AIRPORT TRAFFIC GROWTH AND AIRPORT FINANCIAL PERFORMANCE:

HAS THE LOW-COST AIRLINE BOOM BEEN SUCCESSFUL FOR AIRPORT OPERATORS?

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Background

Since 1998

- Dramatic growth of Low Cost Carriers (LCCs) in UK and Ireland (other European countries later)

- Dramatic growth of many regional and secondary airports

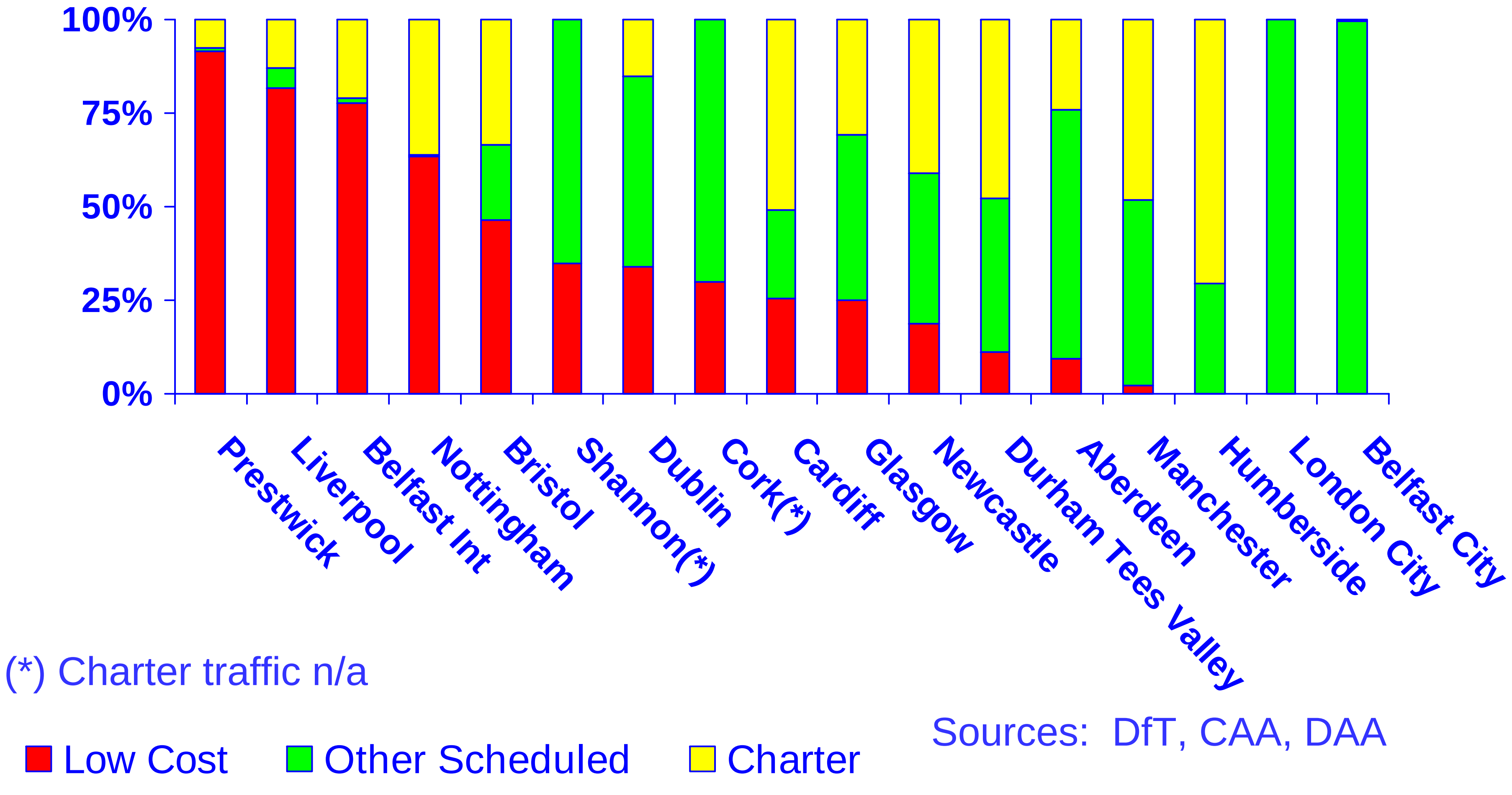
- How financially successful has this growth been for the airports?

UK: many privately owned airports
Ireland: Dublin Airport Authority (formerly Aer Rianta) remains state owned

