

Airport Operations in Australia

Taking off: Passenger numbers are soaring again now that restrictions have eased

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**Recent
Developments****Australia's major airlines are recovering from the COVID-19 pandemic**

The Australian Government has eased inbound travel requirements enacted due to the COVID-19 pandemic. As a result, airline activity has risen, boosting major industry players' revenue. Domestic airfares have also risen, following spiking input costs and demand. Major layoffs to cut costs during the COVID-19 pandemic have contributed to increasingly frequent delays and cancellations. These frictions have weighed on demand for airline travel. However, as consumer trends continue to favour online shopping in the COVID-19 pandemic's aftermath, air cargo demand has heavily contributed to airline revenue recovery and many major airlines' ability to remain viable.

Low unemployment increases labour costs and shortages for employers

The unemployment rate increased slightly to 3.5% in August 2022, but remains close to the lowest official rate since 1974. This low unemployment rate has supported real household disposable incomes and consumer sentiment during a period of economic uncertainty. In contrast to businesses, the fall indicates a tightened labour market for employers due to strong pressure to attract and retain employees, while labour has been scarce.

Fuel excise reduction ends, increasing cost pressures for operators

In March 2022, the Federal Government halved the fuel excise in response to the increasing cost of living. Fuel prices significantly influence transport operators, and this cut has lowered their cost pressures. However, the excise cut has since been removed, with petrol and diesel prices expected to gradually rise. A higher excise, combined with oil price rises due to the Russia-Ukraine conflict, is expected to raise purchase costs for transport operators. As a result, operators are likely to pass costs on to consumers, dampening industry demand. Although, operators may be eligible to claim a higher fuel tax credit, which was temporarily reduced in line with the excise, offering them some reprieve.

This section last updated January 12, 2023

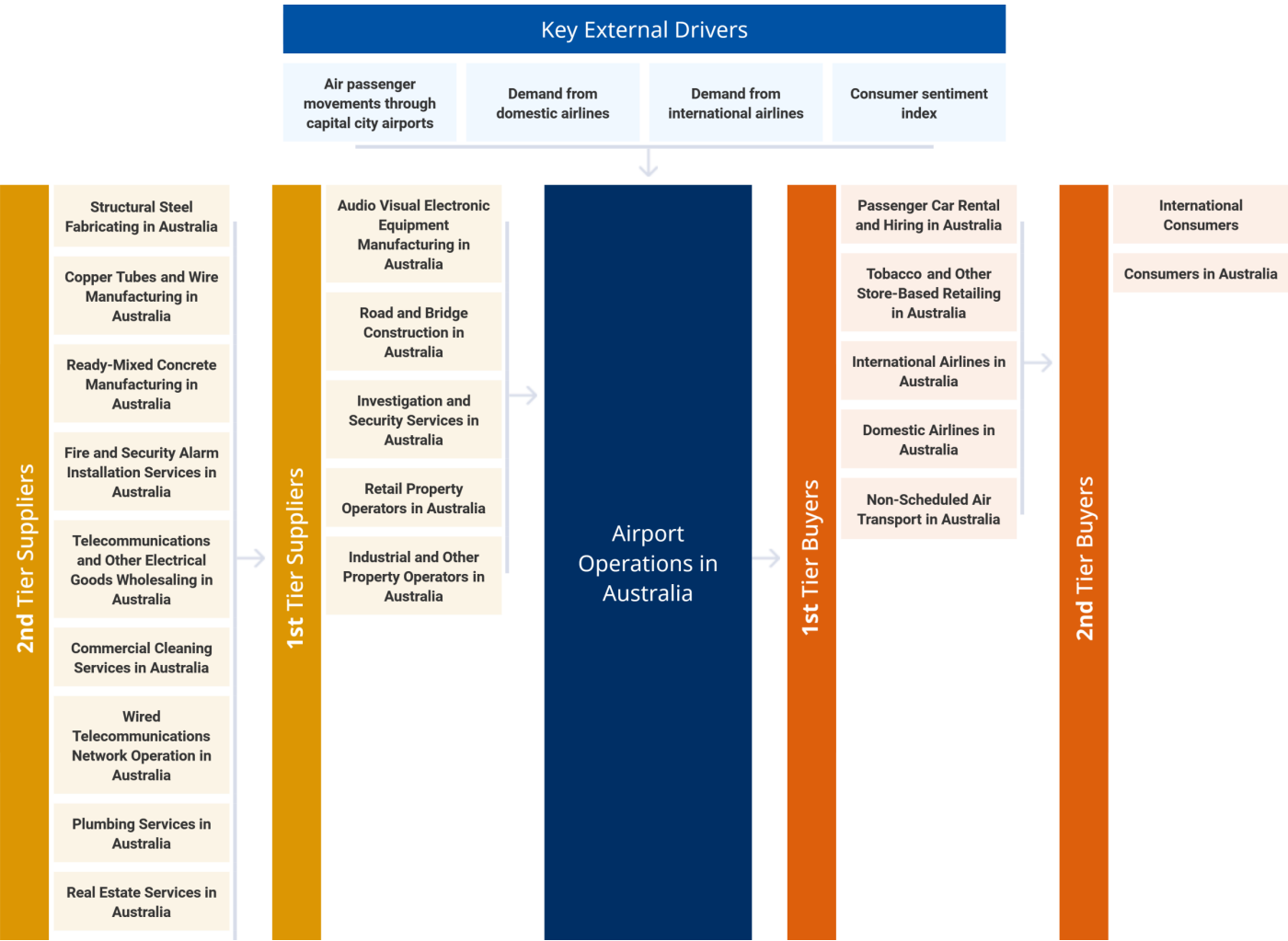
About IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions that benefit you, your company and your clients. We offer research on industries in the US, Canada, Australia, New Zealand, Germany, the UK, Ireland, China and Mexico, as well as industries that are truly global in nature.

About This Industry

Industry Definition	Industry companies primarily operate international, national or civil airports. Operations include services to air transport like airport terminals, runways, air traffic control, aerospace navigation and baggage handling. Car parking services provided by airport operators are excluded from the industry.
Major Players	<div>Sydney Aviation Alliance</div> <div>Airservices Australia</div> <div>Melbourne Airport</div> <div>BAC Holdings</div> <div>Perth Airport</div>
Main Activities	<div><div>The primary activities of this industry are:</div><div><div>Airport aeronautics</div><div>Rent and property</div><div>Air traffic control and navigation</div><div>Support services</div><div>Baggage and cargo storage</div><div>Spaceport operations</div></div></div> <div><div>The major products and services in this industry are:</div><div><div>Air traffic control and navigation</div><div>Airport aeronautics</div><div>Rent and property</div><div>Support services</div><div>Other services</div></div></div>

Supply Chain



SIMILAR INDUSTRIES

Aircraft Manufacturing and Repair Services in Australia

Complementor

Petroleum Product Wholesaling in Australia

Complementor

International Airlines in Australia

Complementor

Domestic Airlines in Australia

Complementor

Non-Scheduled Air Transport in Australia

Complementor

Travel Agency and Tour Arrangement Services in Australia

Complementor

RELATED INTERNATIONAL INDUSTRIES

Global Airport Operation

Airports in Spain

Airport Operations in New Zealand

Airport Operations in the US

Airports in Italy

Airports in China

Airport Shuttle Operators in the US

Airports in the UK

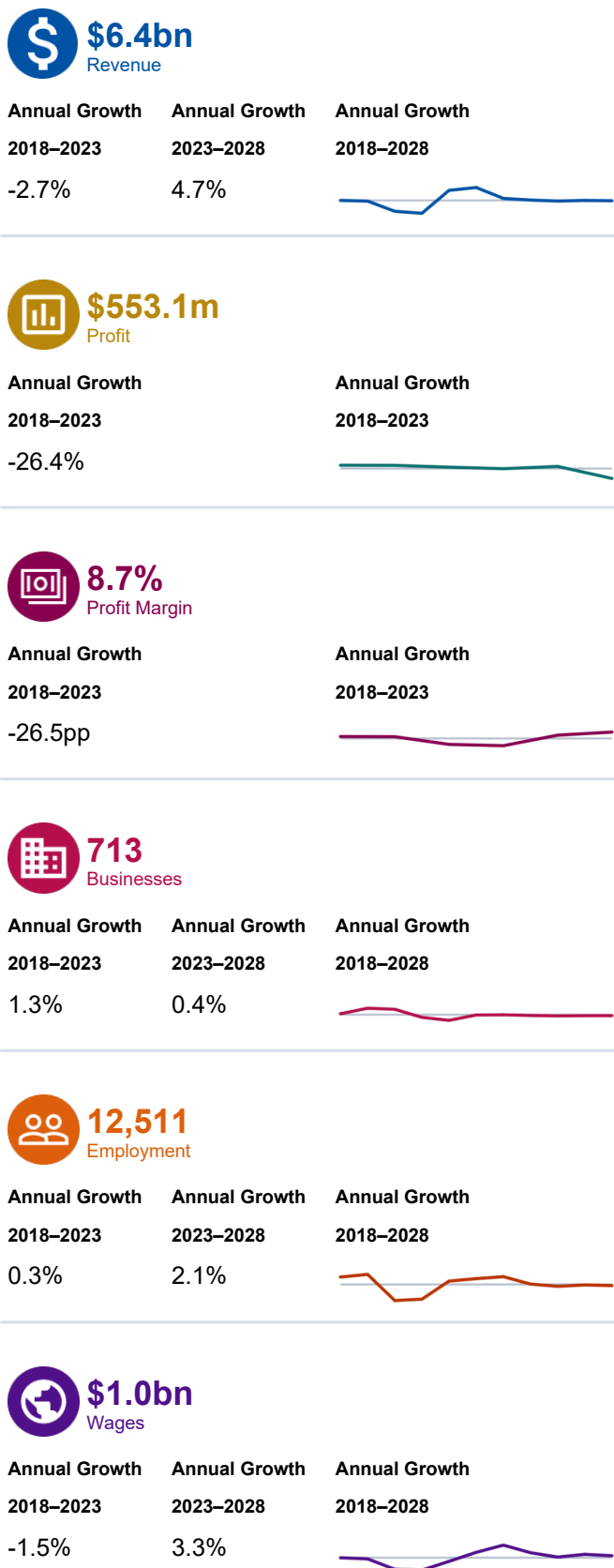
Airports in the EU

Airports in France

Airports in Germany

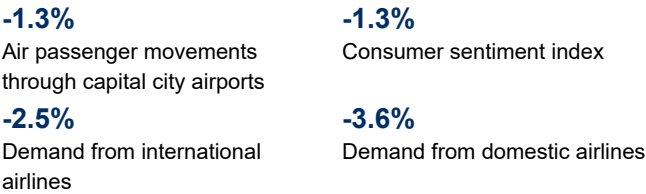
Industry at a Glance

Key Statistics



Key External Drivers

% = 2018–23 Annual Growth



Industry Structure

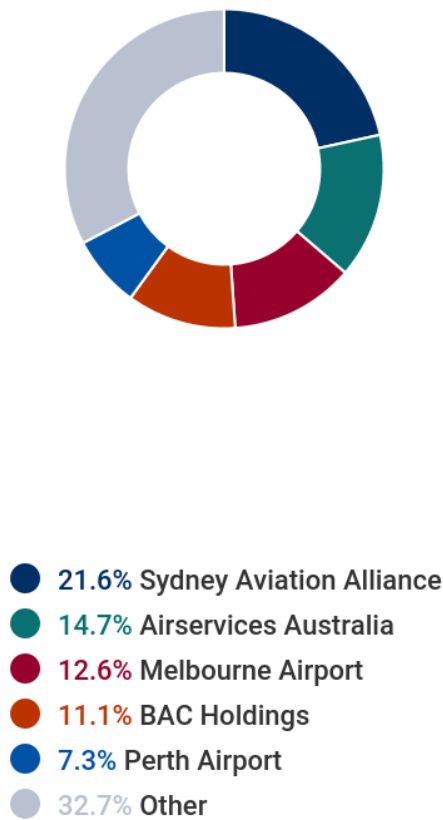


Products & Services Segmentation



Airport Operations
Source: IBISWorld

Major Players



Airport Operations
Source: IBISWorld

SWOT

S

STRENGTHS

- High & Steady Barriers to Entry
- Medium & Increasing Level of Assistance
- Low Competition
- Low Imports
- High Profit vs. Sector Average
- Low Product/Service Concentration
- High Revenue per Employee

