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Dublin Airport Passenger & Aircraft Movement Demand Forecast 2008-2018: DAPF09-04

Overview

The last year has vividly illustrated the cyclical nature of the aviation industry. Currently aviation is experiencing a period of extreme turbulence driven by the world financial crisis which is placing many airlines and airports under financial pressure. However, it is commonly accepted by airports, airlines and aircraft manufacturers alike that robust growth will return to the industry once the world economy recovers. In an increasingly globalised world, air transport plays an essential part. People travel for trade, in pursuit of prosperity and knowledge, to maintain family ties and friendships and to discover and experience other cultures.

As is the industry norm, DAA's forecast model is largely linked to economic forecasts. Due to the uncertainty relating to the economy, the DAA commissioned well respected Irish economists, Fitzpatrick Associates, in late Dec 2008 to review the economic situation and advise on GDP projections to adopt over the initial 2009-2012 period but also beyond 2012. It is generally felt that the Irish (and global) economy would slowly recover from its current tribulations. In the meantime, the global downturn will have an impact on the level of immigration to Ireland and some of the migration flows to/from Ireland are already under threat. Similarly, tourist numbers to Ireland have already decreased on foot of the downturn.

The price of aviation fuel was a serious concern to airlines in 2008 but as the world economy slowed down, the subsequent reduction in the price of fuel has given airlines some relief. While the price is expected to increase again as economic circumstances improve, it is not assumed to breach the \$100 per barrel level (in real terms). Aviation has also come under the spotlight regarding its affects on the environment. The EU has decided to bring aviation into the Emissions Trading System (ETS) from 2012, which will increase the operating costs for airlines. However, given current pricing proposals, the ETS is not expected to have a serious effect on demand.

During this forecast process, DAA met extensively with the Dublin Airport Consultation Committee forecasting sub-group and its consultants. During the course of this process, DAA provided an enormous amount of information to address specific queries raised by the DACC, and tried to engage in a very constructive manner to develop an updated forecast. It appears that the underlying DAA assumptions on GDP and elasticities are fully understood by the DACC. The Commission for Aviation Regulation (CAR) has also participated in all consultation meetings, and so is aware of the level of engagement on all sides.

It is expected that passenger traffic through Dublin Airport is likely to fall in 2009 and see little growth over the following 2 years. At the same time, there is still potential for growth, especially in the medium to long haul markets. Traffic is expected to begin to recover in 2011. Moreover, aviation will remain essential for the well-being of this island and it will play a key role in the recovery of the Irish economy by facilitating new and improved business links between Ireland and the rest of the world. Dublin Airport itself is the principal national gateway and good long term planning is vital to ensure that this gateway is sustained and developed as appropriate for the benefit of the city and the island.

