
CHAPTER 5
AIRLINE AND AIRCRAFT MOVEMENT
GROWTH





“AIRPORTS...ARE A VITAL PART OF ENSURING THAT OUR NATION IS ABLE TO BE CONNECTED TO THE REST OF THE WORLD...”

THE HON WARREN TRUSS, DEPUTY PRIME MINISTER



5 Airline and aircraft movement growth

The volume of passenger and aircraft movements at Canberra Airport has declined since 2009/2010. In 2013/2014 Canberra Airport will handle approximately 2.833 million passengers across approximately 60,000 aircraft movements, its lowest recorded passenger volume since 2007/2008.

The prospects for a future return to growth however are strong. Canberra Airport expects a restoration of volume growth in 2015/2016 and retains confidence in the future of the aviation market in Canberra, across Australia, and particularly the Asia Pacific region. Over the next 20 years passenger numbers at Canberra Airport are projected to reach 9 million passengers per annum with some 153,000 aircraft movements in 2033/2034.

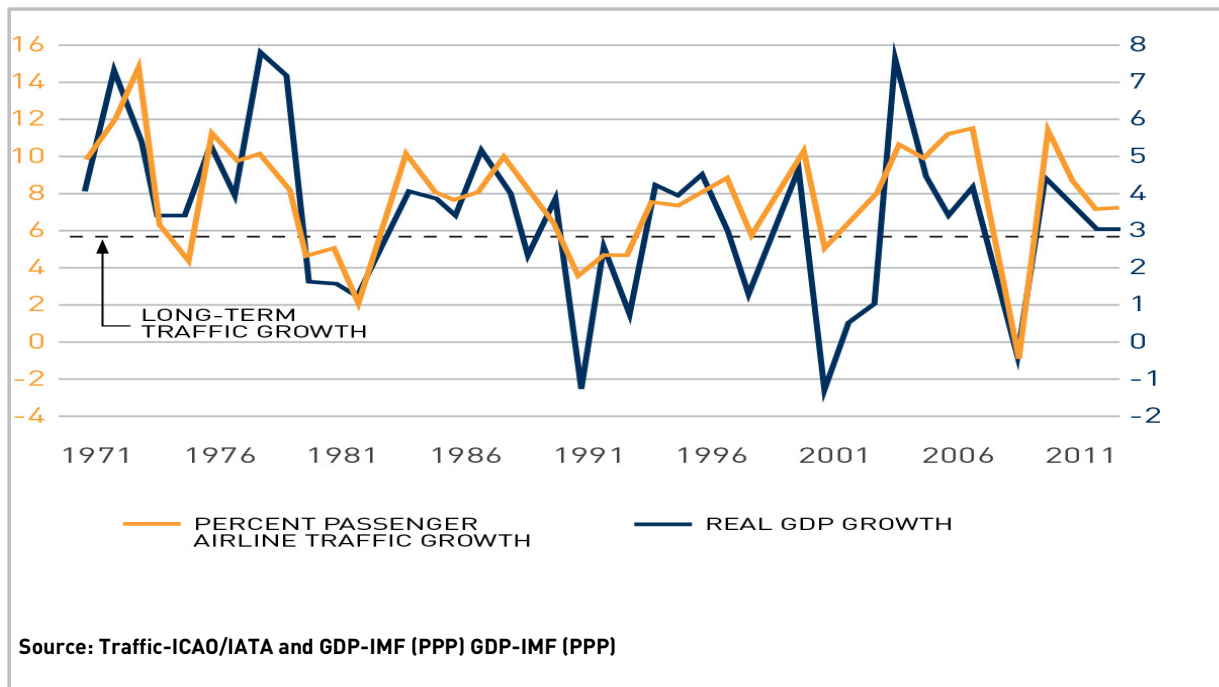
Canberra Airport, with its extensive infrastructure upgrades in recent years, is well positioned to meet forecast demand with only minor additional infrastructure and capitalise on growth opportunities in the regional, domestic and international aviation markets.

5.1 OVERVIEW

Globally, the aviation industry has experienced enormous change over the past 15 years including deregulation of the airline sector, operational and structural changes in the post-September 11 2001 environment, oil price shocks, the collapse of airlines as a result of the global financial crisis (GFC), and the rise of new global players in the Middle East at the expense of international carriers from traditional markets.