W

WEAKNESSES

- Very high Volatility
- High Customer Class Concentration
- High Capital Requirements

O

OPPORTUNITIES

- High Revenue Growth (2023-2028)
- High Performance Drivers
- Air passenger movements through capital city airports

T

THREATS

- Low Revenue Growth (2018-2023)
- Consumer sentiment index

Executive Summary Taking off: Passenger numbers are soaring again now that restrictions have eased

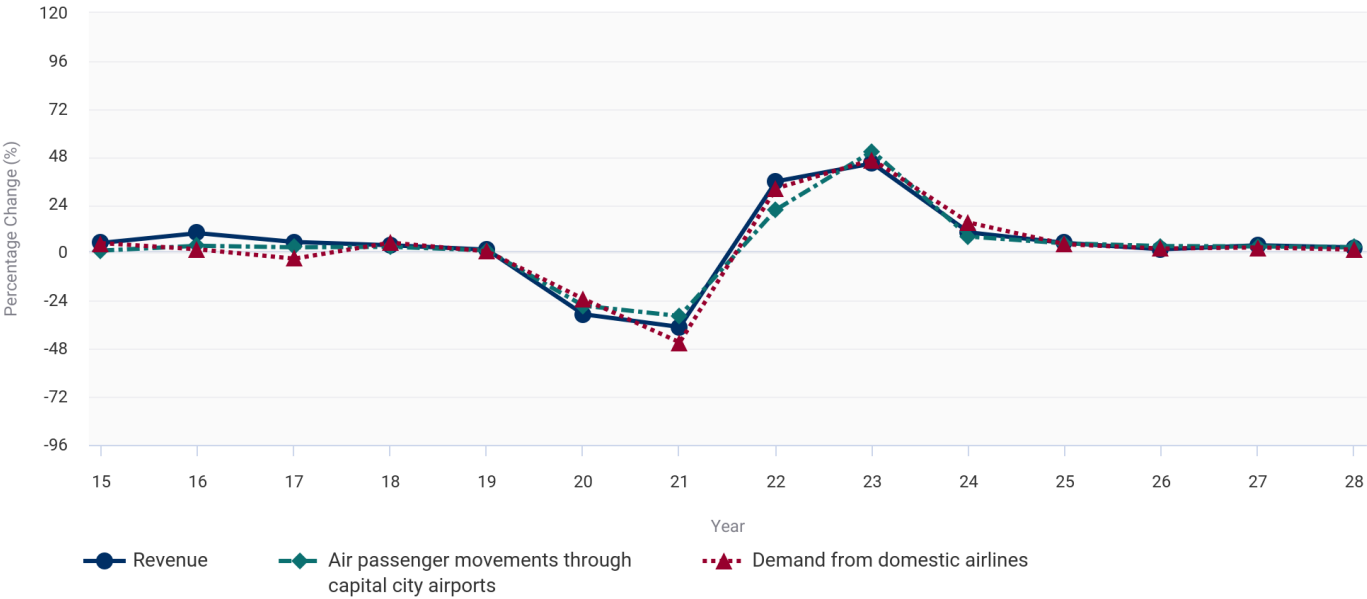
The Airport Operations industry features several dominant players, with most aircraft movements going through Australia's major airports in Sydney, Melbourne and Brisbane. Airport operators generate revenue by charging landing and terminal fees to domestic and international airlines. Airports also receive rental income from airlines and retail stores for space leased on their premises. Airservices Australia, the industry authority that controls Australian airspace, earns revenue on a per-aircraft basis. That's why the volume of aircraft movements and passengers carried strongly correlates with industry growth.

Leading into the COVID-19 pandemic, rising inbound tourist numbers and strong growth in outbound international travel helped fuel the industry's expansion. Airfares were relatively low over the same period because of increased competition in the International Airlines industry. Growth in international travel benefited airport operators, as airports can charge higher fees per passenger and international airlines often outsource support services. However, revenue and profitability plummeted over the two years through 2020-21 when COVID-19 travel restrictions began severely restricting aircraft movements and passenger volumes. Limited domestic travel, rental income and airfreight movements partially supported revenue during this period. The gradual easing of many international and domestic border restrictions has returned some revenue growth over the past two years, including a 44.8% rise in 2022-23. Overall, revenue has fallen at an annualised 2.7% through the end of 2022-23, to \$6.4 billion.

A resurgence in international passengers will drive industry growth over the short term, as open borders and the diminishing risk of pandemic-related disruptions encourage international travel. However, the industry's short-term growth will likely be constrained, as high variable costs and labour shortages will slow airlines' return to full capacity. Revenue is set to rise at an annualised 4.7% through the end of 2027-28, to \$8.0 billion, as airlines gradually ramp up to full capacity. Many capital city airports were operating close to capacity before the COVID-19 pandemic, so several began to invest in expansion projects to lay the foundations for future industry growth.

Industry Performance

Key External Drivers 2015–2028



Airport Operations
Source: IBISWorld

Key External Drivers

Air passenger movements through capital city airports

Airports generate revenue by charging fees to airlines for using airport facilities like runways and terminals. These fees are often charged on a per-passenger basis. An increase in air passenger movements benefits airports and provides an opportunity for revenue growth. Air passenger movements through capital city airports are rising by 50.9% to 2022-23 as pandemic restrictions ease.

Demand from domestic airlines

Most airport operators make facilities available to domestic airlines transporting passengers and freight in Australia. Rising demand from domestic airlines increases the volume of passengers and freight passing through airport facilities, boosting revenue. Higher demand from domestic airlines also encourages airports to invest in expanding terminal and runway facilities to handle the increased passenger numbers and freight quantities. Demand from domestic airlines is leaping up by 46.6% in 2022-23.

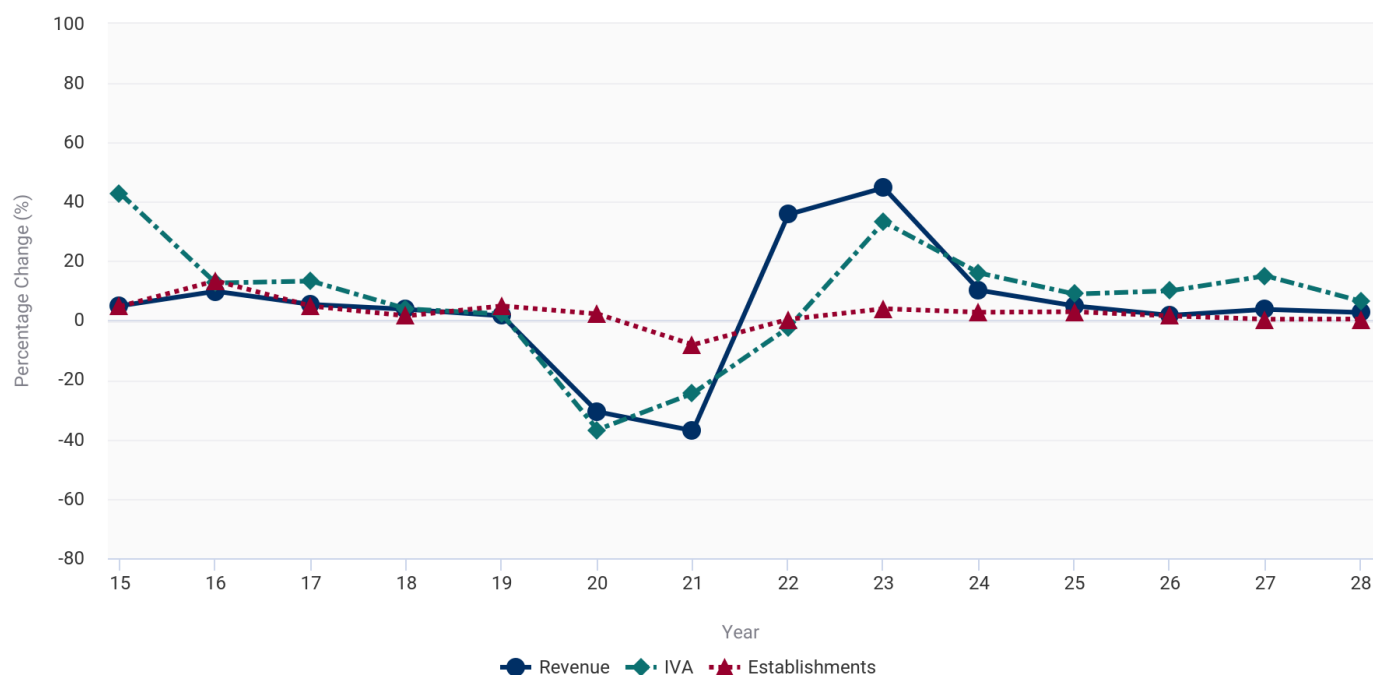
Demand from international airlines

International airlines represent a key source of demand for airport operators, with increasing demand from international airlines boosting revenue. Major capital city airports charge airlines more per international passenger than per domestic passenger. Although more domestic passengers pass through Australian airports than international passengers, the higher charges for international passengers compensate for the lower volume. Demand from international airlines is surging by 46.1% in 2022-23 as borders reopen.

Consumer sentiment index

Consumer sentiment reflects individuals' opinions of their financial situation and the economy. Positive sentiment leads to more air travel, as consumers are more confident about their financial situation and are more likely to travel for holidays, increasing patronage at airports. Conversely, negative sentiment can cause consumers to postpone or forgo air travel. Consumer sentiment declining by 94.3 index points in 2022-23 and becoming negative, posing a threat to revenue.

Industry Performance 2015–2028



Airport Operations
Source: IBISWorld

Current Performance

Revenue has declined at an annualised 2.7% to \$6.4 billion over the past five years, although this includes an increase of 44.8% in 2022-23 alone, when profitability reaches 8.7%.

The COVID-19 pandemic has been negatively affecting the wider aviation sector

- Pandemic-related border closures and travel restrictions caused revenue for many airport operators to plummet, particularly for large capital city airports.
- Passenger movements through Australia's airports dove in 2019-20 and 2020-21. Passenger numbers rebounded somewhat in 2021-22 but new COVID-19 variants and international border closures continued to limit patronage.
- Largely unobstructed air travel in 2022-23 is fuelling a strong passenger recovery. However, demand is outpacing airline capacity, which is hindering the recovery towards pre-pandemic passenger volumes.