Sample Airports

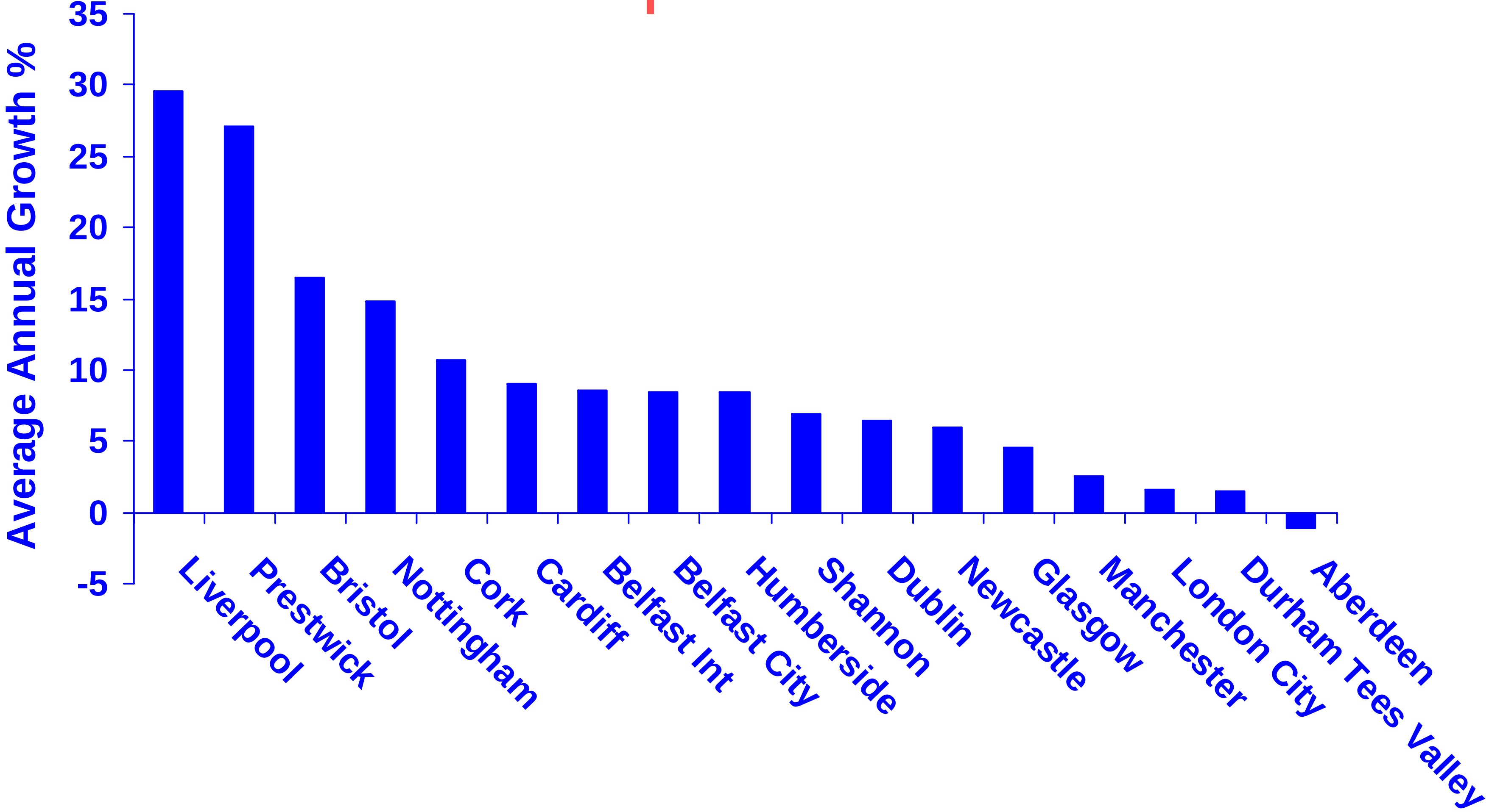
Airport	Terminal Passengers 2003 (millions)	Owners
Aberdeen	2.5	BAA
Belfast City	2.0	Ferrovial
Belfast International	4.0	TBI (Abertis)
Bristol	3.9	Ferrovial
Cardiff	1.9	TBI (Abertis)
Durham Tees Valley	0.7	Peel Airports 75%/Local Gov 25%
Glasgow	8.1	BAA
Humberside	0.5	Man Airport 63%/Local Gov 17%
Liverpool	3.2	Peel Airports
London City	1.5	Marketspur Ltd
Manchester	19.5	Local Government
Nottingham East Midlands	4.3	Manchester Airport
Prestwick	1.9	Infratil
Cork	2.2	Dublin Airport Authority
Dublin	15.8	Dublin Airport Authority
Shannon	2.0	Dublin Airport Authority

Passengers by Type of Airline at Sample Airports 2003 (%)



Sources: DfT, CAA, DAA

Growth in Passenger Numbers at UK and Irish Airports 1998-2003



Sources: CAA, DAA

Development of flight frequencies 1998-2005

Airport	Number of scheduled departing flights in first week of July		
	1998	2003	2005
Belfast City	329	340	365
Belfast Intl	266	275	403
Bristol	235	378	488
Cardiff	121	168	180
Cork	162	339	291
Dublin	1324	1562	1513
Glasgow	737	777	932
Liverpool	127	289	460
Manchester	1181	1537	1749
Newcastle	334	333	463
Nottingham	230	293	288
Prestwick	77	144	168
Shannon	161	170	234

Source: OAG

Average passenger load – scheduled services 1998 & 2003

Airport	Passengers/air transport movement	
	1998	2003
Belfast City	39	62
Belfast Intl	74	106
Bristol	34	63
Cardiff	27	59
Cork	39	62
Dublin	79	97
Glasgow	60	75
Liverpool	51	93
Manchester	67	69
Newcastle	44	69
Nottingham	36	72
Prestwick	53	93
Shannon	37	74

Source: CAA

Network coverage 1998-2005

Airport	Number of destinations with non-stop scheduled service in first week of July		
	1998	2003	2005
Belfast City	18	17	17
Belfast Intl	13	17	34
Bristol	14	24	42
Cardiff	10	18	20
Cork	14	28	30
Dublin	58	77	104
Glasgow	40	38	58
Liverpool	6	13	39
Manchester	72	93	115
Newcastle	18	22	39
Nottingham	14	29	28
Prestwick	3	9	18
Shannon	19	21	32

Source: OAG

Alternative ‘low-cost’ models (1)
easyJet, FlyGlobespan, Jet2, bmibaby, Aer Lingus

- **Markets with strong demand**
  Using primary airports and established regional airports

  Destination points:

- **Major domestic cities**
  (e.g. London, Edinburgh, Belfast)

- **Major charter destinations up to 3 hours**
  (e.g. Alicante, Malaga, Faro, Palma)

- **Mixed business/leisure destinations**
  (e.g. Amsterdam, Barcelona, Geneva, Prague, Nice)

Alternative ‘low-cost’ models (2)
Ryanair, flybe, Thomsonfly

- **Markets without established demand**
  Using secondary airports with little or no other commercial service to obtain best deals

