



King Island Airport

Impact of fees & charges

Are Council trying to make a profit at the Airport?

No. Council has been instructed by its External Audit Panel and the Tasmanian Audit Office to move the Airport's financial operations to breakeven or beyond. In its deliberations about how to achieve this goal, Council determined that the Airport should not be a burden on the Island's community, and that it is not Council's intent to chase profits from Airport operations.

Further to those deliberations, on 26 June 2018, Council made the decision to increase landing charges and introduce a passenger charge for all RPT passengers travelling through King Island Airport. This decision will reduce losses at the Airport in the current financial year, and - assuming no change to the number of passengers

or landings at the Airport in FY2019-20 - will get the Airport close to breakeven within two years. The impact of a passenger charge on our community will be mitigated by enabling residents to claim a rebate of any passenger charges paid by submitting a simple application to Council.

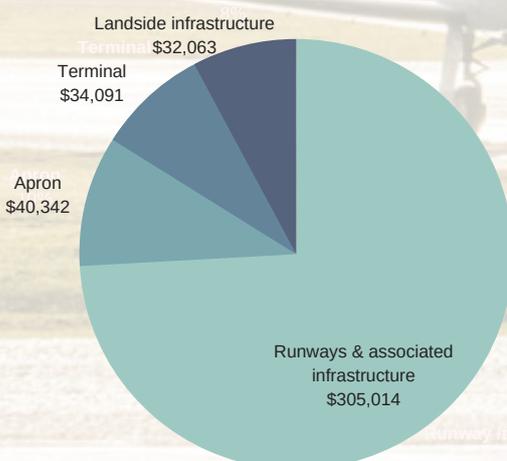
Airport operating statement and estimates

| Area | FY2017-18 Forecast | FY2018-19 Budget | FY2019-20 Estimate |
|------------------------|-----------------------|---------------------|-----------------------|
| Expenditure | \$929,803 | \$1,146,881 | \$1,119,010 |
| Employee costs | \$147,500 | \$177,692 | \$183,023 |
| Contracts | \$138,099 | \$238,313 | \$155,872 |
| Materials | \$86,648 | \$80,192 | \$81,796 |
| Other expenses | \$142,410 | \$235,329 | \$282,965 |
| Depreciation | \$415,146 | \$415,355 | \$415,355 |
| Income | \$458,149 | \$976,746 | \$1,114,506 |
| Landing charges | \$399,426 | \$537,503 | \$637,459 |
| Parking charges | \$7,500 | \$7,500 | \$8,736 |
| Passenger charges | \$0 | \$288,743 | \$409,151 |
| Rentals and leases | \$51,223 | \$58,000 | \$59,160 |
| Grants received (opex) | \$0 | \$85,000 | \$0 |
| Net position | -\$471,654 | -\$170,135 | -\$4,504 |

Why is depreciation so high?

Before 2010, Council used the Valuer General's capital value of the Airport precinct, as shown on the Notice of Valuation, and depreciated against that value. In FY2009-10 the Airport was valued at \$3.225M, with annual depreciation of \$88,812. That year the Tasmanian Audit Office determined that the Airport was a material infrastructure asset and that all elements of that asset needed to be considered in the valuation and therefore the annual depreciation. This meant engaging a valuer to assess each element of the Airport precinct which was done in FY2010-11.

Depreciation by asset type



In FY2011-12 the Airport, now including runways, taxiways, apron, and associated infrastructure, was valued at \$11.939M and depreciated at \$415,355. This same valuation and depreciation amount has been used in subsequent years, including FY2017-18. Council are engaging a valuer in FY2018-19 to re-evaluate the current value of all assets at the airport to inform the depreciation schedule for FY2019-20 and beyond.

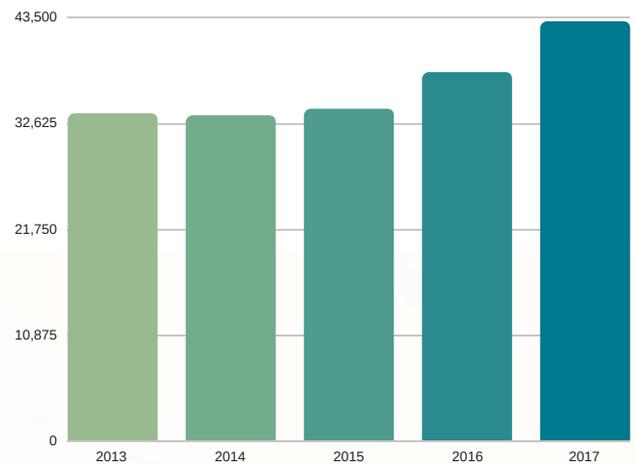
This means that the expanded terminal building, freight facility, RFDS shed, car parking and improvements to other buildings are not contributing to the current annual depreciation of \$415,355.

Do we really need such a big terminal building?

Yes. It is now three years since the terminal was completed, and passenger numbers have increased each year. For example, in 2017, there were over 43,000 RPT passenger movements through the Airport, and an estimated 11,000 charter passenger movements on top of that.

Modelling carried out in the development of the 2018 Airport Master Plan indicates passenger movements could increase beyond 60,000 per annum within the next five years. This doesn't mean Council is planning a second storey on the terminal building - the 2018 Airport Master Plan includes an assessment of how the existing space can be better utilised to accommodate increased passenger numbers.

Total annual RPT passenger movements



Source: Bureau of Infrastructure, Transport and Regional Economics

Will freight costs go up 19% to cover the increase in charges?

It is standard business practise to review operating costs when setting customer charges. As such, Council does expect freight charges to increase, but it is unlikely that this will be a 19% increase per kilo of freight. Council has increased its FY2018-19 landing charges for RPT, general aviation and freight aircraft to \$25 per tonne of an aircraft's registered maximum take-off weight (MTOW). This is a 19% increase on the FY2017-18 charge of \$20.97. But landing charges are only part of the airlines' operating costs.

For example, TasFast operate aircraft with a MTOW of 3.175tonnes. Last financial year, the charge for each landing at King Island Airport was \$70. When the new charges come into effect on 1 October 2018, TasFast will be charged \$84 per landing. If we assume that, on average, these aircraft carry 50% of their total capacity of 1,000kg of freight, that \$14 increase in landing charges will be an increase of 3c per kilo of freight.

Using the same approach, the increase per kilo for King Island Air is also in the order of 3c, and around 2c per kilo for Sharp Aviation.

That's all well and good, but what about ... ?

If you have any other questions about the changes to the Airport fees and charges, operating or capital expenditure at the Airport, or questions about any other part of Council's operations ... just ask. Every member of our community is welcome to request a meeting with the Mayor or the General Manager. Every member of our community is welcome to telephone or email our office and ask for information. If you would rather ask your question on the King Island Council Facebook page, it will be answered, either on Facebook or directly to you.

We can't always provide the level of detail that is requested, because we have to protect the privacy of our staff and the commercial information of our contractors. But, where possible, we will provide as complete and full an answer as we can, as quickly as we can.

**Your Community Council,
looking after our community's assets**



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