High fixed costs and reduced passenger volumes are causing profit margins to dive

- As most major airports are essentially regional monopolies, profit margins were high before the pandemic.
- Airports have significant fixed costs, like runways and terminals, and minimal variable costs, so passenger and aircraft volumes significantly affect margins. That's why airport operator's margins nosedived during the pandemic.
- The Airport Operations industry was loss-making in 2020-21 and 2021-22, only returning to profit in 2022-23, albeit significantly less than before the pandemic.

Operational issues stemming from labour shortages are causing airport chaos

- Many airports reduced staff numbers during the pandemic to cut operating costs.
- Recovering passenger demand for air travel has outpaced a recovery in employment numbers, causing issues for airports trying to keep up with demand.
- Economy-wide labour shortages have negatively affected airports trying to recruit staff.
- Low staff numbers have led to several issues that have affected airport operators and passengers, including long queues and lost or delayed baggage, harming consumers' opinions of the aviation sector.

A flourishing tourism sector is driving long-term demand growth

- Before the COVID-19 pandemic emerged, a booming Australian tourism sector was driving up passenger numbers through Australia's airports.
- Demand for international travel was growing particularly strongly up until 2020. International travellers are typically an affluent market that provides greater revenue per passenger for airport operators compared with domestic travellers.

- International airlines often outsource ground services and cargo handling, benefiting airport support service providers like Dnata and Swissport.

Government support for Airservices Australia has assisted all airport operators

- Airservices Australia manages Australia's airspace, facilitating organised and safe aircraft movement throughout Australia. These services are essential to the general aviation sector, including airport operators.
- Air traffic control and management charges were waived for many airlines during periods of border closures. This caused Airservices Australia's revenue from airways to plunge over the period. However, the Federal Government has provided the entity with over \$1.3 billion in funding.

Historical Performance Data

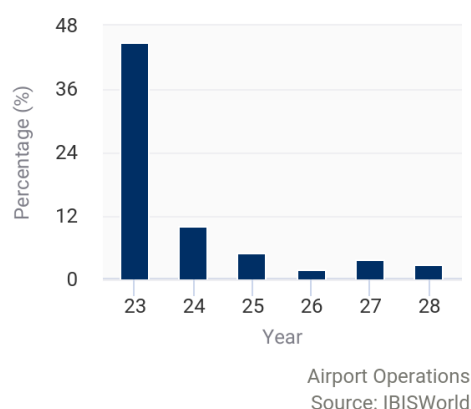
Year	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)
2013-14	5,767	2,497	887	534	9,496	N/A	N/A	882	N/A
2014-15	6,056	3,567	930	560	9,966	N/A	N/A	986	N/A
2015-16	6,655	4,020	1,055	631	11,091	N/A	N/A	1,098	N/A
2016-17	7,020	4,556	1,107	659	11,717	N/A	N/A	1,097	N/A
2017-18	7,290	4,738	1,125	669	12,345	N/A	N/A	1,107	N/A
2018-19	7,409	4,846	1,181	703	13,174	N/A	N/A	1,111	N/A
2019-20	5,136	3,066	1,208	734	12,309	N/A	N/A	1,056	N/A
2020-21	3,234	2,316	1,110	728	11,584	N/A	N/A	999	N/A
2021-22	4,391	2,262	1,115	708	11,967	N/A	N/A	990	N/A
2022-23	6,357	3,013	1,160	713	12,511	N/A	N/A	1,026	N/A

Industry Outlook

Outlook

Revenue will grow at an annualised 4.7% to \$8.0 billion through the end of 2027-28, when profit margins will rise to 34.3%.

Industry Outlook
2023–2028



Airport operators face a bumpy road to recovery

- While the likelihood of new COVID-19 travel restrictions continues to diminish, the industry's road to a full recovery is going to be bumpy.
- Inflationary pressures and rising interest rates will constrain consumer sentiment and discretionary incomes over the next couple of years. This is likely to limit travel demand and consumer spending at airports.
- Airlines will continue to carefully expand capacity to ensure high seat utilisation, dampening passenger volumes. Soaring jet fuel costs due to the Russia-Ukraine conflict have made this strategy even more important for airlines trying to protect profit margins.

Expansion projects pave the way for industry growth

- Many airports have invested in major infrastructure projects that have expanded capacity, or have plans for expansion in the coming years. These projects will allow for more aircraft and passenger movements, supporting future growth.
- Current expansion projects include a planned third runway at Melbourne Airport, upgrades of retail spaces at three of Sydney Airport's major terminals, and a new terminal at Brisbane airport.

Sydney's second airport will increase competition

- The Western Sydney International Airport in Badgerys Creek, Sydney, is due for completion in 2026, and is projected to take over \$5.0 billion in capital investment to construct.
- The Federal Government established state-owned WSA Co Limited to construct and operate the airport.
- The airport's impending entry into the industry will likely increase competition while WSA Co Limited negotiates with airlines to attract new business. Western Sydney Airport's primary competitive advantage over Sydney Airport will be its lack of curfew.

Accelerating automation use will reduce labour requirements for airport operators

- Airports will continue implementing measures to limit wage costs, like improving baggage and cargo handling system automation.
- The COVID-19 pandemic and following labour shortages have highlighted the benefits of automating processes for airport operators who are currently struggling with staff shortages.
- Many airport processes will remain labour-intensive, with several airports needing to hire additional staff to cater to rising demand.

Performance Outlook Data									
Year	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)
2022-23	6,357	3,013	1,160	713	12,511	N/A	N/A	1,026	N/A
2023-24	7,009	3,497	1,193	719	13,205	N/A	N/A	1,101	N/A
2024-25	7,358	3,811	1,229	722	13,442	N/A	N/A	1,140	N/A
2025-26	7,491	4,195	1,249	723	13,530	N/A	N/A	1,154	N/A
2026-27	7,776	4,829	1,255	725	13,713	N/A	N/A	1,185	N/A
2027-28	7,990	5,146	1,262	727	13,852	N/A	N/A	1,208	N/A
2028-29	8,178	5,397	1,274	729	13,973	N/A	N/A	1,228	N/A

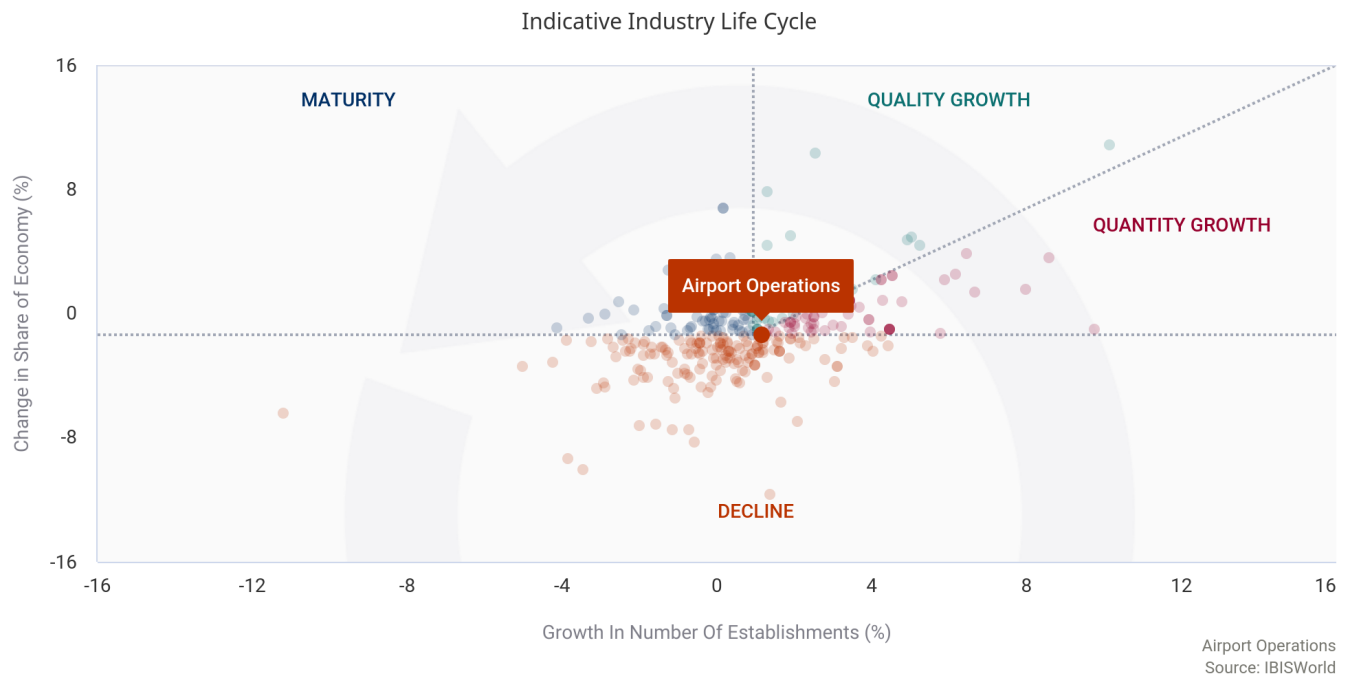
Industry Life Cycle **The life cycle stage of this industry is ☹ Mature**

LIFE CYCLE REASONS

IVA is growing at a slower rate than the overall economy

Airport operators are benefactors of the growing tourism sector

Strong demand for airport support services is encouraging growth in establishments



Contribution to GDP

The industry's contribution to GDP is growing but at a slower pace than the overall economy. IVA growth has been dampened by disruptions to air travel caused by the pandemic.

Market Saturation

Products and major markets are clearly segmented, with complete market acceptance. Major airports typically operate as monopolies in geographical areas. There is less saturation in the airport support services segment, with room for smaller players to enter the market.

Innovation

Service innovation primarily arises from airports investing in infrastructure upgrades to modernise retail spaces and terminals, improving the passenger experience and airline efficiency.

Consolidation

Consolidation among companies that operate large airports is uncommon, with most companies owning one airport. Although, support service operators often seek to expand their presence in the industry to attract contracts with prominent airlines.

Technology & Systems

Technology updates at airports relate to improving check-in and baggage handling systems. Radar and communications technologies optimise air traffic control and improve safety.