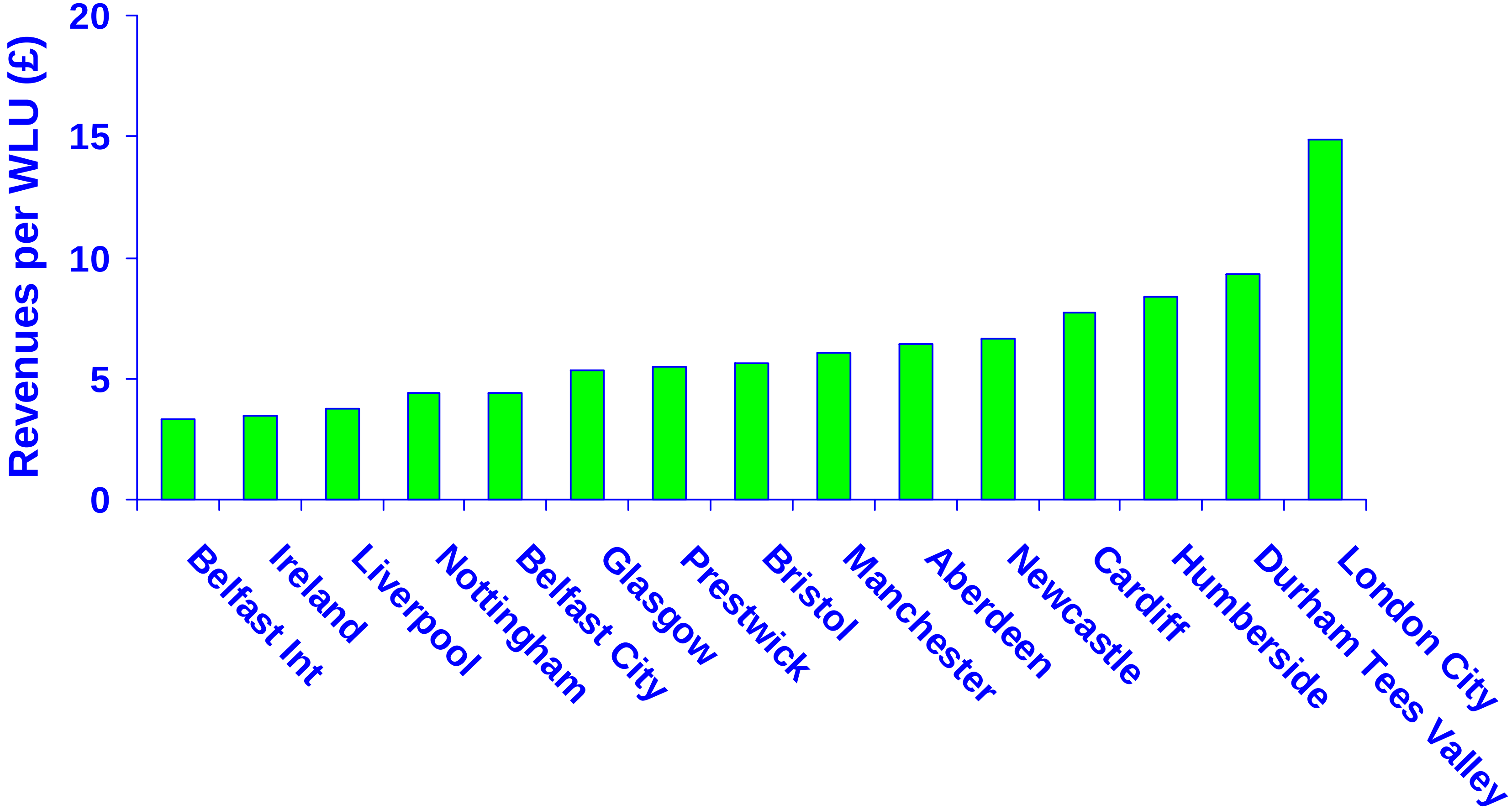
  Destination points:

- **UK/Ireland**

- **Distant alternative airports for major cities (e.g. Hahn, Charleroi, Lubeck, Bergamo)**