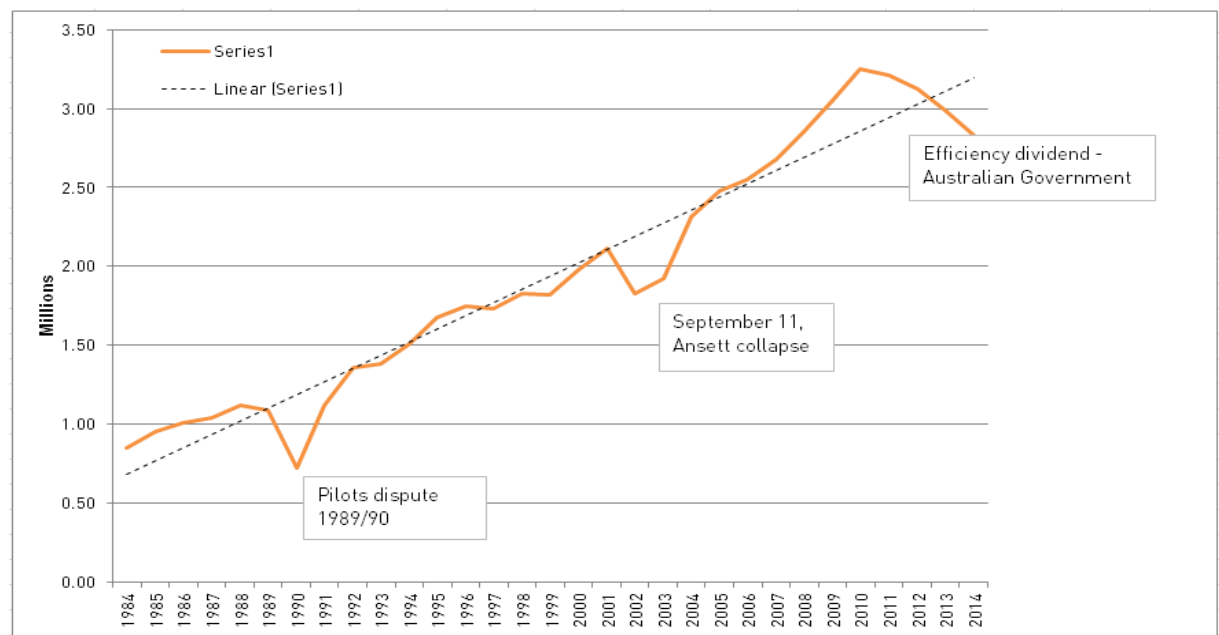
Likewise, Australia has seen enormous change in its aviation sector – the demise of Ansett, the emergence of Virgin Australia, Jetstar, and Tiger Airways, the subsequent repositioning of two out of three of these new entrant airlines and, particularly in the Canberra context, the collapse of regional airlines.

Figure 5.1- world passenger traffic growth versus GDP 1971-2011



Despite these seemingly constant shocks, often at the expense of industry profitability in the short term, there remains an underlying growth trend which can be seen in the historic growth recorded at Canberra Airport in Figure 5.2 below. This demonstrates that for each downturn there is a bounce back to above trend line growth.

Figure 5.2 – historic growth at Canberra Airport



While Canberra Airport is now experiencing another period of declining volumes, history suggests a restorative period of growth is ahead. This is consistent with forecasts across the industry, from Canberra Airport's own projections to those of the major airlines (insofar as they relate to the Canberra market). In addition, the prevailing view of the International Air Transport Association, Airports Council International and the global aircraft manufacturers (Boeing and Airbus) is the world's strongest growth will come from the Asia Pacific region.

Notwithstanding the uncertain environment in which the aviation sector operates, and the declining volume experienced in recent years, Canberra Airport, in its own projections and infrastructure planning and delivery, has provided for growth across the regional, domestic and international markets to ensure it can accommodate what is expected to be the inevitable increase in demand for its infrastructure and services.

5.2 REGIONAL MARKET

The regional market is often confused with what might be regional airlines operating commuter (turboprop) aircraft on trunk domestic routes. The operations of QantasLink and Virgin Australia Regional Airlines operating commuter aircraft on services from Canberra to Sydney, Melbourne, Brisbane, and Adelaide are not regional services (notwithstanding the fact they are operated by 'regional' airlines). In contrast, the services operated by regional airlines from Canberra to Newcastle and Albury would be appropriately considered true regional services.

As regional aviation in Australia faces its challenges, so too do Canberra Airport's core regional markets. The demise of Brindabella Airlines has seen a suspension of services on the Canberra-Newcastle route, which follows an earlier cessation of services on the Canberra-Albury route. The prospects for a resumption of these services, and for the regional aviation sector in Australia generally, remain uncertain.

Regional services have historically comprised up to 2-3 percent of Canberra Airport's traffic volumes. A number of these services have been introduced over the past 15 tumultuous years, sustained for extended periods of time, and proved their profitability in difficult circumstances. The current situation, with the demise of Brindabella Airlines, leaves Canberra Airport with no regional services, which is more a result of the business decisions of one airline, rather than an indication of the longer term viability of regional services to and from the Nation's Capital.