Products & Markets

Supply Chain

Key Buying Industries

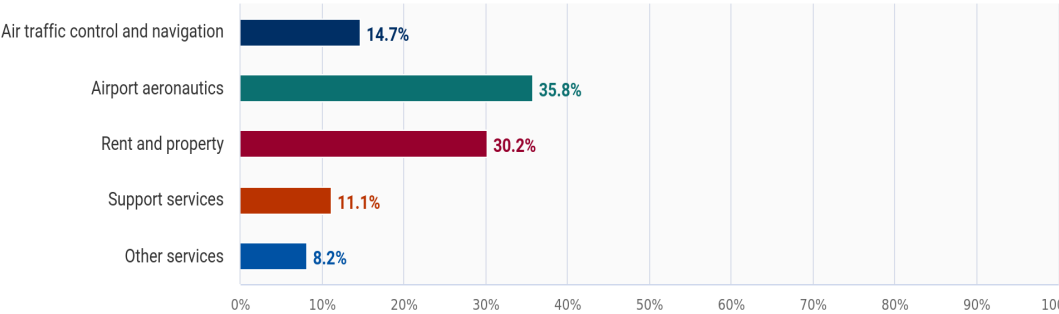
1st Tier
Passenger Car Rental and Hiring in Australia
Tobacco and Other Store-Based Retailing in Australia
International Airlines in Australia
Domestic Airlines in Australia
Non-Scheduled Air Transport in Australia
2nd Tier
International Consumers
Consumers in Australia

Key Selling Industries

1st Tier
Audio Visual Electronic Equipment Manufacturing in Australia
Road and Bridge Construction in Australia
Investigation and Security Services in Australia
Retail Property Operators in Australia
Industrial and Other Property Operators in Australia
2nd Tier
Structural Steel Fabricating in Australia
Copper Tubes and Wire Manufacturing in Australia
Ready-Mixed Concrete Manufacturing in Australia
Fire and Security Alarm Installation Services in Australia
Telecommunications and Other Electrical Goods Wholesaling in Australia
Commercial Cleaning Services in Australia
Wired Telecommunications Network Operation in Australia
Plumbing Services in Australia
Real Estate Services in Australia
Electrical Services in Australia
Painting and Decorating Services in Australia
Air Conditioning and Heating Services in Australia
Gravel and Sand Quarrying in Australia
Lubricants and Other Petroleum Product Manufacturing in Australia

Products & Services

Products and Services Segmentation



2023 INDUSTRY REVENUE

\$6.4bn

Airport Operations
Source: IBISWorld

Rising passenger numbers are crucial to the recovery of the airport aeronautics segment

- Airport operators primarily derive aeronautics revenue from landing fees, passenger fees and aircraft parking charges. This segment also includes terminal charges for services like baggage handling, refuelling, aircraft ramp services and taxi services when performed by airport employees.
- Easing border closures and other COVID-19-related restrictions have led to a surge in demand for air travel. This has boosted passenger fees and aircraft parking charges. However, ongoing capacity issues among

airlines continue constraining passenger volumes.

- Long-term growth in demand for air travel will drive growth in the aeronautics services segment.

Expanding retail and storage space has boosted revenue generated from rent and property

- Airport property rental includes both onsite and offsite rental. This segment also includes renting hangars and other offsite property for storing and maintaining airlines' assets.
- Many airports have undertaken development projects in response to increased airport traffic, which has allowed room for more retail stores and greater space for aviation-related storage.
- Retailers have shown interest in airports, aiming to benefit from long-term growth in the traveller market. Rent and property represent an increasingly lucrative revenue stream for airports.

Substantial government grants have supported air traffic control and navigation amid reduced air traffic

- Airservices Australia is a government-owned corporation that provides air traffic control management and related airside services to aviation industries. Air traffic control and navigation services are essential to safe and efficient aircraft movements.
- To support the aviation sector through the pandemic, the Federal Government waived many fees for air traffic control and navigation services provided by Airservices Australia. These programs came to an end on 31 December 2021.

The reopening of international borders has fuelled demand growth for support services providers

- Airport support services include a range of ancillary functions outsourced to specialised companies rather than performed by airlines or airports. Services include check-in, ticketing, baggage handling, aircraft loading and unloading, pushback and towing, and airport lounge operation.
- International airlines are the primary market for support services companies, as they typically don't have an incorporated entity in Australia, so can't directly hire staff for local airports.
- Reopening Australia's international borders has allowed international travel to Australia and international travel by Australians to recover, boosting demand for support services.

Recovering passenger numbers are aiding revenue from other services, including baggage and cargo storage

- Other services include short-term cargo and baggage storage, maintenance, and upgrades of executive lounges.
- Operating spaceports, which are locations for launching rockets and other craft beyond the Earth's atmosphere, are also included in this segment. Australia has a small space transport market, and any activities associated with this are marginal.
- Revenue from baggage and cargo storage tends to fluctuate in line with total passenger numbers. The recovery in passenger numbers is aiding this segment.

Demand Determinants

Demand for airport services comes from domestic and international airlines and smaller, non-scheduled air transport providers.

Nearly all commercial aircraft have to land at an airport or a terminal so the number of flights or aircraft movements often dictates demand for airport services. The amount of traffic will also affect demand among retail stores in airports, and, in turn, the rent prices retailers are willing to pay airport operators.

Consumer preferences

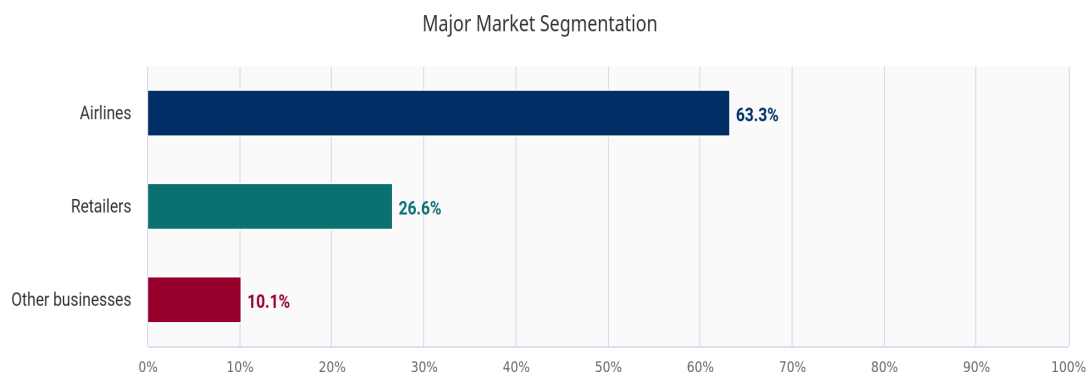
Consumer demand for air transport will generate demand directly and indirectly for airport services. The number of passengers at airports directly affects demand for retail outlets, cafes, restaurants and other airport entertainment. Indirectly, a growing number of passengers usually mean more flights and aircraft movements, increasing demand for traffic control, baggage handling, hangar space rental and related activities.

Consumers may change their preference to fly based on several factors, mainly economic. The income of households and individuals often determines their ability to travel. As discretionary income increases, demand for discretionary spending on holidays, and visiting family and friends, also tends to rise. However, if consumer sentiment is negative and income is low, discretionary consumption tends to fall. The corporate sector relies heavily on aviation services for travel to meetings, travel between offices and other work sites and for the freight of goods. As economic activity increases and business confidence rises, companies tend to undertake more business travel and dispatch larger quantities of goods, which increases demand for the industry's services.

Capacity changes

The number of airline operators (both domestic and international) that operate in Australia determines demand for air services in Australia. As more airlines operate in Australia and the frequency of flights between destinations rises, demand for space to accommodate planes in the air and on the ground generally increases. Airlines usually expand their fleet and capacity in times of growing consumer demand for travel, and may ground planes when demand is down.

Major Markets



2023 INDUSTRY REVENUE

\$6.4bn

Airport Operations
Source: IBISWorld

Fees charged to airlines are the primary source of revenue

- The industry generates most of its revenue by charging landing fees, terminal charges, and air navigational charges to major commercial airlines.
- A resurgence in travel demand, as international borders have opened and other pandemic disruptions have eased, has driven a robust recovery in aircraft movements. However, airlines are expanding capacity carefully because of labour shortages and rising costs, hindering the post-pandemic recovery.
- Waived air traffic control and navigation charges to support airlines during the pandemic, in addition to slow long-term growth in prices for services supplied by Airservices Australia, have hindered revenue generated from airlines.

Long-term passenger growth has fuelled demand from retailers

- The types of retailers in airports include luxury apparel labels, jewellers, travel agencies, cafes and restaurants. Retailers have sought to benefit from travellers' willingness to spend on duty-free shopping, gifts, food and travel goods.
- Many airports have undertaken expansion projects to cope with a long-term rise in passenger volumes, which has increased available retail space.
- The number of high net-worth tourists traveling to Australia has increased over the long term. This trend has encouraged airports to host more luxury retail stores, which can attract higher rental income.

Passenger and freight movements drive demand from other businesses, including hotels and logistics companies

- Many major airport operators also have business parks available for industrial and business use. Hotels and logistics companies often use these areas because of their proximity to major airports.
- Freight and passenger volumes were both constrained during the COVID-19 pandemic but have since recovered strongly.

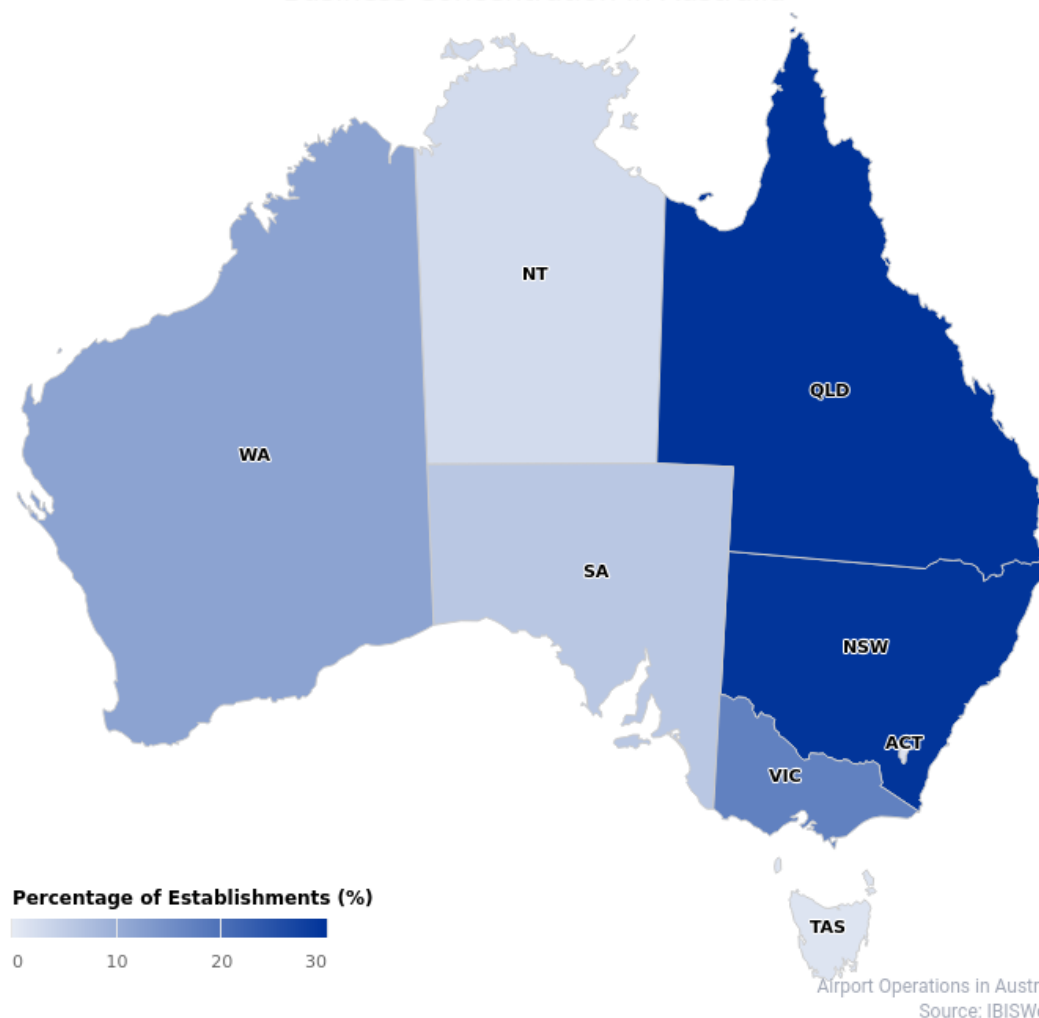
Exports in this industry are ✔ **Low and Steady**

Imports in this industry are ✔ **Low and Steady**

Airports provide important infrastructure that facilitates international trade, but the services provided by airport operators are not traded. That's why import and export data is not available for this industry.