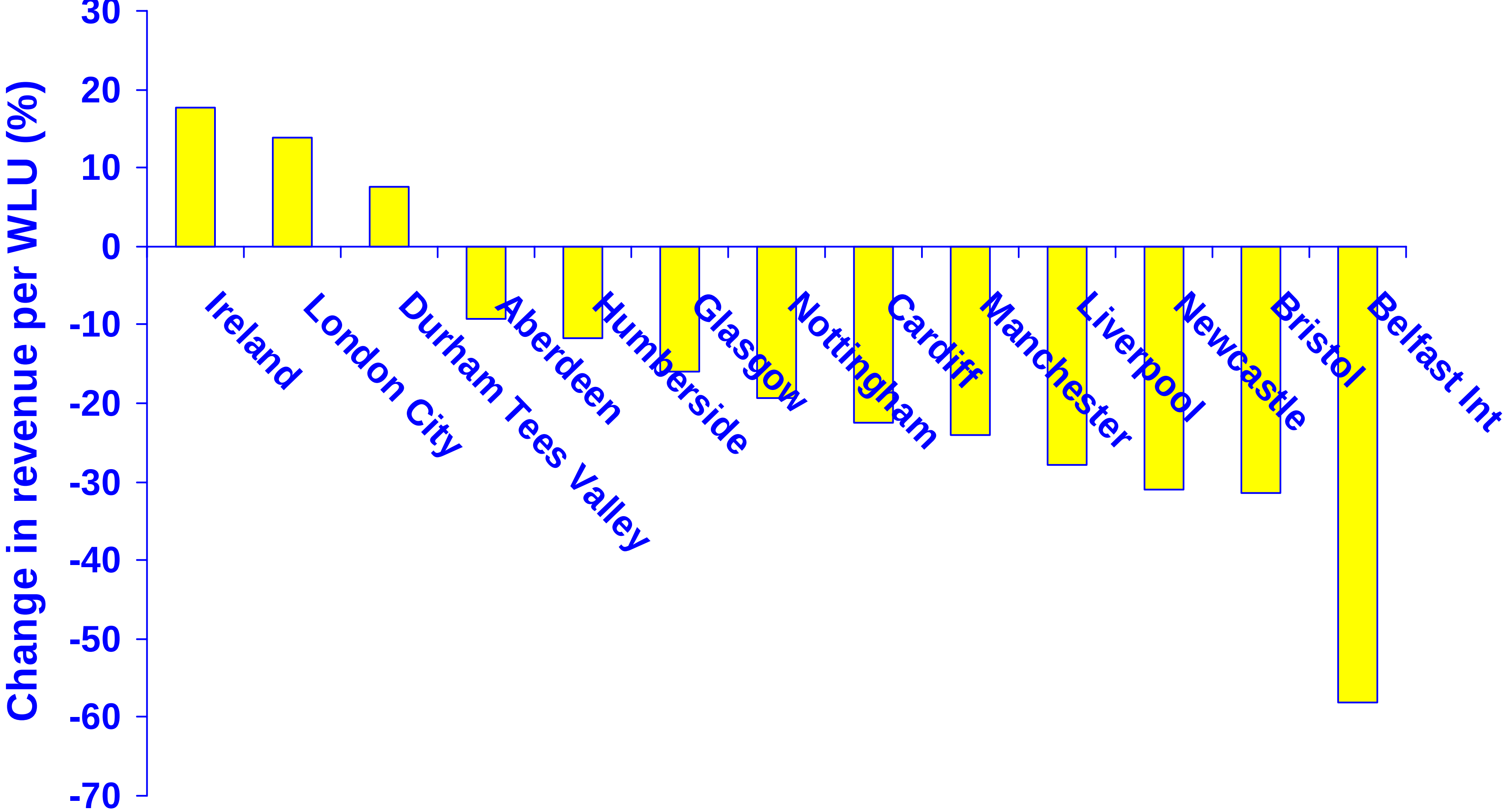
- **Obscure French, Mediterranean and Alpine airports (e.g. Angers, Carcassone, Grenoble, Murcia)**