Over the life of this Master Plan, Canberra Airport expects to see a restoration of flights on previously serviced regional routes as well as the commencement of services to new regional destinations. Table 5.1 identifies possible new regional destinations and provides an indicative timeframe for commencement of flights (noting this remains subject to the decisions of airlines).

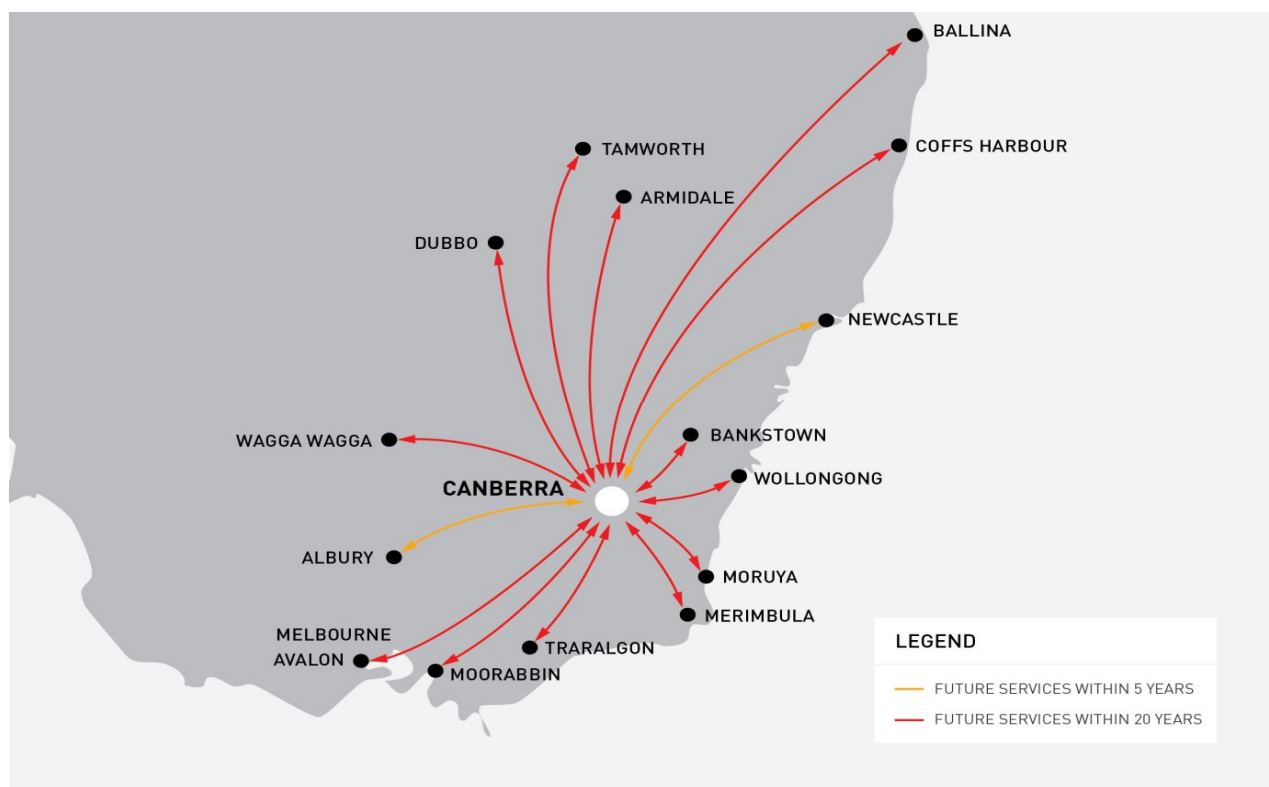
Table 5.1 – target regional destinations

Indicative Timeframe	Regional Destinations
Future services within five years	Albury Newcastle
Future services within 20 years	Armidale Ballina / Byron Bankstown* Coffs Harbour Dubbo Merimbula Moorabbin Moruya Tamworth Traralgon Wagga Wagga Wollongong

*Note: Canberra-Bankstown is not a true regional market, the prospects of airline services on this route would be subject to the decision by the Australian Government on whether to proceed with a new airport serving Western Sydney due to the likely competition to Bankstown that would arise from airline services between Canberra and the proposed new western Sydney airport.

It is noted increasing congestion at Sydney (Kingsford Smith Airport) and any delay in progressing a new Western Sydney airport beyond 2027 will only serve to strengthen the viability of services between Canberra and the identified regional destinations and potentially bring forward the indicative timeframes nominated for commencement of these flights.