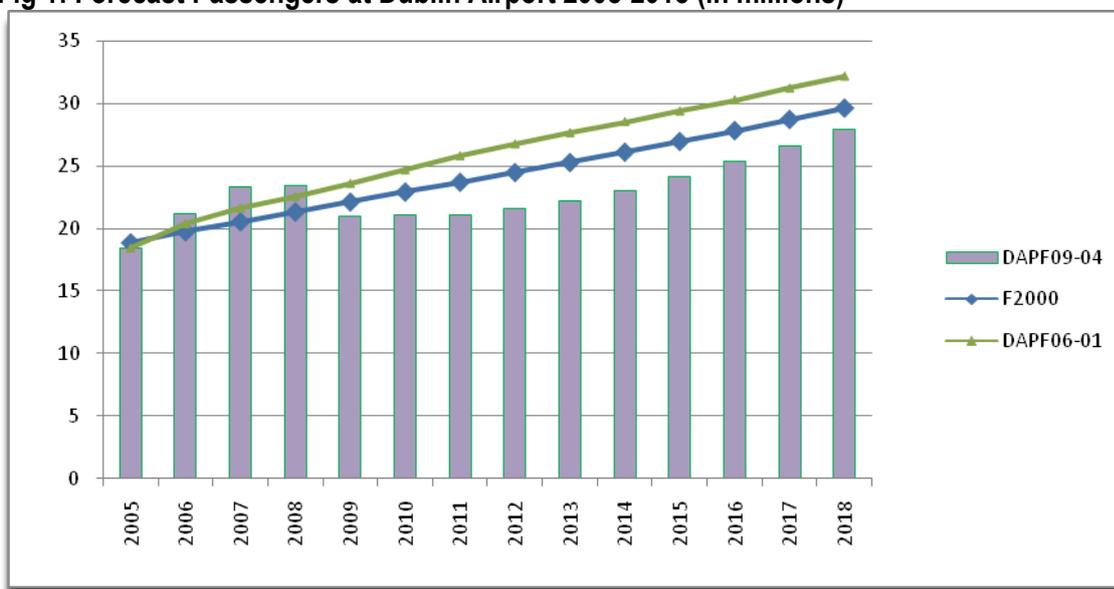
Forecast Results

Like most world airports, the outlook for Dublin Airport in 2009 and 2010 is negative. This reflects recent negative slot revisions from Ryanair and Aer Lingus plus the recent withdrawal of services from Dublin by a number of other carriers. Growth will return in 2011, although this is likely to be moderate given the expected changes in the PSO process in Ireland. Growth will gradually speed up as the Irish economy returns to previous robust growth levels.

Unlike in previous forecasts, Dublin airport has better visibility on the deliverability of new capacity infrastructure. The new terminal is approaching completion and the new runway is likely to be triggered when the lack of runway slots begins to be a significant problem for airlines. This should mean that the airport will be able to cope with demand.

This forecast projects that traffic will reach 28 million by 2018. This equates to a growth of over 19% over the next 10 years (2008-2018), with a CAGR of 1.7% p.a. After 2010, the CAGR is 3.6% to 2018.

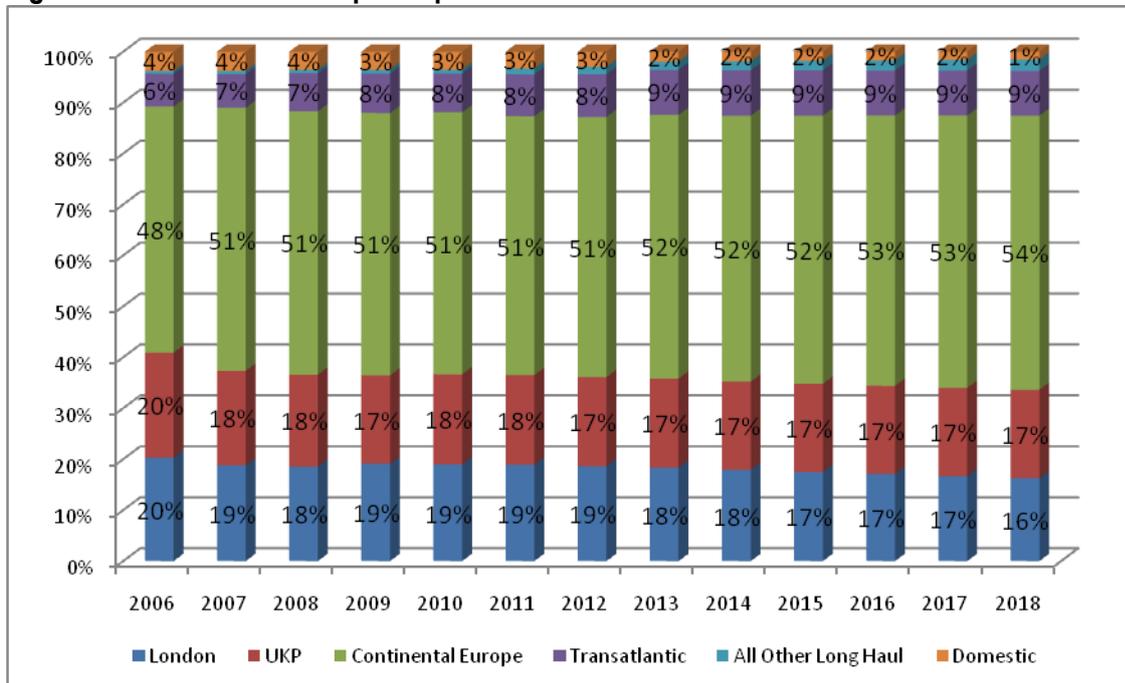
Fig 1: Forecast Passengers at Dublin Airport 2008-2018 (in millions)