Aeronautical Revenues per WLU at UK and Irish Airports FY2003



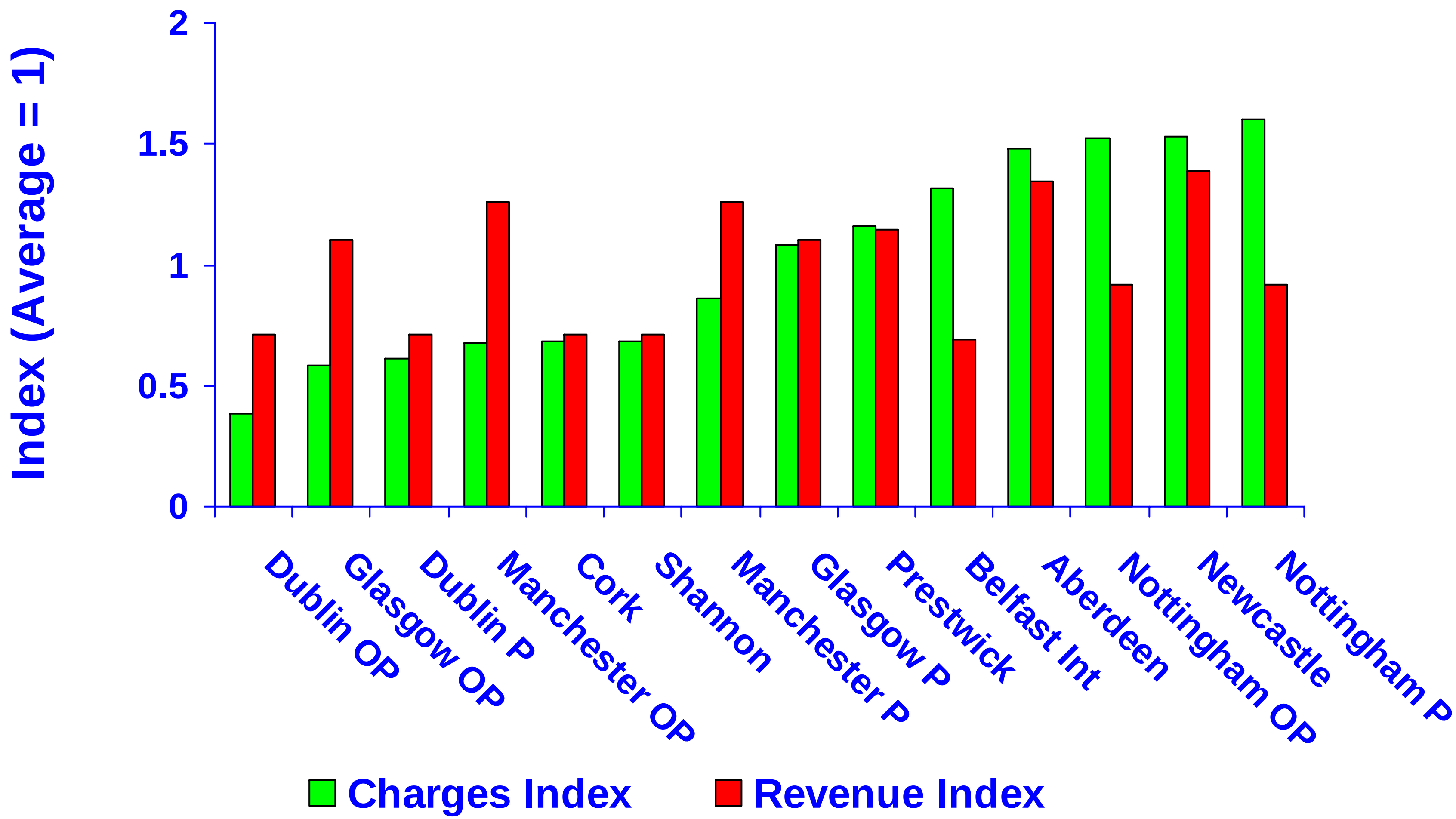
Sources: CRI, DAA

Real Growth Aeronautical Revenue per WLU(%) 1998-2003



Sources: CAA, DAA

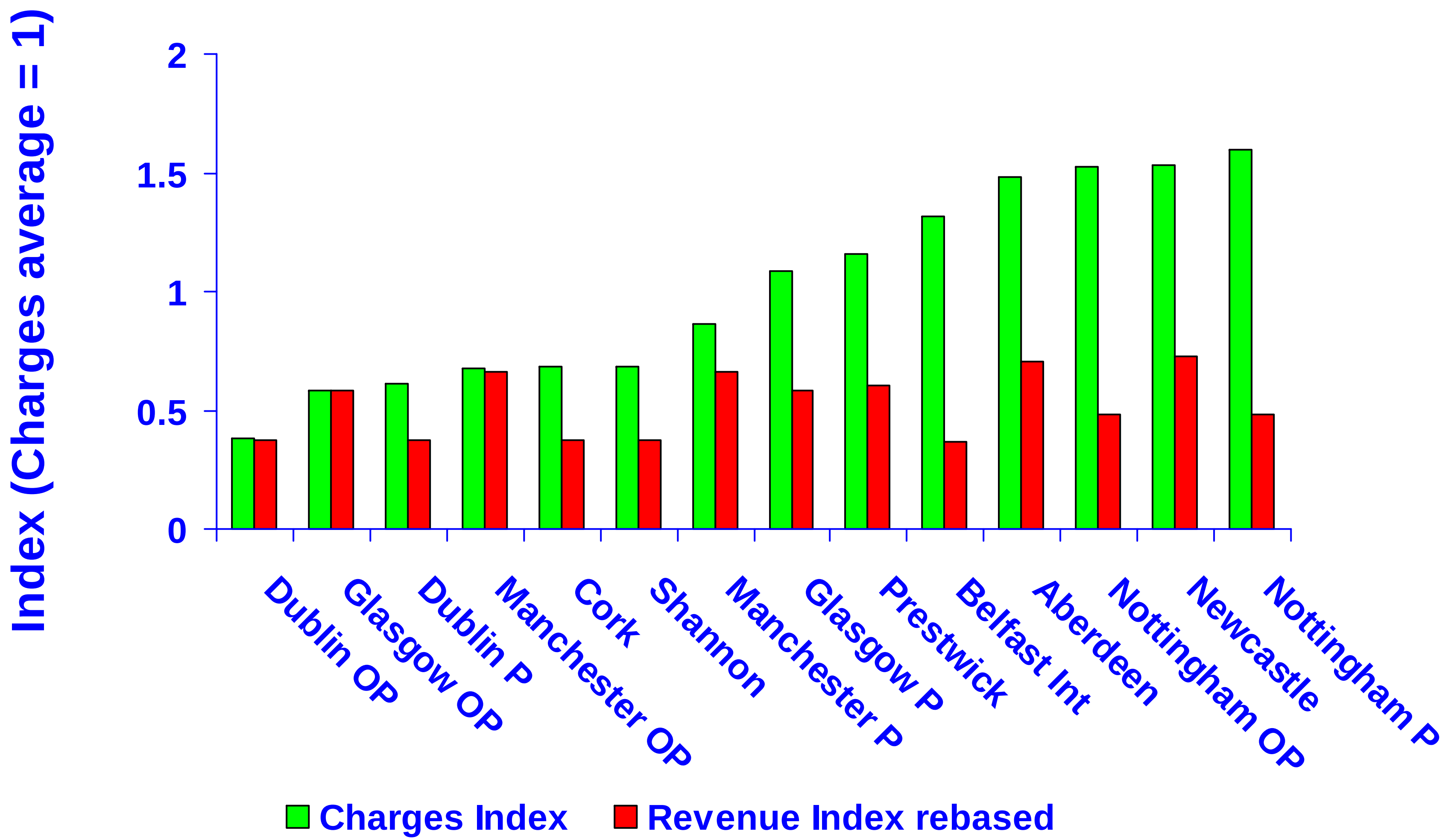
Comparison of Airport Charges and Charges Revenue per WLU FY 2003



P – peak OP – off peak
Includes navigation charge only if levied by airport operator