Figure 5.3 – regional air services



5.3 DOMESTIC MARKET

While arguably also a factor contributing to the collapse of Brindabella Airlines and the resulting impact on Canberra Airport’s regional market, the domestic market has been beset by challenges resulting from the contraction in Australian Government travel spending aimed at meeting unsustainable efficiency dividends.

Overall passenger volumes at Canberra Airport have declined by 3.4 percent per annum (compound) since July 2010, culminating in passenger numbers in 2013/2014 being 12.9 percent below those recorded in 2009/2010.

Declining volumes have been recorded across all domestic sectors and airlines have adjusted capacity (smaller aircraft off peak) and schedules accordingly. These adjustments have not been as obvious on the denser routes whereas, in contrast, the impact of the Australian Government efficiency dividend on the thinner routes has seen the withdrawal of services on the Canberra-Hobart, Canberra-Townsville and Canberra-Darwin routes.

With the decline in passenger volumes starting to moderate, and the economic outlook (both locally and nationally) being decidedly less bearish, a return to growth appears to be on the horizon.

As passenger volume increases airline load factors (the percentage of seats filled) will increase. In response, airlines will up-gauge (increase size of) aircraft on existing routes and/or increase frequency through the introduction of additional services on existing routes. Ultimately, with continued growth, airlines will look to replace connecting services with new direct services, the opportunities for which in the domestic market are shown in Table 5.2.

Table 5.2 – target domestic destinations

Indicative Timeframe	Destinations
Future services within five years	Cairns Darwin Hobart Sunshine Coast Townsville
Future services within 20 years	Alice Springs Avalon Launceston

The domestic market is expected to drive the vast majority of both passenger numbers and aircraft movements over the life of this Master Plan. Further, although maturing in market terms, the existing route network will drive a substantial proportion of the domestic growth. Additional services on existing routes will therefore remain a priority for Canberra Airport as part of its overall growth strategy and the infrastructure and services are already in place to accommodate a substantial increase in traffic on the domestic route network. It is highly likely this will include one, or both, of the two domestic low cost carrier airlines. This will correct a market anomaly which sees no low cost carrier operating into Canberra despite the Canberra regional population approaching 900,000 (refer to Figure 5.4) making the Canberra region the sixth largest population centre in Australia. Further this excludes any potential capture of South-West Sydney which has a population of over one million. The Canberra and region market is particularly suited to extensive low cost carrier operations because:

- Canberra is home to Australia’s highest average weekly earnings – 17.8 percent above the national average;
- Canberra recorded Australia’s highest growth in average weekly earnings at 6.2 percent per annum;
- 64 percent of the local population have flexible work commitments making it easy to travel; and
- Canberra is Australia’s highest yielding domestic and international travel market.

In simple terms, the high airfares of the two mainline business airlines provide a large gap as against low cost carriers airfare pricing, the result of which will be a significant market growth stimulus when those operations commence, especially given the high incomes of the population.

Similarly, this region and its tourism operators are the only tourism region in Australia (and regional population over 100,000 people) not served by a low cost carrier. This is a significant market anomaly given Canberra's tourism market size (in terms of domestic and international visitors and the spend by those visitors) is as large as Tasmania's which is extensively serviced by low cost carrier aircraft. Given Canberra Airport is the gateway to the Snowy Mountains and the NSW South Coast, we are also the access point to a significant regional tourism economy which makes us larger than Tasmania's tourism economy.

As a tourism destination, significant investment in product over the last 5-8 years has seen the destination surge in terms of reputation:

- Canberra was awarded Top 10 World Destinations on the Rise in the Trip Advisor Travellers Choice Awards 2013 – the only Australian capital to make the list;
- In 2014 the Australian War Memorial was named the number one Travellers Choice Australia Landmark Destination (Trip Advisor);
- Canberra has Australia's highest concentration of restaurants per capita with Aubergine and Monster listed in Gourmet Traveller's Top 100 Australian Restaurants (2014);
- East Hotel is the Australian Hotel Association's Best Apartment Hotel in Australia (2014) and Hotel Hotel is Gourmet Travellers Australian Boutique Hotel of the year (2014); and
- The Australian Alps as well as the NSW and Victorian Coastal region were both listed in the top 16 Ultimate Escapes by Australian Traveller (2014).

The tourism product here is well suited to extensive low cost carrier operations. Experience shows such operations extensively boost airport passenger numbers by up to 15-40 percent over the first two years and then deliver above trend growth rates for a further 7 -10 years. Tasmania is a great example of this, as is the Gold Coast. In the late 1990s Canberra and Gold Coast had similar passenger numbers and until 2002, Canberra had moved ahead. Over the last decade, Gold Coast's growth through low cost carrier operations has seen it move significantly ahead but there is no reason this gap could not be closed over the next decade.

