2015 ACI Airport Economics Report
A COMPREHENSIVE VIEW OF THE INDUSTRY’S 2014 FINANCIAL PERFORMANCE

GLOBAL INDICATORS


REPRESENTING 71% OF THE WORLD’S PASSENGER TRAFFIC

ANALYSES FOR OVER 800 AIRPORTS
World passenger growth (2014/2013 % change)

- > 12%
- 6%-12%
- 3%-6%
- 0%-3%
- < 0%
- No data
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Preface: ACI Airport Economics Report

I. Report content

The 20th edition of the ACI Airport Economics Report presents data and analysis relative to airport activity for the financial year 2014. An in-depth analysis of industry income, both aeronautical and non-aeronautical, airport costs and their change relative to the previous year continues to be the bedrock of the report. The main sources and drivers of airport revenues and costs are examined using various dimensions and benchmarks. The link between airport size and financial performance is also examined.

II. Key Performance Indicators

As a separate product, ACI continues to provide Airport Key Performance Indicators (KPIs) through an exhaustive battery of indices based on the data collected. Given that airports are complex businesses which operate in unique and evolving physical, cultural and regulatory environments, the use of international indicators and averages provides quantifiable barometers of industry activity. The aggregate indicator values in this product are presented in Microsoft Excel format. These indices are averages based on the following groupings:

- airport size (e.g., <1 million passengers to 40 million passengers);
- economic grouping (e.g., advanced economies, emerging and developing economies);
- geographical region;
- regulatory model; and
- ownership (e.g., public, private, public-private partnership).

The indicators cover many areas, ranging from financial and employee performance to fixed asset productivity and airport operations. A small sample from the vast battery of indicators contained in the product is listed below:

- total revenue per passenger;
- aeronautical revenue per passenger;
- non-aeronautical revenue per passenger;
- retail concession revenue per square meter of retail space;
- retail concession revenue per passenger;
- total cost per passenger;
- operating cost per passenger;
- capital cost per passenger;
- car parking revenue per car parking space;
- movements/passengers/work load units (WLU) per employee;
- personnel expenses per employee;
- airport airside area per movement;
• terminal landside area per passenger;
• movements per gate and movements per runway;
• passengers per gate and passengers per check-in desk;
• return on invested capital (ROIC) and return on assets (ROA); and
• capital expenditure per passenger.

For more information on ACI's Airport Key Performance Indicators and how to order, please visit: http://www.aci.aero/Publications/ACI-Airport-Economics-and-Statistics.

III. Methodology

Sample and coverage

The KPIs and the contents of this report are based on an annual survey that generated responses from 818 airports for the 2014 financial year. Together, these airports handled 4.8 billion passengers or about 71% of worldwide passenger traffic in 2014.

The objectives of the sampling were three-fold. The primary objective was to maximize participation and coverage of the world’s top airports in terms of passenger and cargo traffic. In order to introduce analytical variation and rigour to the dataset, the participation of airports with lower traffic levels was considered an important factor in developing the sample. Finally, regional representation was regarded as a vital component in presenting a global picture of the industry. Simulations were produced based on the sample so as to produce an accurate distribution of traffic across the world’s regions.

In order to provide regional indicators, the combined airports contained in the sample were required to cover at least 50% of passenger traffic, including coverage of major commercial airports in each region. In instances where there was insufficient data for a given item by region, no indicator was produced.

In terms of the actual number of participating airports, Europe represents the largest portion of the sample (223), followed by Latin America-Caribbean (183) and Asia-Pacific (210). Table I below provides a breakdown of the report’s coverage.

In collecting the data, each individual airport’s submission was analyzed for consistency and coherence across each indicator in the Airport Economics Survey. Various quality indicators were used to detect any outliers or anomalies in the dataset. If required, statistical quality control was performed in consultation with airport data providers.

Airport traffic data, which is also presented in this report, represents a measure of air transport demand. The data is based on monthly and annual data collections spanning most of the world’s major airports.
Table I: Data coverage (2014)

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of participating airports</th>
<th>% Passenger traffic covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>40</td>
<td>53.7%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>210</td>
<td>57.3%</td>
</tr>
<tr>
<td>Europe</td>
<td>223</td>
<td>80.7%</td>
</tr>
<tr>
<td>Latin America-Caribbean</td>
<td>183</td>
<td>80.8%</td>
</tr>
<tr>
<td>Middle East</td>
<td>12</td>
<td>55.1%</td>
</tr>
<tr>
<td>North America</td>
<td>150</td>
<td>81.4%</td>
</tr>
<tr>
<td><strong>World</strong></td>
<td><strong>818</strong></td>
<td><strong>71.1%</strong></td>
</tr>
</tbody>
</table>

**Estimation and simulation**

In certain instances where data was not readily available for the reference period, various techniques were used to estimate missing data. Depending on the variable being analyzed and the availability of past time series data, econometric techniques or other simulation methods were used to estimate missing data.

