

DOMESTIC AVIATION PROFILE

Understanding the domestic aviation environment

This briefing has been prepared by the Tourism Australia Aviation and Economic Analysis Team, but was significantly assisted by the research of the Centre for Asia Pacific Aviation and data from the Bureau of Infrastructure, Transport and Regional Economics.

At a glance

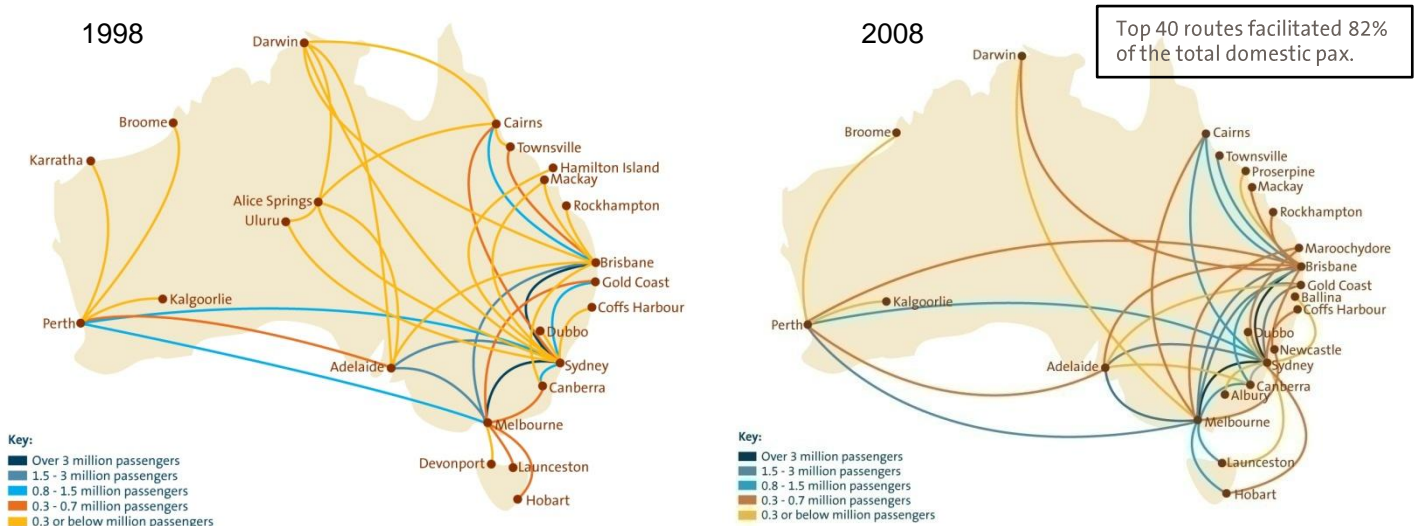
Domestic demand*		Direct seats^	Load factors		Major carriers	Seasonal peaks	Top routes	Top regional routes#
2007	0.2%	2008 66.4m	2006	78%	QF group 60%	October	Syd-Melbourne	BNE-Cairns
2008(F)	-3.6%	2008/09(F) 3%	2007	80%	V. Blue 30%	July	Syd-Brisbane	SYD-Cairns
2009(F)	-0.2%	2009/10(F) -2% to -4%	2008	78%	Other 10%	March	Mel-Brisbane	BNE-Townsville
						Dec	Mel-Adelaide	MEL-Launceston
							Mel-Perth	

[F] forecast [*] Total domestic leisure trips, Source: Tourism Forecasting Committee, 2008 Issue 2, [^] Direct seat capacity Source: Tourism Australia estimate. [#] exclude Gold Coast

Australian domestic aviation is a significant component of domestic and international tourism. In 2008, air transport was the primary mode of travel for 23 per cent (or 16.2 million) of all Australian domestic overnight trips (NVS), while domestic air transport was used by 24 per cent of international tourists travelling in Australia (IVS). In 2008, 78 per cent of the 66.4million seats available in the domestic market were filled. This capacity is expected to decrease by approximately 2 to 4 per cent in 2009/2010 following an increase of up to 3 per cent in 2008/09 as airlines make adjustments in response to the global economic downturn. Related to the economic downturn is the decline in premium traffic, while discount tickets proliferate with January 2009 having seen the lowest domestic discount airfares on record since 1992.

Major Australian domestic markets

The demand and supply in the Australian domestic aviation market is highly concentrated; in the year ending June 2008, Sydney-Melbourne-Brisbane routes (otherwise known as the golden triangle) accounted for 28 per cent of total domestic revenue passengers (and 27 per cent of capacity). Comparison of the 1998 and 2008 route density maps (see below) indicate a strong growth in demand for air travel over the ten year period. Twelve routes that were outside the top 40 in 1998 made into the top 40 in 2008.



Prepared: June 2009

Feedback or Suggestions?