Figure 5.4 - Canberra and surrounding regions

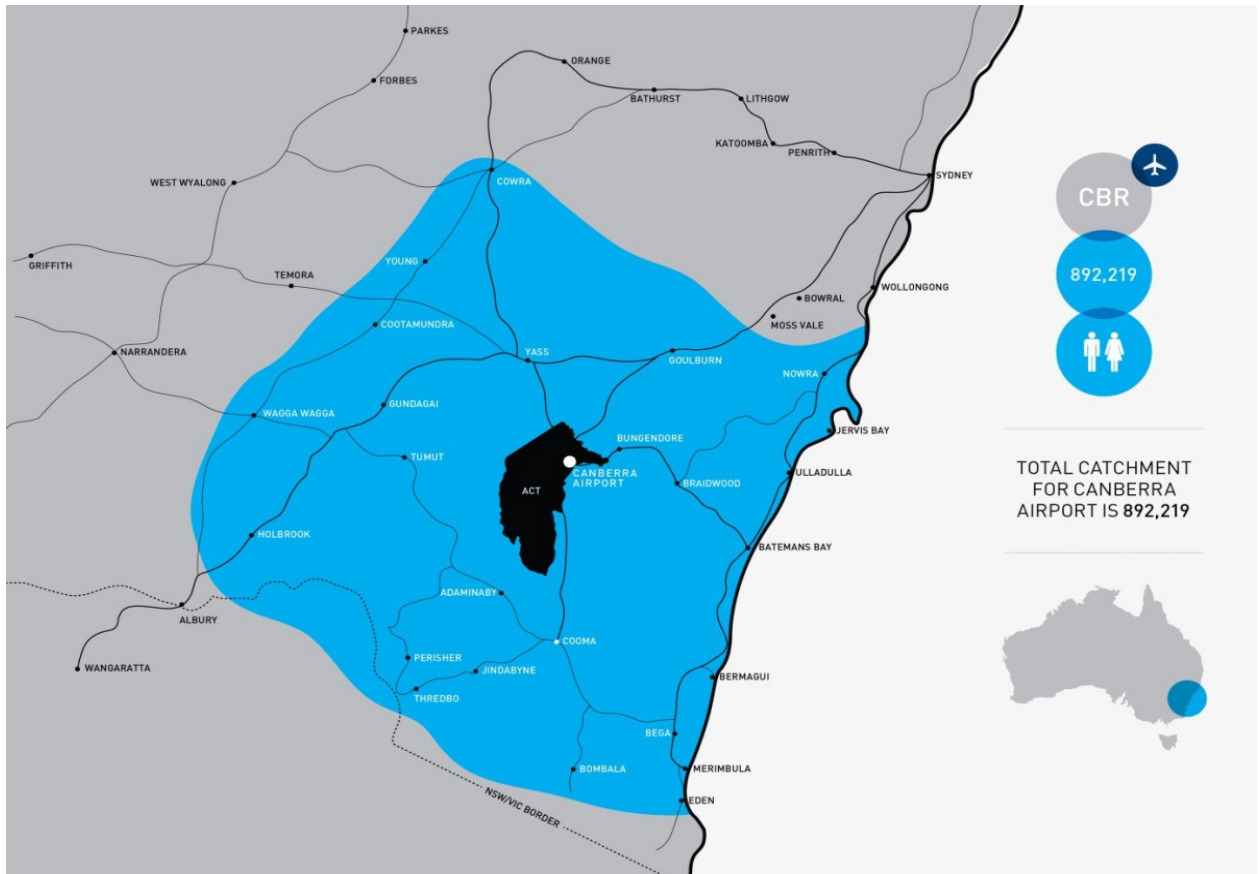


Figure 5.5 – projected domestic air services from Canberra



5.4 INTERNATIONAL MARKET

An analysis of origin and destination travel shows there are a significant number of international passenger trips each year to and from Canberra. Presently, these international passenger trips are facilitated by domestic airline services connecting to international services at Sydney and, to a lesser extent, Melbourne and Brisbane Airports. There is, however, a clear opportunity for direct international flights to service Canberra Airport.