Sources: CRI, IATA, DAA

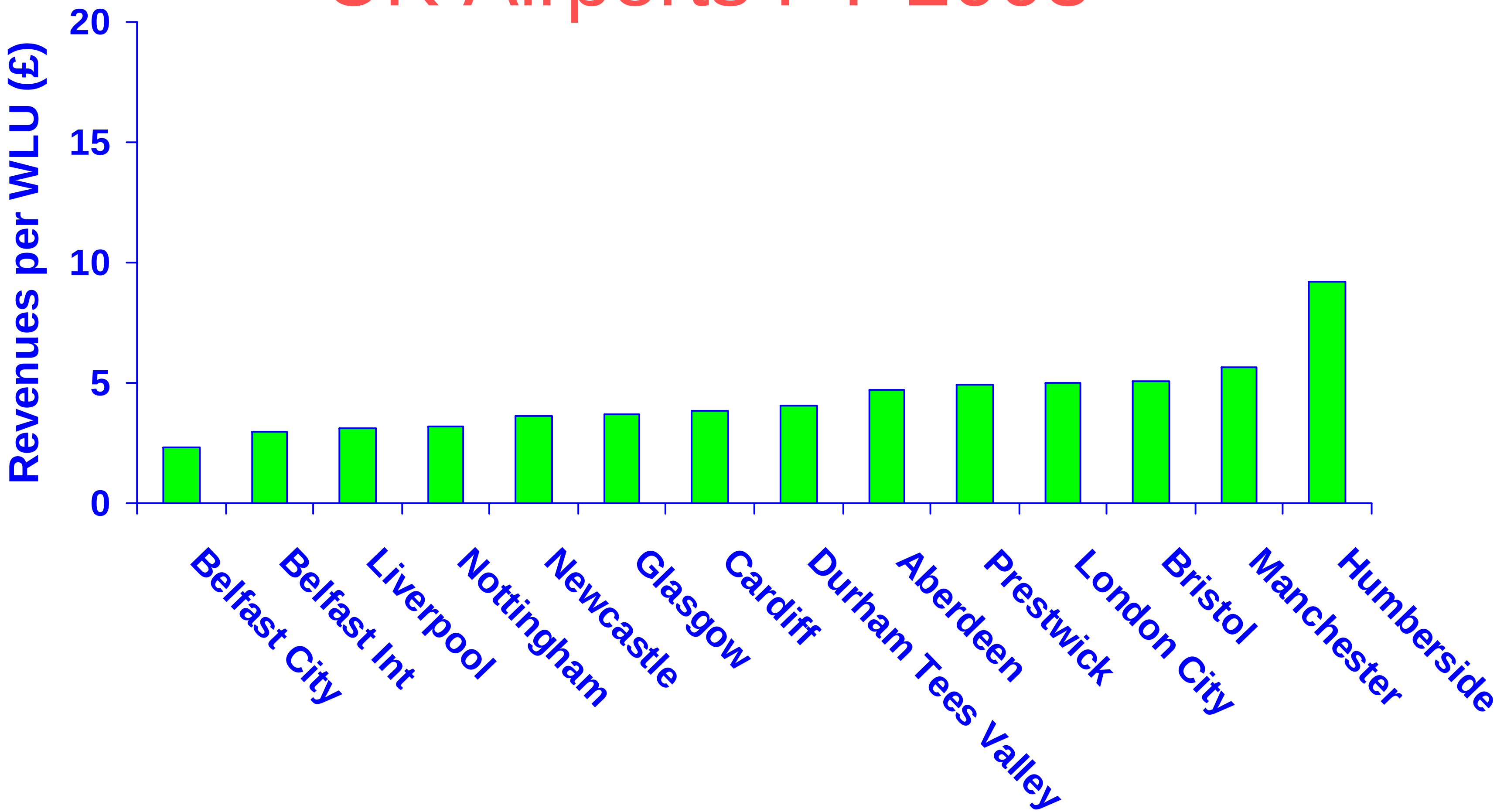
Comparison of Airport Charges and Charges Revenue per WLU FY 2003



P – peak OP – off peak
Includes navigation charge only if levied by airport operator