Business Locations

Business Concentration in Australia



Queensland: Many airports are required due to the state's large land area and widespread population

- The majority of airport operators are located in Queensland, with the state having a much higher share of airports compared with its population.
- The large land area of Queensland means that there are large distances between populated areas and travel destinations, requiring the construction of airports to facilitate demand and the necessity of air travel.
- Significant mining activity in the Queensland means air travel is required between remote locations, with FIFO mines sometimes having a dedicated airport.

New South Wales: home to Australia's most trafficked airport

- New South Wales accounts for the largest share of Australia's population, however a relatively smaller share of industry establishments.
- Sydney Airport accounts for a significant share of commercial aircraft movements in the state. Sydney Airport is the busiest airport in Australia in terms of passenger and aircraft movements.
- The number of establishments located in New South Wales will expand in the coming years, with the Western Sydney International Airport scheduled to open in late 2026.

Victoria: High population density limits the need for many airports

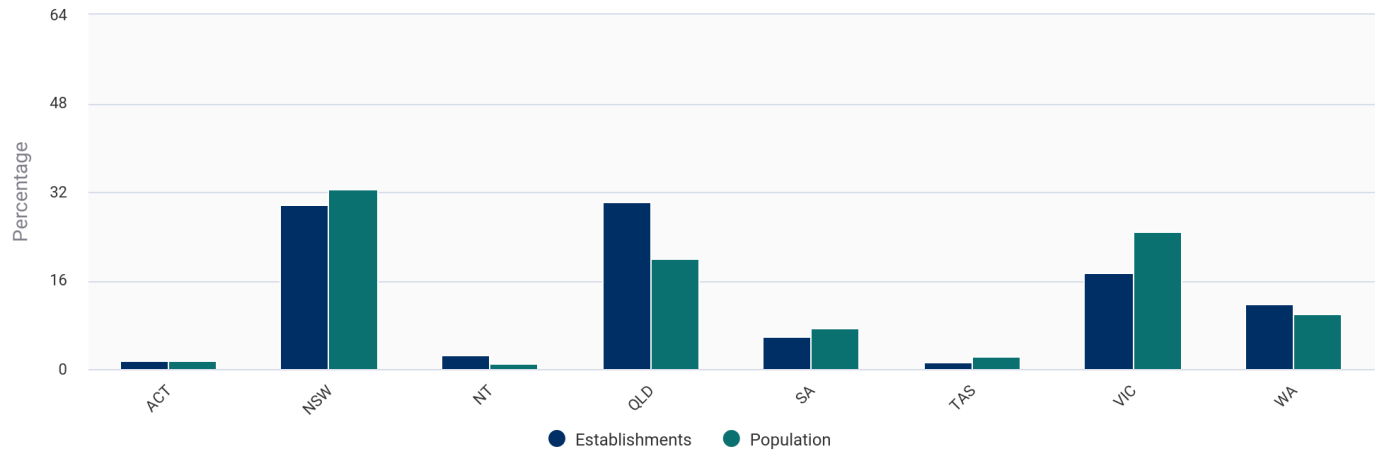
- Victoria accounts for a much lower share of industry establishments compared with its share of the population.
- The relatively small land area and high population density of the state mean that fewer airports are required to service the region.

Western Australia: Geographical isolation enhances the necessity of airports

- Western Australia's share of industry establishments is slightly overrepresented compared with its share of the population.
- Given its isolation from the other states, air transport is highly required and airports are necessary.
- The state accounts for the largest share of activity in the Mining division, meaning airports are required to provide

transport to remote mining locations.

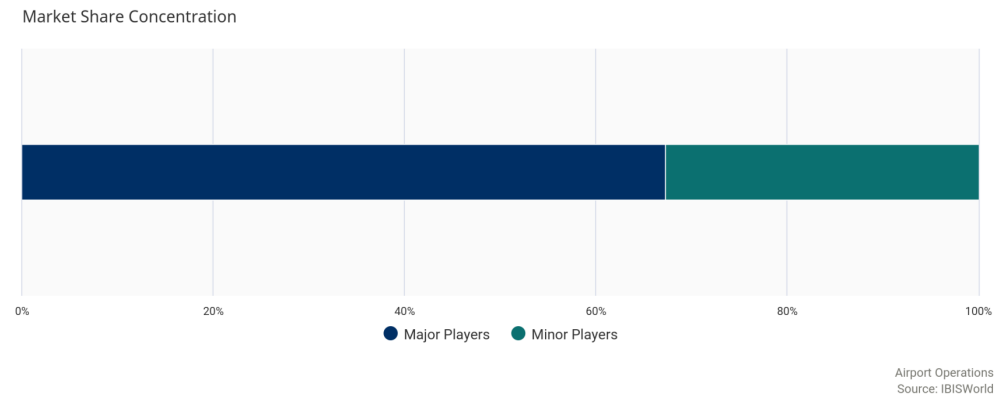
Distribution of Establishments vs Population



Airport Operations
Source: IBISWorld

Competitive Landscape

Market Share Concentration



Concentration in this industry is ☹ **Medium**

Airports largely operate as monopolies in geographical areas

- Large airports are typically regional hubs for air travel. The industry's significant capital requirements and stringent regulatory barriers to entry make it extremely difficult for potential new entrants to establish large airports. The industry's concentration is also due to the need to provide connecting flights, further boosting reliance on large airports.
- The prevalence of these monopolies is likely to decline over the long term. As each airport reaches capacity, new airports may be needed to satisfy rising demand. For example, the Western Sydney International Airport is being built due to Sydney Airport reaching capacity.

Smaller firms are expanding, lowering market share concentration

- Both international and domestic tourists have increasingly tended to visit Australia's regional locations. That's why smaller airports, including Sunshine Coast, Ballina Byron Gateway and Canberra, have contributed a growing share of revenue over the past five years.
- The increasing prevalence of support services firms has also been placing downward pressure on market share concentration.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Market research and understanding:

Airport operators require a thorough knowledge of the travel market and aircraft movement patterns to set prices and maintain capacity.

Superior financial management and debt management:

Airports need to be in a strong financial position to invest in constructing crucial new infrastructure, like terminals and runways.

Having a well-defined strategy/goal:

Given the long-term nature of the industry's products, services and assets, airports require a well-defined strategy or goal to accommodate future increases in passenger and aircraft movements.

Ability to allocate product/service to area of greatest need:

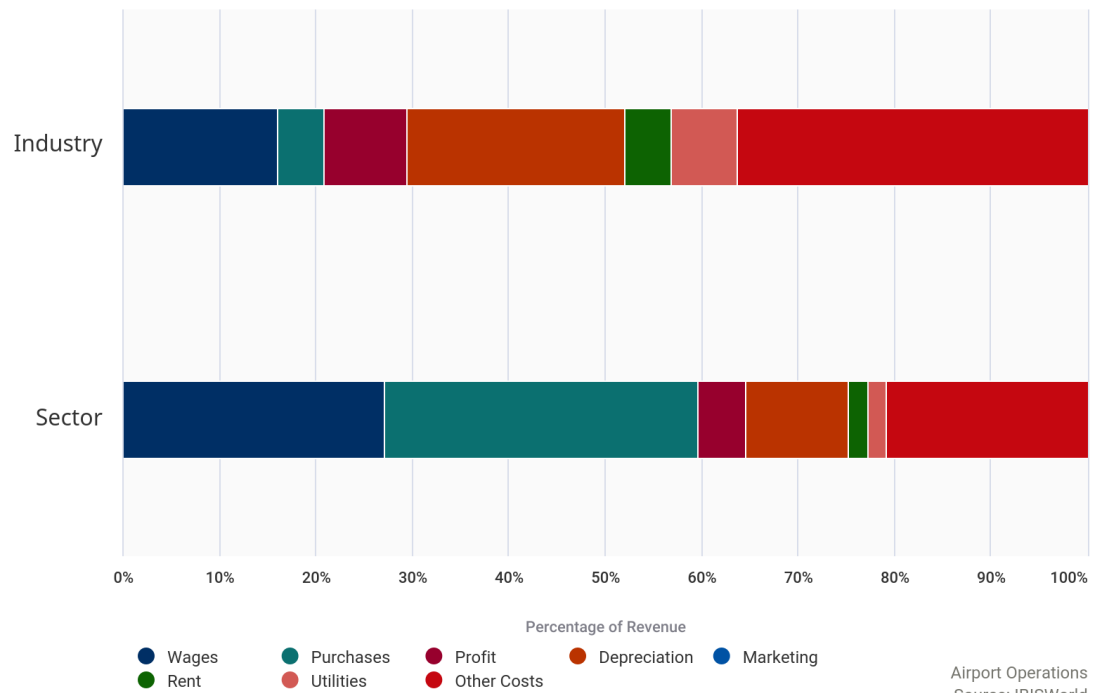
Airport operators must be able to adequately facilitate aircraft movement through the airport to maintain timely operations and minimise flow-on disruptions.

Must comply with government regulations:

Airport operators must always comply with government regulations, particularly related to ownership, safety, security and environmental issues, to ensure that they can continue to operate.

Cost Structure Benchmarks

Cost Structure 2023

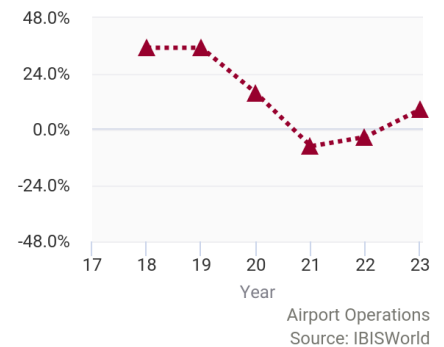


Profit

Returning passenger demand is restoring profitability, albeit to a limited extent

- Large airports are highly profitable because of low regional competition and significant economies of scale.
- Smaller regional airports serve substantially fewer passengers and aircraft, reducing their profitability. Airport support companies and Airservices Australia also report lower margins, which reduces the average profitability.
- Profitability was high before the pandemic, as passenger volume growth and rising rental income boosted margins. However, movement restrictions during the pandemic caused profitability to plummet, and the industry reported losses in 2020-21 and 2021-22.
- Passenger volumes are soaring in 2022-23, supporting a year-on-year rise in profitability, albeit only to 8.7%, which is still considerably below pre-pandemic benchmarks.