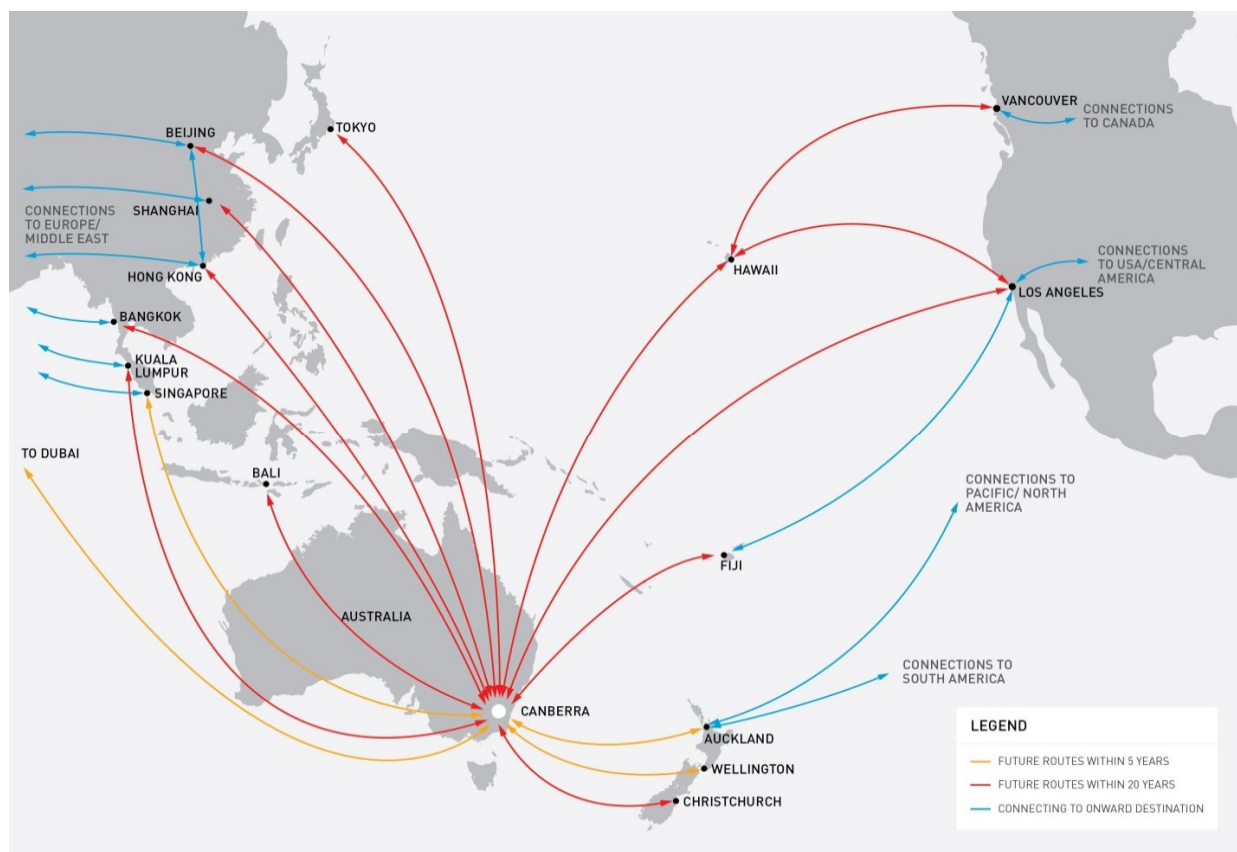
Evidence demonstrates there is sufficient demand today for direct international services between Canberra and New Zealand, and a daily A330/B777 service between Canberra and one or more hub airports in the Middle East and/or Asia that would deliver onward connections to Europe and the rest of Asia. Given the demographic of the outbound market and the destination development opportunities that exist, the Pacific Islands remain a target market for future international services from Canberra. In a longer term sense, direct flights to the Americas are also a possibility.

Table 5.3 – target international markets

Indicative Timeframe	International Markets
Future services within five years	Dubai New Zealand Singapore
Future services within 20 years	Abu Dhabi Americas China Hong Kong Indonesia Japan Malaysia Pacific Islands Thailand

From a zero base, on conservative estimates, Canberra Airport is forecast to handle approximately 4,431 international aircraft movements per annum by 2033/2034, and average six return flights per day, carrying almost one million international passengers to and from Canberra Airport each year.

Figure 5.6 – projected international air routes



The introduction of international services will place new demands on airfield and terminal infrastructure at Canberra Airport, and similarly place new demands on the airspace surrounding Canberra Airport. While the direct services to New Zealand are expected to be operated by narrow-bodied aircraft (B737/A320) in the short term, the majority of international services are forecast to be operated by wide-bodied aircraft (A330/B777/B787).

Despite this demand being new, with planning and development work already completed, Canberra Airport’s airfield and terminal infrastructure is capable of accommodating both the increase in number of aircraft movements from international operations as well as the resulting increase in size of such aircraft. Similarly, airspace planning around the Airport provides for these international operations. These matters are dealt with in further detail in Chapter 8, 9 and 13.