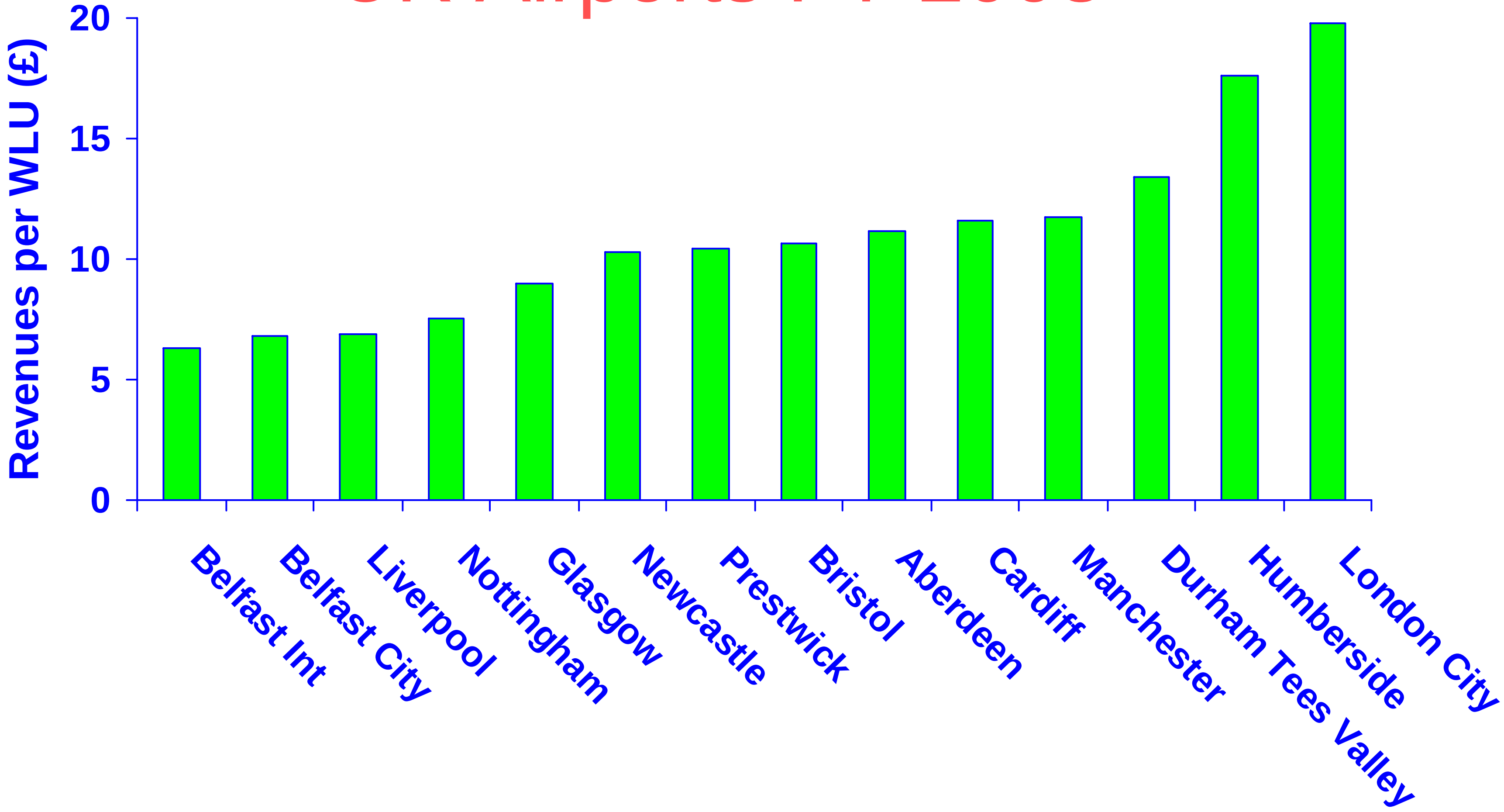
Sources: CRI, IATA, DAA

Commercial Revenues per WLU at UK Airports FY 2003



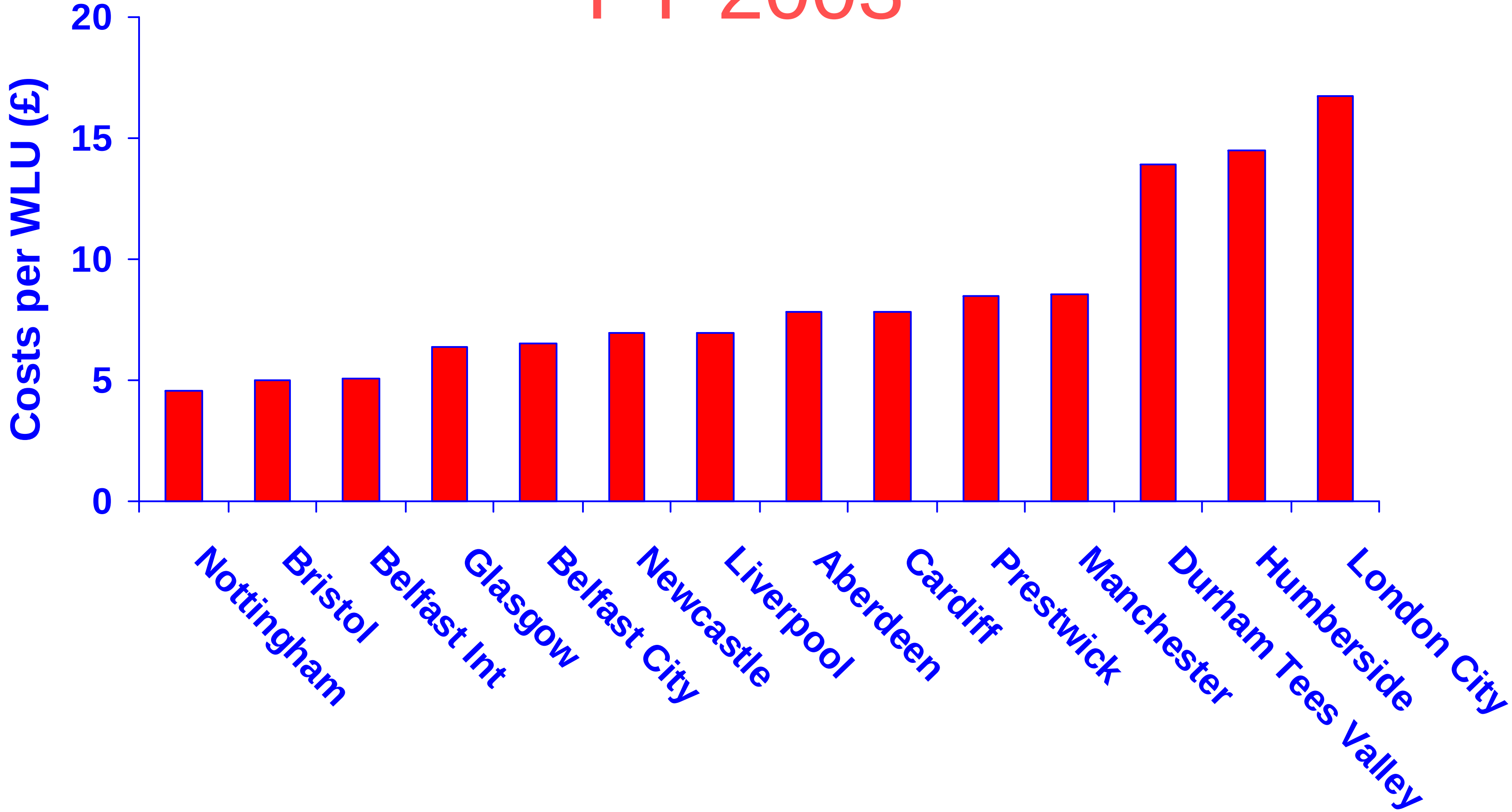
Sources: CRI

Total Revenues per WLU at UK Airports FY 2003



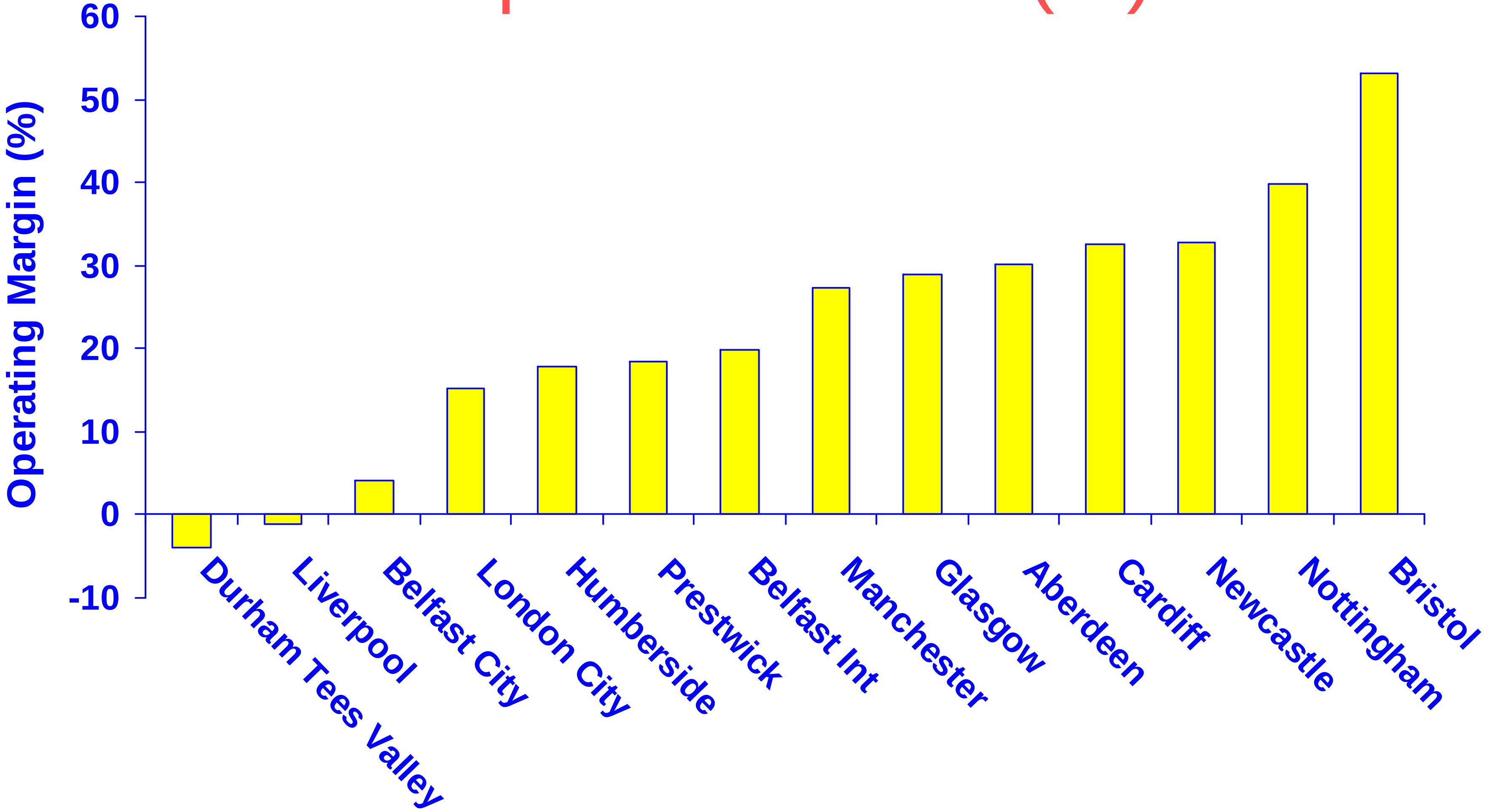
Source CRI

Total Costs per WLU at UK Airports FY 2003



Source: CRI

Operating Profit at UK Airports FY 2003 (%)



Source: CRI, DAA

New Route Incentives
UK Airports

Manchester

- All-inclusive passenger charge replacing airport charges
- Standard periods:
  - Y1 £3.00
  - Y2 £4.00
  - Y3 £5.00
- Off-peak periods:
  - Y1, Y2, Y3 £3.00
  - Y4 £5.00
  - Y5 £7.00

Glasgow

- Rebate on airport charges
- International:
  - Y1 Up to 50%
  - Y2 Up to 30%
  - Y3 Up to 10%
- Domestic:
  - Y1 Up to 30%
  - Y2 Up to 20%
  - Y3 Up to 10%

New Route Incentives
Irish Airports

Cork, Shannon

- All-inclusive passenger charge replacing airport charges
- Cork:
  - Y1, Y2, Y3 3 Euro
  - Y4, Y5 5 Euro
- Shannon:
  - Y1 1.5 Euro
  - Y2 2.5 Euro
  - Y3, Y4, Y5 3 Euro

Dublin

- Rebate on airport charges – only non EU routes
- Y1 100%
- Y2 75%
- Y3 50%
- Y4 25%

Dublin Airport Marketing Support for New Services

- **Three levels of support (Euros 5,000-19,000; 25,000-50,000; >50,000)**
- **Depends on market development criteria:**
  - **Network development potential**
  - **Operator commitment to Dublin**
  - **Commercial potential on non-EU route**
  - **Aircraft capacity**
  - **Capacity origin**
  - **Congestion effect**
  - **Seasonality**
  - **Tourism potential**

New Services Supported by the Route Development Fund at the Sample Airports

Airport	Routes
Aberdeen	Groningen, Copenhagen, Bristol, Southampton, Oslo
Belfast City	Norwich
Belfast Intl	Paris, Nice, New York, Berlin, Geneva, Rome
Glasgow	Dubai, Prague, Barcelona
Prestwick	Stockholm Skavsta, Gerona, Berlin Tegel*, Gothenburg, Bergamo, Rome Ciampino, Dusseldorf, Hamburg, Pisa

* discontinued

Conclusions

At many airports in UK and Ireland

- **Low Cost Carriers have driven strong passenger growth, increased passenger load and added European services**

Airports with LCC dominance tend to have

- **Lower income from aeronautical charges**
- **Lower income from commercial activities**
- **Lower costs**

But no clear picture in terms of profitability

Traffic growth alone may not be a desirable objective for an airport

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