Profit as a Share of Revenue 2018-2023

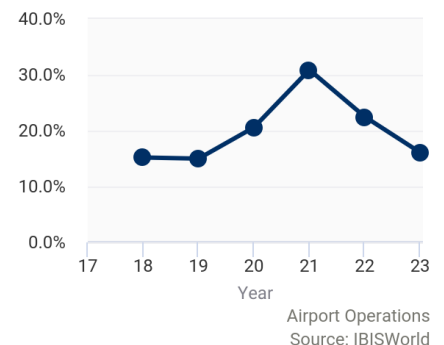


Wages

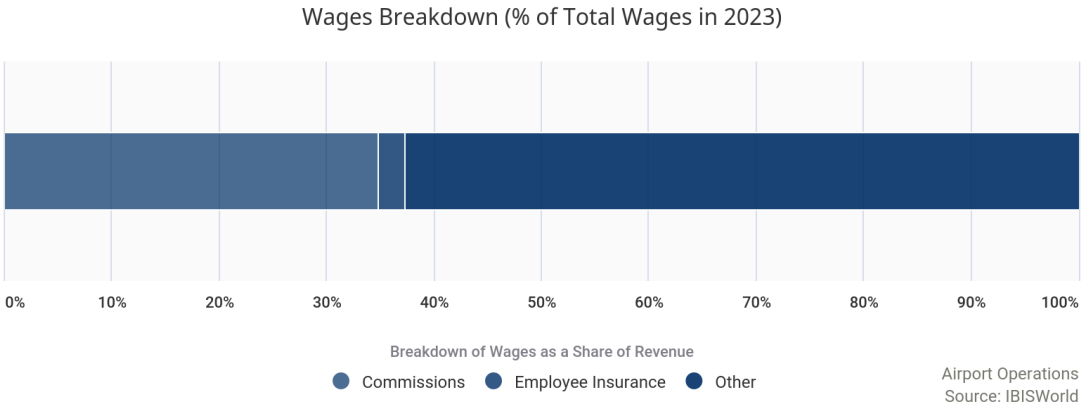
Airport support services are keeping wage costs up

- Wages are a more significant cost at smaller airports, as major airports employ part-time workers and maximise automation.
- Airservices Australia and airport support services companies have high wage expenses. These companies operate labour-intensive customer and airline support functions, like check-in desks.
- Despite more international airlines servicing Australia, increasing employment and wages for airport support services companies, greater automation at major airports and within Airservices Australia's operations has reduced wages.
- Wages have increased as a share of revenue over the past five years, to 16.1%. This result is partly because of Airservices

Wages as a Share of Revenue 2018-2023



Australia's sustained operations during the COVID-19 pandemic.



Depreciation

Depreciation is increasing as airports try to plan for future demand

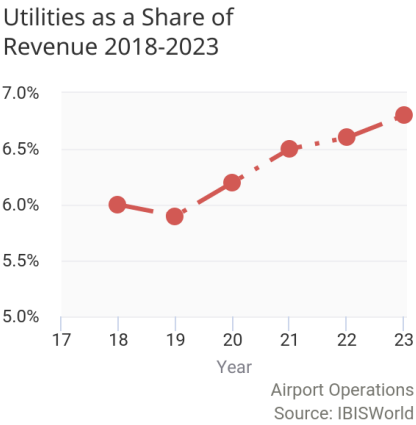
- Depreciation costs apply to a range of airport equipment, including loading, safety and transport equipment. As depreciation expenses are largely fixed, this cost item spiked as a share of revenue during the pandemic.
- Airports need specialised equipment for refuelling, ferrying and maintaining aircraft, and for ground handling services. Investment in this equipment ultimately reduces labour intensity but increases depreciation costs.
- Both inbound and outbound tourist numbers are growing over the long term, straining airport capacities, driving airports to invest heavily in upgraded and new terminals, runways, facilities, buildings and equipment in recent years, pushing depreciation up to 22.6% of revenue.



Utilities

Utility costs are going up as airports keep the lights on

- Utilities are a significant cost segment because of the size and operational hours of major airports. These costs are typically fixed, as they do not fluctuate in line with the number of aircraft movements.
- Many major airports are open 24/7 and incur significant costs to power retail spaces and basic amenities.
- Utilities have increased as a share of revenue over the past five years, to 6.8%. Airports remained open during pandemic-related lockdowns, causing utility expenses to fall at a slower rate than revenue.

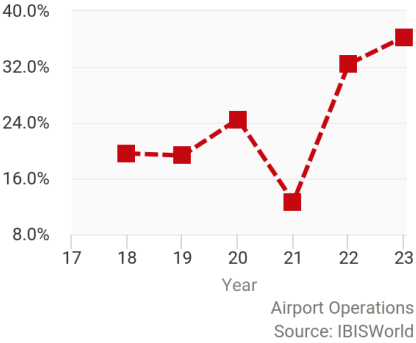


Other Costs

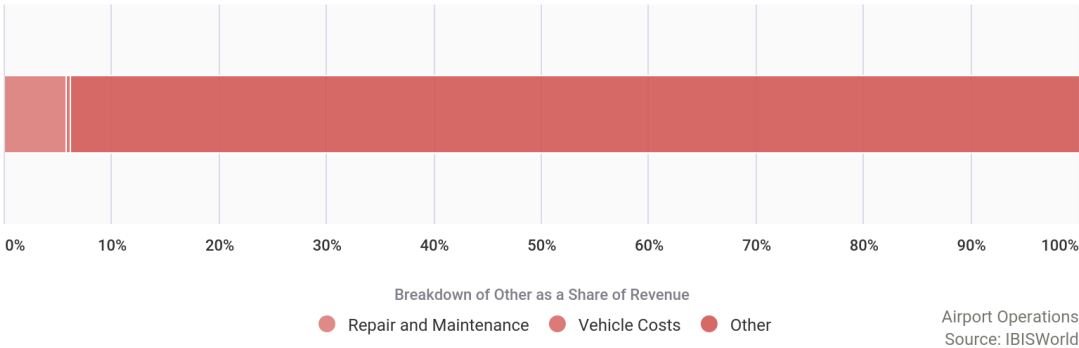
Administration and maintenance expenses are keeping other costs high

- Other costs include administration, advertising, maintenance and insurance costs for physical assets, like docking bays and storage facilities. These costs have increased over the past five years, to 36.3% of revenue.
- As the industry is largely service-based and new equipment purchases are counted as depreciation expenses, purchase costs are minimal and have fallen slightly as a share of revenue over the past five years.
- Rental costs account for a small proportion of revenue, as privatisation has led to many operating entities owning their airports. Larger airports have lower rental costs because of long-term lease arrangements with the Federal Government.

Other Costs as a Share of Revenue 2018-2023



Other Breakdown (% of Total Other in 2023)



Basis of Competition

Competition in this industry is 🟢 Low and the trend is Steady

The Airport Operations industry is characterised by a low level of competition and this trend has remained steady over the past five years.

Major airports are often regional monopolies and face little internal competition. Smaller airports may compete with one another to attract small planes and flight training schools. Airservices Australia is a government-owned monopoly and faces no competition in Australian airspace.

INTERNAL COMPETITION

Each capital city has a single main airport that provides the vast majority of flights to and from the city.

Some cities, notably Melbourne, have multiple airports suited to servicing the urban area but remain dominated by one location. Main airports in larger cities, like state capitals, also have the capability to accept international flights. This allows these airports to generate much more revenue than other smaller operators in the industry. Only Sydney, Perth, Brisbane and Melbourne have the capacity to accommodate scheduled Airbus A380 services, the largest airliner in the world, giving them priority access to airlines operating this aircraft. However, airlines have begun transitioning away from the Airbus A380 and other large-bodied aircraft. Newer aircraft tend to be leaner, allowing superior fuel efficiency and allowing more point-to-point travel, rather than passengers taking two or three flights to reach a destination.

Smaller airports tend to have a higher level of internal competition. These airports can locate closer together since only small planes operate from them. This is because smaller planes produce less noise and have fewer restrictions on where they can fly.

EXTERNAL COMPETITION

As players in the Airport Operations industry rely on passenger and

aircraft movements through their airports, external competition primarily comes from substitute forms of transport.

Due to the large size of Australia, competition from road or rail transport is low on most routes. However, during peak times of the year when the price of flights rises, passengers may choose an alternate form of transport on shorter routes. This reduces the number of passengers, and planes, affecting landing fee revenue. However, due to the absence of a high-speed rail system between Australian capital cities, there are limited alternatives to air travel for consumers.

Air freight faces strong competition from road freight and is often used only for highly time-sensitive deliveries. When the price of air freight rises, the number of landings of cargo aircraft declines. This reduces landing fee revenue and revenue from other airport services provided to the aircraft.

Barriers to Entry

Barriers to Entry in this industry are ✔ High and the trend is Steady

Legal

Airports must acquire government approval to establish operations, which can be a significant hurdle for new entrants. Operators must ensure noise and pollution do not negatively affect nearby residents, and that airspace over major cities does not become overly congested.

Start-Up Costs

Acquiring land is the biggest obstacle for a new entrant wanting building a large airport. To compete with existing airports, new airports must be located relatively close to business and population centres, which requires the purchase of expensive land.

Differentiation

As airports are often geographical monopolies, the need to differentiate their services is minimal. Airport support service providers differentiate themselves by offering reliable services and providing specialised expertise to develop a good reputation.

Capital Intensity

Large-scale investment is required by airports to provide airline infrastructure and safety systems. Airport operators incur large capital expenses in providing air traffic control infrastructure; runways, taxiways and aprons; and buildings for handling services and commercial activities.

Barriers to Entry Checklist

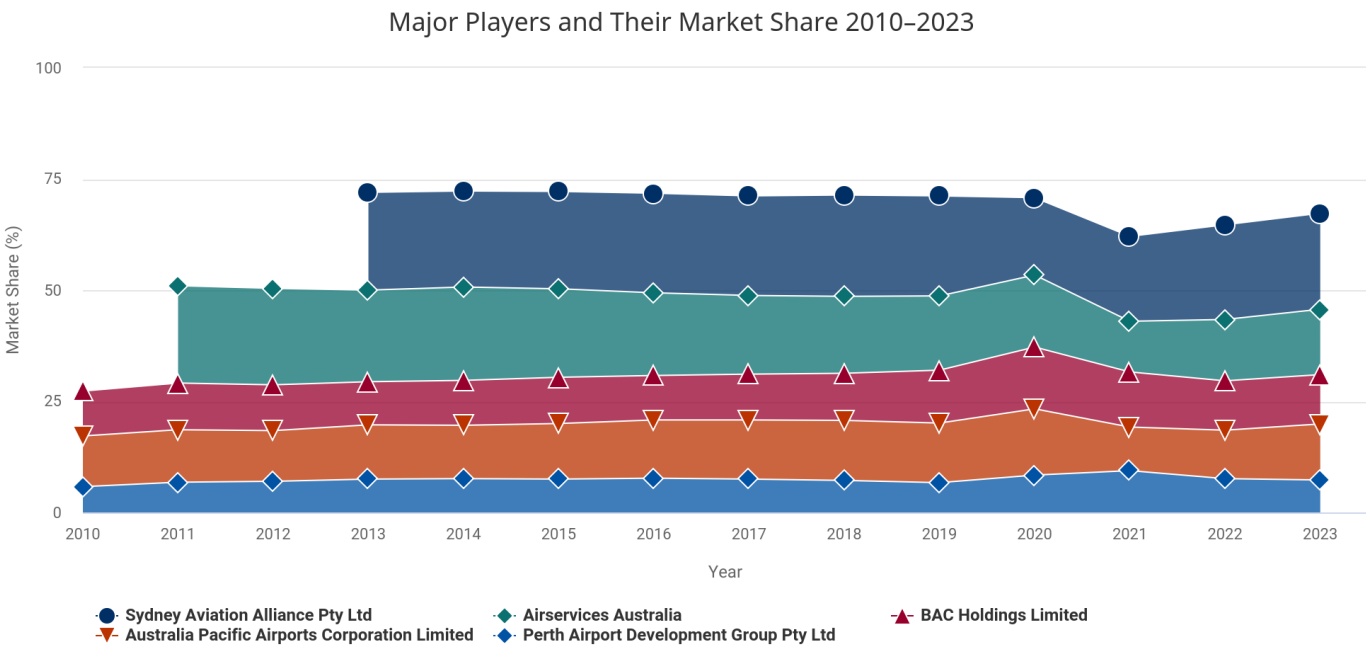
Competition	Low ✔
Concentration	Medium ⊖
Life Cycle Stage	Mature ⊖
Technology Change	High △
Regulation & Policy	Heavy △
Industry Assistance	Medium ⊖

Industry Globalization

Globalization in this industry is ⊖ Medium and the trend is Increasing

The industry exhibits a moderate level of globalisation and this trend is increasing. This is due to airport operators' high level of exposure to international travel and flight trends, and their need to maintain business relationships with numerous foreign-owned airlines. However, the level of foreign ownership in the industry is relatively low, which moderates the industry's level of globalisation. Globalisation has increased over the past five years due to rising international passenger arrivals and foreign airlines expanding their operations in Australia prior to the COVID-19 pandemic.