The composition of the traffic is expected to continue to shift over the next ten-year period. UK traffic will continue to become proportionally less important, with its overall share declining from 36% in 2008 to 34% in 2018. Traffic on Continental European routes has become increasingly significant in recent years and given the relative maturity of the UK market, this is expected to continue into the future. Currently Continental European traffic comprises 51% of the total traffic. This is expected to grow to 54% by 2017. The transatlantic market is also expected to increase its market share once economic

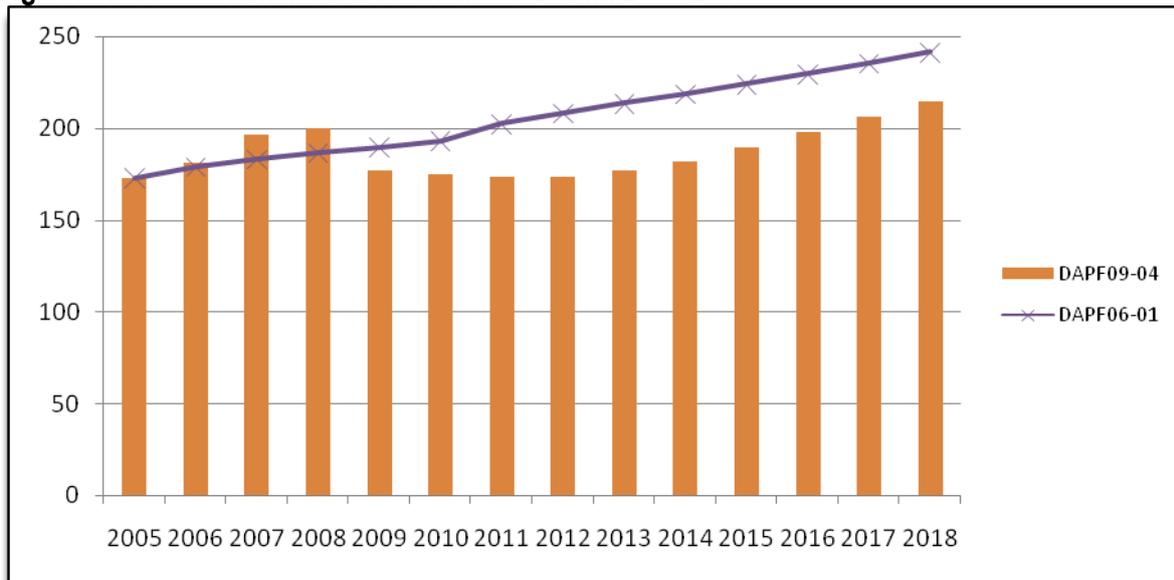
growth returns. Including all long haul routes, the total market share of the long haul market is expected to reach 11%. The domestic market is expecting to decrease significantly.

Fig 2: Forecast Route Group Composition 2006-2018



Given the reduction in 2009, the number of commercial movements is expected to fall below the level experienced in 2006. However, due to this reduction in capacity, load factors are not expected to suffer unduly in 2009. At the same time, high load factors are still considered critical for airlines, so it can be expected that once the economy improves, load factors should increase further. This means that movement growth will be slightly below passenger growth.

Fig 3: Forecast Commercial Movements at Dublin 2008-2018



Most of the commercial movements in Dublin Airport are made by large short haul aircraft, followed by turboprops and then medium sized long haul aircraft. The economics of these types of aircraft should ensure that the future aircraft mix should remain broadly consistent with the current mix.

Table A: Passenger Traffic Forecasts in millions for Dublin		
Year	DAPF09-04 Centreline	DAPF09-04 Growth rates
2005	18.5	
2006	21.2	15%
2007	23.3	10%
2008	23.5	1%
2009	21.0	-11%
2010	21.0	0%
2011	21.1	0%
2012	21.6	3%
2013	22.2	3%
2014	23.1	4%
2015	24.2	5%
2016	25.4	5%
2017	26.6	5%
2018	27.9	5%

Table B: Commercial Aircraft Movement Forecasts in thousands for Dublin		
Year	DAPF09-04 Centreline	DAPF09-04 Growth Rate
2005	172.9	2%
2006	181.2	5%
2007	196.1	8%
2008	200.1	2%
2009	177.1	-12%
2010	174.5	-2%
2011	173.7	0%
2012	173.4	0%
2013	176.8	2%
2014	181.7	3%
2015	189.4	4%
2016	197.4	4%
2017	205.8	4%
2018	214.5	4%