5.5 AIRFREIGHT AND OVERNIGHT AIRCRAFT MOVEMENTS

The demand for airfreight is rebounding, driven by online sales growth and, in the international context, a favourable exchange rate. While airfreight is suited to the more time sensitive (and/or long-haul) parcel segment of the overall freight market, the rapid growth in online sales is impacting all sectors of the road and air freight market.

To date, Sydney Airport continues to be the primary destination for airfreight in Australia. The impact of increasing congestion at Sydney Airport and congestion on the arterial roads around Sydney generally is expected to drive a review of Australia's air freight network. Any move to decentralise the airfreight network or modify the location of airfreight hubbing activity is likely to drive an increase in freight volumes through Canberra Airport.

Notwithstanding the announcement by the Australian Government in April 2014 to proceed with developing Badgerys Creek as Sydney's second airport, it is unlikely that this airport will be operational before 2026.

Presently, Canberra Airport is utilised for limited airfreight activity. Airfreight is typically carried in the hold of aircraft operating passenger services or in dedicated freight aircraft operating mainly in the overnight hours (11pm-6am). Infrequently, dedicated wide-body aircraft carry specialised cargo to and from Canberra at different times of the day and night. In addition to airfreight, aircraft movements occurring during the night hours include:

- Scheduled regular passenger transport (RPT) aircraft movements;
- Off-schedule RPT aircraft movements;
- Diverted domestic and international RPT and freight aircraft;
- Ad-hoc military and VIP aircraft movements; and
- Ad-hoc medivac and emergency aircraft movements.

The introduction of international passenger services will provide a new dimension to airfreight at Canberra Airport and provide an export portal for freight and business services to the region's government and business community.

Canberra Airport is uniquely positioned as the only 24 hour, curfew free airport, between Melbourne and Brisbane with the capability to handle wide-bodied aircraft. In order to capitalise on this position Canberra Airport will develop infrastructure over the life of this 2014 Master Plan to continue to accommodate growth in airfreight activity and overnight aircraft movements, including but not limited to, additional aircraft parking apron(s), freight terminals and support facilities.

5.6 FORECASTING METHODOLOGY

In preparing passenger movement forecasts for Canberra Airport a number of considerations were taken into account. The World Bank gross domestic product forecasts and the forecasts for Australia prepared by the Reserve Bank of Australia were considered along with the forecast cost of fuel which is assumed to be consistent without major structural shocks.

The fall in passenger numbers in recent times was analysed and compared to other declines in the Airport's history in particular the falls during the early Howard and Fraser Governments both of which saw a return to trend growth over the medium term. Analysis also included a focus on ACT Gross State Product and NSW regional review of population growth rates and took into account the high average earnings of those living in the Territory, Queanbeyan and the region.

An important component of the analysis was looking at the growth rates of traffic at other major airports as reported in their master plans particularly those that represent major current and future routes.

It is noted the Sydney-Canberra route is highly competitive with major substitution capability by road which carries over five million passengers per year in cars and buses. Accordingly, growth rates were analysed with the growth rates of road transport on this corridor and because this has seen significant modal shift in response to either air capacity surges or road infrastructure improvements, the NSW and Australian Government plans for major road improvements were also taken into account. Congestion in the Sydney basin was taken into account in the high case rather than the base case.

5.7 MARKET SUMMARY

Regional, domestic, and international volumes are set to increase over the term of this 2014 Master Plan. Passenger volume will increase from 2.833 million in 2013/2014 to more than nine million by 2033/2034, a compound annual average rate of growth of 5.5 percent (or 5.3 percent excluding international passengers).

Domestic passenger growth to 2023/24 will reflect a rebound from recent falls in passenger numbers, and a return to at least historical trends in passenger growth shown in Table 5.2. Beyond 2024 passenger growth will accelerate due to the maturing and increase in frequency of international and low cost services at Canberra Airport including additional domestic routes to ports such as Cairns, Darwin, Hobart, Sunshine Coast, and Townsville resulting in approximately eight million domestic passenger movements in 2033/34. If significant low cost carrier services develop before 2024, this acceleration in growth will be brought forward.

Canberra Airport has consulted with our current airline partners and also had regard to BITRE forecast for domestic passengers out to 2031. The Base Case Domestic Passenger Forecast in table 5.4 for 2018/19 and 2023/24 are conservatively below those forecast by BITRE.

The possibility of outperformance is reflected in the high range case which could see total passenger numbers reach 10.7 million by 2033/2034.

