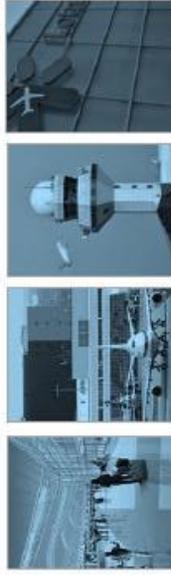


Jersey Airport Long Term Forecast DRAFT v1.2



January 2014



Independent analysis to support your business decisions





Executive summary

The airport's performance over the last 10 years has been consistent and, in comparison to peer UK airports, has been strong in the context of a deep and prolonged recession (particularly impacting the financial sector), airline failures/mergers, high fuel prices, decreasing tourism, and increasing UK aviation taxation. While some of these factors are likely to remain in force in the future, there is indication that some aspects of air traffic demand drivers will improve, providing future benefit to the airport.

A review of the airport's main customers does not highlight any obvious threat of complete withdrawal (or failure). Despite Flybe's recent announcements regarding their base closures, the impacts on Jersey are actually expected to be minimal – services which will be lost were either small in absolute traffic volume or are on routes which have another operator who can realistically backfill some (or all) of the previous demand.

The airport has a good mix of carriers, resulting in a strong aeronautical yield. Deals in place with low cost carriers have not significantly diluted this yield (unlike other UK and EU airports) and the airport has achieved new route development without a "race to the bottom" in terms of yield.

Any significant increase in airport charges could have a negative impact on demand; either from a theoretical price-elasticity perspective (which would disproportionately affect leisure passengers – the majority of airport traffic) and/or from impacting the financial viability of a route – if airlines are unable to pass through significant price increases to consumers, this would lead to them absorbing the higher costs and potentially having an adverse effect on a route's profit margin. Any significant increase to charges should be undertaken in consultation with the airport's main airlines to gauge their opinion on (and ability to accept) higher charges.

The opposite is also true – reducing charges could prove a stimulus to traffic levels and/or incentivise airlines to introduce new routes or increase capacity on existing services. This needs to be considered from a holistic view – more passengers might not lead to greater airport revenues, but could increase tourism on the island and therefore income from related spend.



Executive summary

Long-term traffic is forecast to grow at a CAGR of 0.8% (to 1.73m passengers) which in the context of historic performance (and challenges faced by the industry over the last five years) seems reasonable. Acronautical revenue is forecast to grow to just under £21.5m in nominal terms, representing a yield per passenger growth from £8.44 to £17.47.

Jersey Airport Annual Forecast - Base Case (Source: NDCA Analysis)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Passengers	1,440,574	1,454,112	1,464,750	1,476,070	1,485,929	1,495,890	1,506,290	1,516,948	1,527,523	1,538,288	1,549,049	1,560,083	1,571,287
ATMs	33,144	33,180	33,229	33,291	33,322	33,355	33,396	33,443	33,487	33,534	33,581	33,634	33,689
Pax annual growth	0.9%	0.7%	0.7%	0.8%	0.7%								
ATM annual growth	0.1%	0.1%	0.1%	0.2%	0.1%	0.2%	0.2%						

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2014-2038 CAGR
Passengers	1,583,127	1,595,111	1,607,241	1,619,805	1,632,782	1,645,956	1,659,236	1,672,623	1,686,118	1,699,722	1,713,436	1,727,261	0.8%
ATMs	33,756	33,825	33,897	33,977	34,063	34,153	34,243	34,333	34,424	34,515	34,606	34,697	0.2%
Pax annual growth	0.8%												
ATM annual growth	0.2%	0.2%	0.2%	0.2%	0.3%								