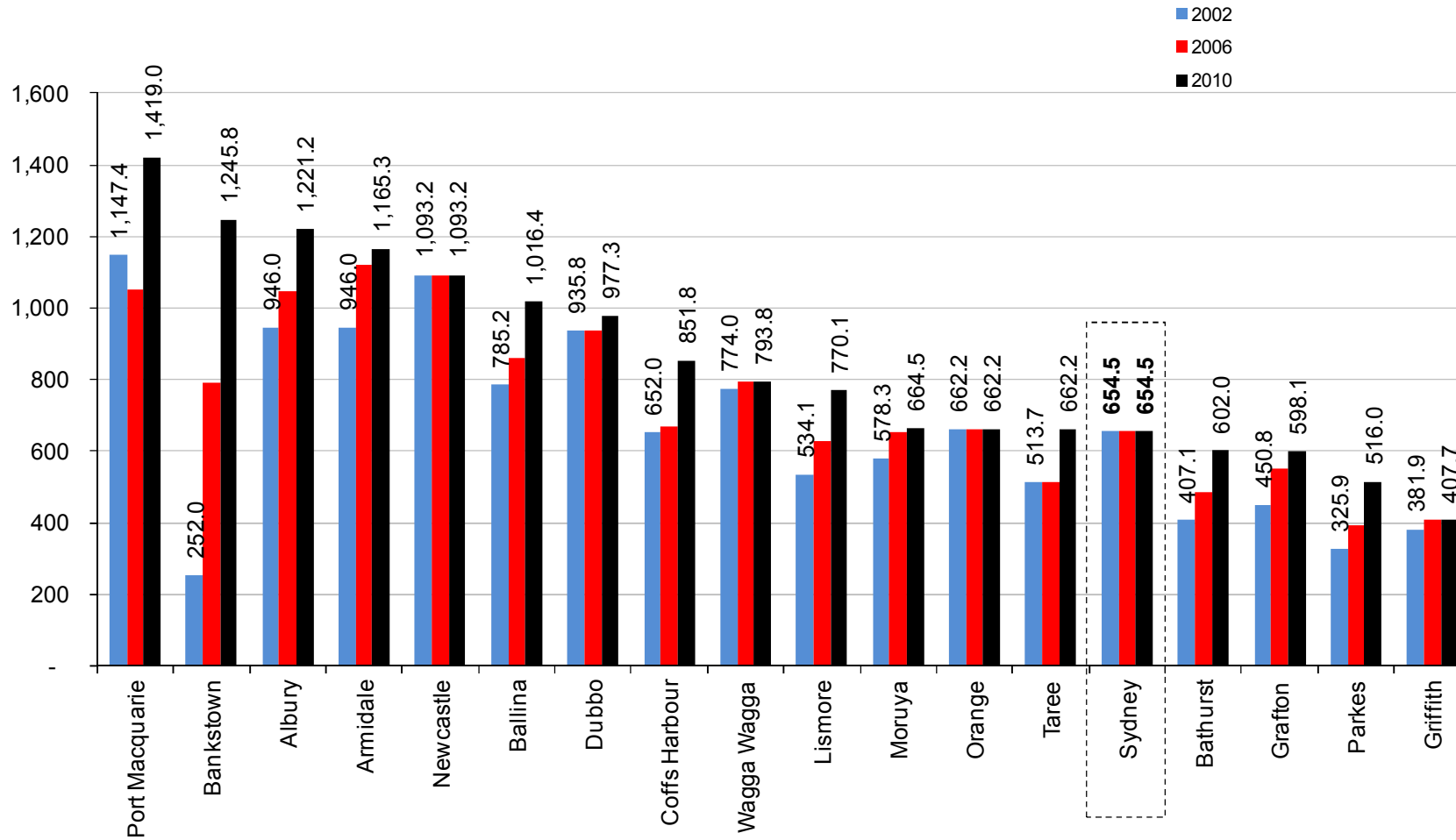
## **Summary**

Based on the analysis undertaken in this report, aeronautical charges at Sydney Airport are in most cases considerably lower than at the regional airports from, and to which, regional airlines operate in New South Wales and Australia.

A summary of results are presented in the figures below.

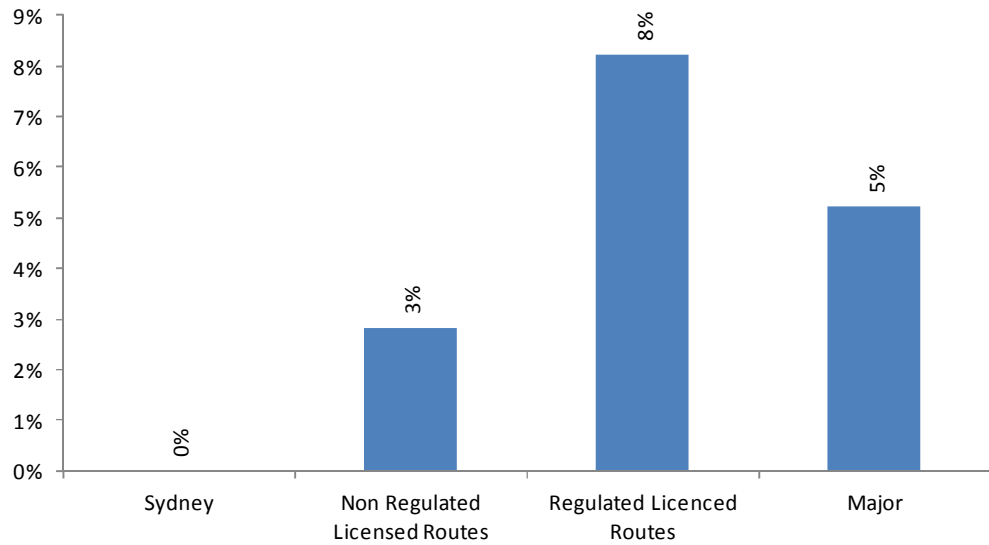
The following figure shows the change in aeronautical fees and charges by airport compared to Sydney Airport between 2002, 2006 and 2010. The figure shows that Sydney Airport fees and charges have remained constant over the analysis period, while most other airports have expanded. The figure also shows that on a movement basis, Sydney Airport is at the lower end of the scale of fees and charges, particularly in the later years of the analysis.

Figure 7: Total charges per turnaround by Airport (Q400, 2002, 2006 and 2010)



In terms of the cumulative average annual growth rates (CAGR), using an averaged approach across each of the airports corresponding to the route categories described above, it can be seen that the growth in the Sydney Airport aeronautical fees and charges (at 0%) is significantly lower than for the other airports corresponding to the route categories, which range from 3% to 8% growth per annum, between 2002 and 2010.

Figure 8: Cumulative average annual growth rate comparison



The results of the analysis also show that there is limited variance in the costs of aeronautical fees and charges on aircraft or passenger basis.

## Appendix A References

- ▶ BITRE and AVLINE publications (<http://www.bitre.gov.au>);
- ▶ Council airport charges information;
- ▶ REX 2006 Productivity Commission submission (airport charges) and workings;
- ▶ NSW Government Quarterly Passenger Statistics for NSW Air Routes to and from Sydney Airport;
- ▶ Report prepared for SACL September 2002 - "Airport charges for regional airlines at Sydney airport, a submission prepared for the standing committee on transport and regional services inquiry into commercial regional aviation services in Australia and transport links to major populated islands"; and
- ▶ ASA Charges for Facilities and Services.

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