Major Companies



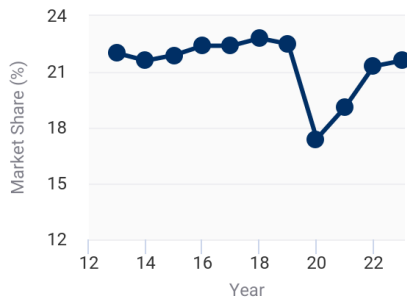
Airport Operations in Australia
Source: IBISWorld

Major Players

Sydney Aviation Alliance Pty Ltd

Market Share: 21.6%

Sydney Aviation Alliance Pty Ltd



Airport Operations
Source: IBISWorld

Brands & Trading Names

Sydney Airport

Description

Sydney Aviation Alliance Pty Ltd is consortium led by IFM Investors and Global Infrastructure Partners. The entity generates revenue from operating Sydney Airport, where its head office is also based. The consortium acquired the airport for \$32.0 billion in March 2022. Sydney Airport opened in 1920 and is one of the oldest airports in Australia. It is also the busiest airport in Australia, with over 44 million passenger movements through the airport over the year ending December 2019.

Other Industries

Parking Services in Australia

Sydney Airport is Australia's main port of entry and exit for international travellers

- Sydney Airport is more reliant on international travellers than any other Australian airport.
- The closure of Australia's international borders for almost two years caused the company's revenue to plummet. The airport underperformed the Airport Operations industry during the COVID-19 pandemic.
- The rising popularity of international tourism has fuelled company growth over the past decade. The company is set to recover strongly now that international borders have reopened.

The airport is expanding its capacity

- In August 2015, Sydney Airport purchased the T3 domestic terminal from Qantas for \$535 million, gaining operational control of the terminal, and allowing the company to receive variable aeronautical fees, and retail and property revenue from the terminal.
- As part of the Sydney Airport Master Plan 2039, the company plans to develop its terminals to expand its capacity. These plans included the development of capacity in the T1 International Operations Precinct, and expanded capacity in the North East Sector to create a T2/T3 Integrated Operations Precinct that provides international, domestic and regional passenger services.

Rising competition is on the way with the impending entry of Western Sydney International Airport

- The Western Sydney International Airport is expected to begin operations in late 2026. When operational, the airport will provide a source of competition for the Sydney Airport.
- In 2002, Sydney Airport was awarded the Right of First Refusal to a second airport in the Sydney region. In 2016, the Federal Government handed down a Notice of Intention to Sydney Airport, giving the company four months to decide whether to pursue ownership of the second airport. Sydney Airport decided not to exercise its right to build the second airport, deciding that the return on investment for shareholders would not be sufficient.

Sydney Aviation Alliance Pty Ltd - industry segment performance*

Year**	Revenue (\$m)	Growth (% change)
2013	1,019.2	N/C
2014	1,050.2	3.0
2015	1,107.6	5.5
2016	1,236.9	11.7
2017	1,356.7	9.7
2018	1,457.8	7.5
2019	1,514.4	3.9
2020	826.3	-45.4
2021	587.1	-28.9
2022	910.8	55.1
2023	1,374.2	50.9

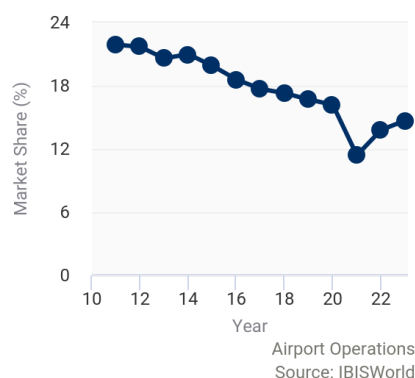
Source: IBISWorld

Note: *Estimate **Year end December

Airservices Australia

Market Share: 14.7%

Airservices Australia



Brands & Trading Names

Airservices Australia

Description

Airservices is a government-owned commercial authority responsible for providing air-traffic management and related services to aircraft operators in the Australian flight information region (FIR). The entity was formed in 1994 when the Civil Aviation Authority was split into two separate bodies: Airservices Australia and the Civil Aviation Safety Authority (CASA). Airservices operates two air traffic services centres, two terminal control units, 29 control towers and 27 aviation fire stations. Airservices is headquartered in Canberra.

Other Industries

N/A

Airservices Australia is essential to the border aviation sector

- Airservices' air traffic management services are essential to allowing the safe orderly flow of aircraft between airports throughout Australia and with overseas regions.
- Airservices is responsible for the safety of the Australian FIR, which includes Australia's sovereign airspace, and international airspace over the Pacific and Indian Oceans, encompassing approximately 11% of the world's airspace.

Government grants have supported ongoing operations during the pandemic

- The Federal Government has provided significant funding to Airservices to ensure the continuity of critical services during the COVID-19 pandemic.
- A \$550 million lump sum grant was provided to the entity in June 2021 for the certainty of ongoing operations and planning.
- In 2020-21, Airservices received a further \$581.8 million which included revenue substitution for waiving 100% of air service charges for eligible domestic flight operators for the period February to December 2020.

Airservices Australia -industry segment performance*		
Year	Revenue (\$m)	Growth (% change)
2012-13	955.1	N/C
2013-14	1,020.8	6.9
2014-15	1,007.7	-1.3
2015-16	1,030.1	2.2
2016-17	1,074.3	4.3
2017-18	1,109.0	3.2
2018-19	1,126.1	1.5
2019-20	771.0	-31.5
2020-21	350.3	-54.6
2021-22	593.0	69.3
2022-23	937.0	58.0

Source: Annual Report and IBISWorld

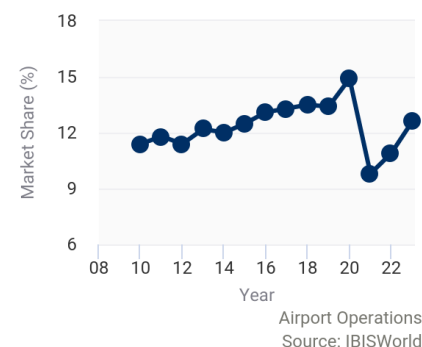
Note: *Estimate

Australia Pacific Airports Corporation Limited

Market Share: 12.6%

Brand Names Tullamarine Airport, Launceston Airport

Australia Pacific Airports Corporation Limited



Brands & Trading Names

Tullamarine Airport

Launceston Airport

Description

Australia Pacific Airports Corporation Limited (APAC) is a locally owned unlisted public company, deriving revenue from the management of operations of Melbourne Airport and Launceston Airport. APAC began operating Melbourne Airport in 1997 and Launceston Airport in 1998. The company is administered from its head office at Melbourne Airport, Victoria. Melbourne Airport is the second-busiest airport by passenger movements in Australia, while Launceston airport is the thirteenth-busiest airport by passenger movements in Australia.

Other Industries

Parking Services in Australia

Severe COVID-19 restrictions in Victoria have hindered the airport

- Victoria's prolonged lockdowns and state border closures, some of the longest and most stringent in the world, severely affected passenger numbers through Melbourne Airport.
- Of all the capital city airports, Melbourne Airport had the largest decline in passengers over the two years through 2020-21. Passenger volumes at Launceston Airport also decline more than most during the pandemic.

Growing travel demand for Melbourne and Tasmania provides growth opportunities

- Now that COVID-19-related travel restrictions have largely been scrapped, travel demand to Melbourne and Launceston is rebounding strongly.
- Bonza Airlines' impending entry into the Domestic Airlines industry will boost aeronautical revenue for the company in the coming years. Melbourne will be the only capital city airport the airline will fly in and out of, servicing nine routes from Melbourne, including many that are not currently serviced by other airlines.

Expansions at Melbourne Airport will facilitate company growth

- Terminal 1 at Melbourne Airport is currently undergoing a retail overhaul, with twenty-eight stores set to open through 2022-23.
- The company plans to build a third runway at Melbourne Airport, which will run parallel to the existing north-south runway. This will allow for simultaneous arrivals and departures, significantly increasing the airport's capacity. The plans are subject to regulatory approval.

Australia Pacific Airports Corporation Limited - industry segment performance*

Year	Revenue (\$m)	Growth (% change)
2012-13	563.3	N/C
2013-14	580.6	3.1
2014-15	633.8	9.2
2015-16	723.6	14.2
2016-17	808.3	11.7
2017-18	861.9	6.6
2018-19	901.6	4.6
2019-20	707.8	-21.5
2020-21	302.4	-57.3
2021-22	468.2	54.8
2022-23	800.9	71.1

Source: IBISWorld

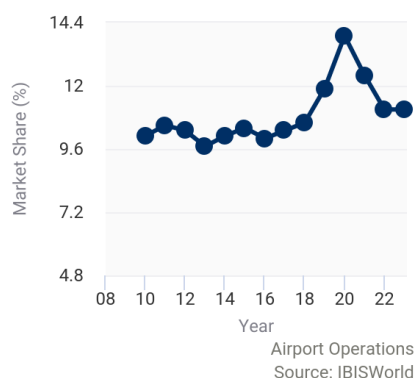
Note: *Estimate

BAC Holdings Limited

Market Share: 11.1%

Brand Names Brisbane Airport

BAC Holdings Limited



Brands & Trading Names

Brisbane Airport

Description

BAC Holdings Limited is a locally owned unlisted public company, deriving revenue from the operation and development of Brisbane Airport. The company is administered from its head office in Brisbane Airport, Queensland. BAC Holdings Limited operates Brisbane Airport under a 50-year long-term contract lease, which it

acquired in 1997 for \$1.4 billion, with an option for an additional 49 years. Brisbane Airport has one international terminal and one domestic terminal, and is the third-busiest airport by passenger movements in Australia.

Other Industries

N/A

Infrastructure projects and rising charges pave the way for revenue growth

- The firm greatly increased its per-passenger revenue in 2017-18, which has boosted revenue from aeronautical services in recent years.
- Brisbane Airport opened its expanded international terminal in April 2018, built in response to growing international traffic, especially from nations in Asia.
- The company is also invested \$1.4 billion in a new parallel runway, which was opened in July 2020. The runway is 60 metres wide and 3.3 kilometres long, and is projected to help facilitate more than 350,000 forecast flights by 2035.
- The company also upgraded and expanded the domestic terminal, which was completed in late 2020.