Airport revenues and costs presented in Table 3 represent an extrapolation for the airport industry as a whole. The simulated figures are generated from the above-mentioned sample.

**International comparability**

Individual airport financial data was submitted in 66 different currencies and converted into US dollars (US$) using official exchange rates determined by the foreign exchange market and/or by national authorities. The exchange rate was calculated as an annual average based on monthly averages and expressed as local currency units relative to the US$.

The financial figures for the previous year (2013) were adjusted by the inflation rate, defined as the change in average consumer prices. This mitigates currency fluctuations through 2013 and 2014 and allows for the comparability and accuracy of US$ amounts across the two years.

Inflation rates and exchange rates were obtained from the International Monetary Fund’s (IMF) World Economic Outlook Databases and International Financial Statistics.
There are two forces at play in the global economy which have pushed the pendulum in opposite directions. As advanced economies get back on course, the emerging market slowdown has resulted in overall moderate growth levels in global output. Regardless, passenger traffic remained resilient in the face of the global uncertainties that beleaguered many of these economies over several years. International tourism, in particular, was irrepresible in 2014 and 2015, even considering the geopolitical risks that persisted in certain parts of the world, such as Eastern Europe and the Middle East. The Ebola outbreak also presented significant challenges to the aviation sector. Notwithstanding, by and large, the international traveller appears to have discounted these risks.

Based on the 2014 financial year, airport revenues experienced strong growth compared to the previous year. Although there were regional variations in financial performance, the recovery in the Euro area and the United States, combined with the continued buoyancy of aviation in emerging markets, translated into gains in airport revenues. Industry revenues as a whole grew by 8.2% from 2013, reaching over US$142 billion in 2014. Many airports across the globe have moved towards a business model that charges the travelling end user for their services through passenger-based revenue schemes. On the aeronautical side of the business, over 55% of every dollar was generated from passenger-related charges as compared to other aeronautical sources of income such as aircraft-related revenues.

The airport revenue model is becoming increasingly diversified and sophisticated. Airport operators have moved beyond being mere infrastructure providers for aeronautical activities to varied and far-reaching enterprises. Commercial or non-aeronautical sources of income such as retail concessions and car parking contribute to the diversification in an airport’s income portfolio and provide an additional cushion during adverse economic times.

The combined revenues from commercial and non-operating activities account for 45% of the all revenue streams and grew by 7.2% in 2014. While European airports hold the highest proportion of these revenues relative to other regions, much of the revenue growth is originating from airports located in the emerging markets of Asia-Pacific, the Middle East and Latin America-Caribbean, where the highest growth in commercial revenues in being posted.

Nevertheless, certain realities persist that are related to the economics of airports and economies of scale. The challenge remains that most airports in the world are small, with high traffic volumes concentrated in only a handful of airports. Therefore, the airport industry faces a conundrum; although as a whole it appears to be profitable on the aggregate level, with returns on invested capital in the realm of 6.3%, the majority of airports are actually in the red on their financial statements. Thus, developing the necessary strategy to enhance traffic growth is fundamental in generating a positive economic return. It is important for all stakeholders in the air transport value chain to work together to reap the benefits and multiplier effects of increased trade and tourism.
Key industry facts for the 2014 financial year:

- Global industry revenue year-over-year growth (2014/2013): 8.2%
- Global industry revenue: US$142.5 billion
- Revenue per passenger year-over-year growth (2014/2013): 3.2%
- Distribution of global revenues: aeronautical (55.5%), non-aeronautical (40.4%) and non-operating (4.1%)
- Global airport revenue per passenger: US$21.22
- Global aeronautical revenue per passenger: US$11.78
- Global non-aeronautical revenue per passenger: US$8.58
- Total cost per passenger: US$16.82
- Ratio of aircraft-related charges (33.6%) to passenger-related charges (55.8%) and other aeronautical revenues (terminal rentals) (10.6%): 34:66
- Distribution of non-aeronautical revenue by key source: retail concessions (28%), car parking (22%) and property and real estate income or rent (15%)
- Labour cost share of operating expenses: 36%
- Global debt-to-EBITDA ratio: 5.03
- Industry net profit margin: 16%
- Global return on invested capital (ROIC): 6.3%

For more information or to order the 2015 ACI Airport Economics Report, please visit http://www.aci.aero/Publications/New-Releases/2015-ACI-Airport-Economics-Report.

To order the Key Performance Indicators, please visit http://www.aci.aero/Publications/New-Releases/2015-ACI-Key-Performance-Indicators.

Finally, to order the discounted package, which includes both the 2015 ACI Airport Economics Report and the Key Performance Indicators, please visit http://www.aci.aero/Publications/New-Releases/2015-ACI-Airport-Key-Performance-Indicators--2015-ACI-Airport-Economics-Report.
Global indicators for over 800 airports, representing 71% of the world’s passenger traffic

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