Tel: +61 2 9361 1374

fletcher@tourism.australia.com

DOMESTIC AVIATION PROFILE

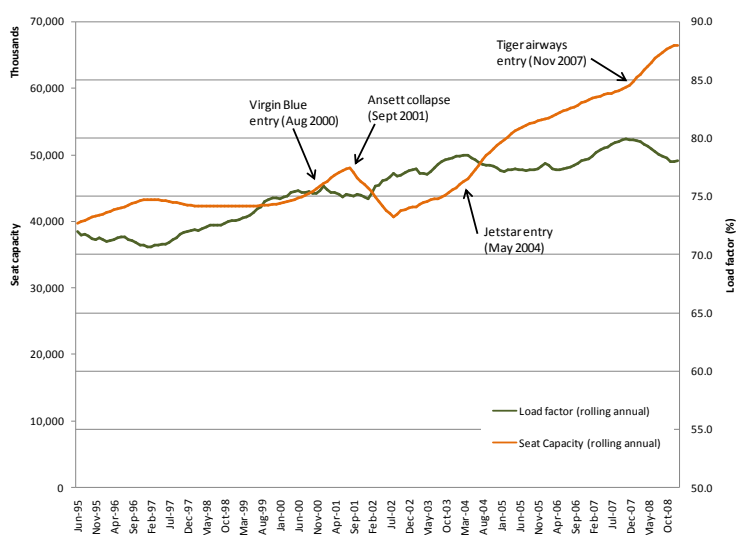
Understanding the domestic aviation Environment

Domestic air travel by State and Territory

The National Visitor Survey (NVS) shows that QLD (29%), VIC (22%) and NSW (23%) account for three quarters of the total domestic overnight trips on air transport, while NT (3%), ACT (3%) and TAS (4%) collectively account for about one tenth of the total. Within each state and territory, the share of air travel relative to other modes of travel varies significantly. NT has the highest share of overnight trips made by air travel (52%), followed by TAS (33%), QLD (29%), ACT (27%), WA (24%), SA (23%) and VIC (22%). NSW has the lowest share of overnight trips made by air transport with 16%.

Australian domestic capacity

Domestic seat capacity and load factor: rolling annual June 1995 - Jan 2009



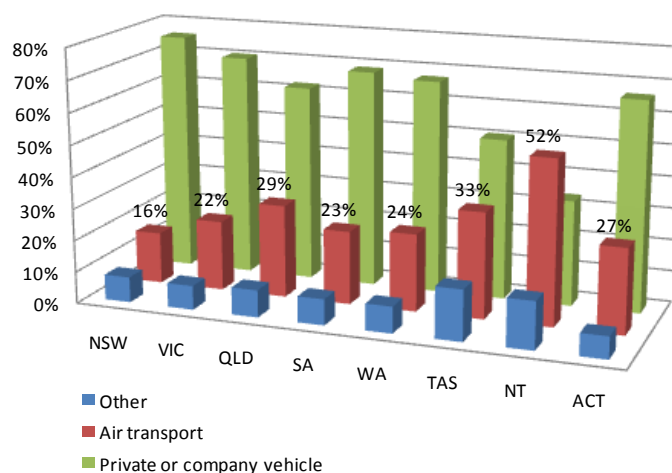
Source: compiled from BTRE aviation statistics

Looking ahead

Domestic aviation capacity increased for the most part of 2008/09. However, as demand continues to soften and domestic airfares reach record (17 year) lows, airlines have announced cutbacks in capacity for 2009/10. Main changes include: Virgin Blue's grounding of five aircraft from May 2009 (equivalent to cutting capacity by 8 per cent) but the airline ruled out complete withdrawal from any routes; 5 per cent capacity cut by Qantas on international and domestic routes along with the deferral of aircraft deliveries (A380s, B737s and B787s); and the decisions by MacAir (based in Townsville) and SkyAirWorld (based in Brisbane) to cease operation from February/March 2009.

While reduction in the total domestic capacity is expected for 2009/10, several routes stand to gain capacity. In particular, regional destinations may benefit from airlines exploring secondary routes for additional source of revenues, especially as margins and yield decrease on primary routes. Some additional capacity will also come from Tiger Airways, which is opening a second base in Adelaide. For international visitors, domestic aviation will continue to be an important part of international visitors' travel and dispersal in Australia. Connectivity to the regions will improve as domestic airlines continue to expand interline agreements with the key international airlines servicing Australia.

Travel mode used in State and Territory (total trips)



Source: compiled from National Visitor Survey data, TRA

The domestic aviation market is highly seasonal, with peak demand and load factors in October and July, while trough periods are February and May. Between the year ending December 2001 and the year ending December 2008, seat capacity increased from 45 million to over 66 million. During this period of strong capacity growth, load factors remained strong, fluctuating between 75 and 80 per cent.

Between 1998 and 2008, Newcastle, Ballina-Byron, Maroochydore and Proserpine airports recorded the highest air traffic growth among all airports serviced by the domestic airlines. Between 1998 and 2008, the growth in air travel demand and supply was concentrated between Sydney, Melbourne and Brisbane with 20 per cent of total domestic demand growth and 18 per cent of capacity growth occurring in the three cities.