Table 5.4 - forecast passenger movements

Passengers	Actual 2013/ 2014	Forecast 2018/ 2019	Forecast 2023/ 2024	Forecast 2028/ 2029	Forecast 2033/ 2034
Base Case					
- Domestic/Regional	2,833,000	3,958,700	4,838,500	6,252,300	8,001,300
- International	0	400,000	500,000	800,000	996,946
TOTAL	2,833,000	4,358,700	5,339,500	7,052,300	8,998,246
High Range					
- Domestic/Regional	2,833,000	4,300,000	5,411,469	7,461,566	9,450,000
- International	0	500,000	800,000	996,946	1,242,376
TOTAL	2,833,000	4,800,000	6,211,469	8,458,512	10,692,376

Meanwhile aircraft movements are expected to increase from 59,620 in 2013/2014 to more than 153,000 by 2033/2034, a compound annual average rate of growth of 4.8 percent (or 4.7 percent excluding international RPT movements). The lower rate of growth in international movements, relative to passengers, reflects the progressive increase in load factor as international services establish over the term of this 2014 Master Plan.

Table 5.5 - forecast aircraft movements

Aircraft	Actual 2013/2014	Forecast 2018/2019	Forecast 2023/2024	Forecast 2028/2029	Forecast 2033/2034
Base Case					
- Domestic/Regional	42,112	52,783	60,494	73,556	88,903
- International	0	1,951	2,439	3,902	4,431
- Other	17,588	26,382	40,500	48,000	60,000
TOTAL	59,620	81,116	103,433	125,458	153,334
High Range					
- Domestic/Regional	42,122	57,333	67,643	87,783	105,000
- International	0	2,439	3,902	4,431	5,522
- Other	17,588	29,000	43,000	53,000	65,000
TOTAL	59,710	88,772	114,546	145,214	175,522

The growth rates of airline passenger movements are consistent with those forecast by Boeing in its *Market Outlook 2013-2032*. Over its 20 year forecasting period Boeing predicts passenger traffic (as measured by revenue passenger kilometres) in the Asia Pacific region to increase at a compound annual average rate of growth of 6.3 percent against a global rate of 5.0 percent. Likewise, Boeing predicts fleet size (a proxy for aircraft movements assuming airlines maintain aircraft utilisation) to increase at 5.5 percent per annum over the 20 years, against a global average of 3.6 percent per annum over the same period. In both passenger and aircraft movement terms, the rates of growth adopted by Canberra Airport sit comfortably in the range of forecast by Boeing for the Asia Pacific region and the global average.

While industry forecasts are a useful benchmark for comparison, the forecast passenger volumes adopted by Canberra Airport in this 2014 Master Plan have been developed with input from both Qantas Airways and Virgin Australia as well as likely activity from international carriers and low cost carriers.

5.8 MARKET DEVELOPMENT

While the propensity for Canberra Airport to outperform its base volume forecast is largely in the hands of its airline partners, the opportunity exists for these airline decisions to be influenced by a number of factors. An increased understanding of tourism development initiatives, demographic insights, marketing partnerships and incentive frameworks all serve to foster growth in airline services and passenger volumes at an airport.

With this in mind, Canberra Airport and the ACT Government (through its Economic Development Directorate and VisitCanberra) have renewed their partnership to drive aviation development opportunities. The ACT Government has outlined its plans for aviation development in its *2020 Tourism Strategy* (2013) where it nominates international airline services and additional domestic airline capacity as key areas of focus, supporting each of these with multi-million dollar funding commitments, the latest \$600,000 in the June 2014 Budget.

This partnership approach extends further still to Tourism Australia, with the national tourism marketing body working with both Canberra Airport and VisitCanberra on development opportunities in international markets. The opportunity exists to extend this collaborative model to a partnership with Destination NSW, an initiative that will be pursued early in the life of this 2014 Master Plan.

In addition to tourism marketing, the medium and long term development of the tourism product and offering will be critical key considerations and opportunities include:

- Additional hotel developments within Canberra across the range of product offerings (ie, not just four to five stars) with the release of sites for these uses specifically;
- Continued investment in the National Attractions coupled with the entrepreneurial development of unique 'must do' experiences;
- Increasing the wine and food tourism offer through further investment, especially in terms of accommodation and transport links;
- Building on the world class investment in mountain bike facilities at Mt Stromlo and Majura Pines with further adventure and outdoor tourism products;
- Linking adventure tourism with the eco-tourism sector to leverage off the national park assets from the Brindabella's to the Snowy Mountains with Tasmanian and New Zealand style trekking and accommodation products;
- Realising the major new investment opportunities in the NSW ski fields to deliver world class ski holiday product and experiences, and at the same time, leveraging this infrastructure to deliver a year round tourism product; and
- Facilitating development on the NSW South-Coast particularly through upgrading major road access routes.

Building the tourism product for this region over the next five, 10 and 20 years will require major investment by hundreds of small and large businesses who will take the commercial risks. Government and councils, in the public interest and job generation, need to foster these initiatives, facilitate this investment, and fast track relevant approvals.

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