The airport is readying for the 2032 Brisbane Olympics

- Brisbane Airport has begun preparing for the surge in passengers that will come through the airport during the 2032 Olympic Games and beyond.
- In May 2021, Brisbane Airport revealed plans to build a new \$1.0 billion terminal that will serve both domestic and international operations, located between its two runways.

Year	Revenue (\$m)	Growth (% change)
2012-13	450.7	N/C
2013-14	491.7	9.1
2014-15	525.7	6.9
2015-16	552.7	5.1
2016-17	623.7	12.8
2017-18	676.5	8.5
2018-19	801.4	18.5
2019-20	657.9	-17.9
2020-21	379.9	-42.3
2021-22	474.7	25.0
2022-23	706.5	48.8

Source: IBISWorld

Note: *Estimate

Perth Airport Development Group Pty Ltd

Market Share: 7.3%

Perth Airport Development Group Pty Ltd



Brands & Trading Names

Perth Airport

Description

Perth Airport Development Group Pty Ltd is a locally owned private company, deriving revenue from the operation and management of Perth Airport and related retail and property interests. The company acquired a 99-year

leasehold interest over Perth Airport in 1997, where its head office is located. Perth Airport is the principal international, domestic and regional gateway to Western Australia for both commercial aircraft and freight. The airport is Australia's fourth-largest airport in terms of passenger traffic.

Other Industries

N/A

Trends in the resources sector influence the airport's performance

- Western Australia's strong resources sector means that FIFO workers often rely on Perth Airport to fly out to mining sites and back.
- Growing employment in the Mining division supported the company while tourism was severely constrained due to pandemic-related lockdowns and travel restrictions.

A second runway is set to boost Perth airport's capacity

- In November 2020, the Federal Government approved the airport's plan to build a second parallel runway.
- When completed, the new runway will pave the way for airlines to expand their route network of destinations to and from Perth Airport.

Perth Airport Development Group Pty Ltd - industry segment performance*

Year	Revenue (\$m)	Growth (% change)
2012-13	344.9	N/C
2013-14	368.7	6.9
2014-15	382.1	3.6
2015-16	425.2	11.3
2016-17	456.6	7.4
2017-18	460.3	0.8
2018-19	448.7	-2.5
2019-20	397.8	-11.3
2020-21	289.8	-27.1
2021-22	325.9	12.5
2022-23	466.9	43.3

Source: IBISWorld

Note: *Estimate

Other Companies

Other capital city airports, like in Canberra and Adelaide, are significantly smaller than Melbourne and Sydney due to smaller state populations. Besides the largest capital city airports, other airport operators include various small businesses operating small-scale airports and airfields across the nation. Airport support services also participate in the industry but are much smaller than the airports they operate at.

Canberra Airport Holdings Pty Ltd

Market Share: 4.0%

Brands & Trading Names

Canberra Airport

Description

Canberra Airport Holdings Pty Ltd, formerly known as Capital Property Finance Pty Ltd, is a locally owned private company, deriving revenue from the development and management of property assets, and the Canberra Airport. The company was formed in 1998 and is administered from its headquarters at Canberra Airport in the Australian Capital Territory. Canberra Airport is Australia's ninth-largest airport in terms of passenger traffic.

Other Industries

N/A

International connection is vital to the airport's growth

- The company has recently invested in a new terminal that has paved the way for international flights. In September 2016, Singapore Airlines commenced flights from Canberra to both Singapore and Wellington. In February 2018, Qatar Airways commence flights between Canberra and Doha.
- Qatar Airways and Singapore Airlines are yet to restart international flight services to and from the airport despite the reopening of international borders. Qatar Airways have announced it will recommence

international flights to and from the airport in April 2023. However, it is unclear if or when Singapore Airlines will return.

Significant infrastructure redevelopment is underway

- The airport has undergone significant redevelopment over the past decade, including upgrades to its southern and western concourses.
- The airport also has plans to build a new runway with the hopes to facilitate to several international cities by 2040, including Los Angeles and Tokyo. Moreover, the airport plans to expand its freight hub.

Adelaide Airport Limited

Market Share: 3.0%

Brands & Trading Names

Adelaide Airport

Description

Adelaide Airport Limited is an Australian-owned public company. The company derives revenue from the management and operation of Adelaide and Parafield airports, which it bought the operating leases for in 1998. The company is administered from its head office at Adelaide Airport, South Australia. Adelaide Airport is Australia's fifth-largest airport in terms of passenger traffic.

Other Industries

N/A

An increasing retail footprint drives up rent and property revenue

- In late 2021, Adelaide Airport completed the development of its international terminal, expanding the duty-free precinct for international arrivals and departures. The project increased the terminal's retail footprint by more than 80%.
- This will drive up revenue generated from retail for the Airport in the coming years.

Queensland Airports Limited

Market Share: 2.0%

Brands & Trading Names

Gold Coast Airport

Townsville Airport

Longreach Airport

Mount Isa Airport

Description

Queensland Airports Limited (QAL) is a locally owned unlisted public company, deriving revenue from the investment and management of four regional airports in Queensland: Gold Coast, Townsville, Longreach and Mount Isa. The company is administered from its headquarters in Bilinga, Queensland. The company acquired a 99-year airport lease for Gold Coast Airport in 1998, acquired 100% ownership of Townsville Airport and Mount Isa Airport in 2005, and acquired 100% ownership of Longreach Airport in 2012.

Other Industries

N/A

Rising demand for regional travel is supporting the company

- Over the long term, rising demand for regional travel has supported the company.
- Tourism campaigns for regional locations and overcrowding in popular capital city tourist locations have driven this trend.

Gold Coast Airport expansions will enable long term passenger growth

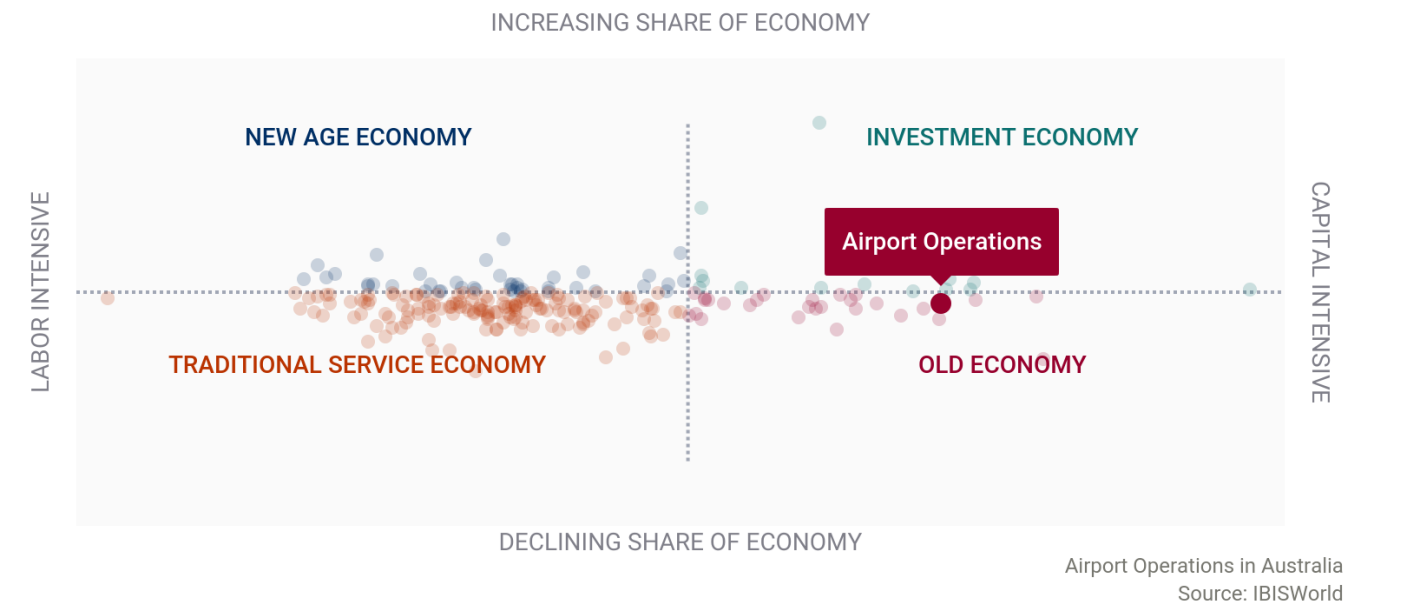
- In October 2022, the company completed its \$260 million Gold Coast Airport terminal expansion project.

The expansion doubled the terminal footprint, allowing for more retail space.

- The upgrade was part of the ongoing \$500 million development of the Gold Coast Airport precinct.

Operating Conditions

Costs of Growth: Targeting Capital vs. Labor



Capital Intensity

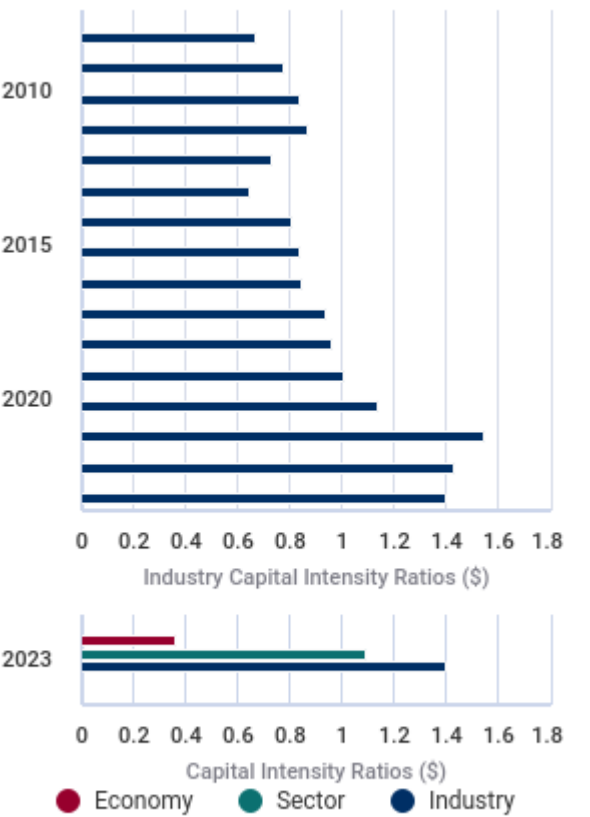
The level of capital intensity is ▲ High

The Airport Operations industry exhibits a high level of capital intensity. In the current year, for every dollar spend on wages, airport operators are spending an estimated \$1.40 on capital investment. This high level of capital intensity is due to the large-scale investment necessary to provide airline infrastructure and safety systems. International airport operators incur large expenses in providing automated air traffic control and meteorological services; aircraft movement services for runways, taxiways and aprons; and providing buildings for handling services and commercial activities.

The industry's capital intensity has increased over the past five years, largely due to additional capital expenditure by both regional and city airports. For example, airports have increasingly automated activities, like incorporating self-service check-in machines into terminals. Operators have also boosted security systems to address the recommendations of security reviews. Many of the major airports have also upgraded or built new terminals, runways and other infrastructure to ease strains on capacity. However, capital intensity has inorganically surged during the pandemic, as airport operators have cut back staff numbers in response to modest air traffic.

While capital is important for industry operators to provide services, many functions depend on labour and are difficult to make less labour-intensive as significant manual input is necessary for safety requirements. In particular, the industry's air traffic control and navigation segment is highly labour-intensive. Air traffic controllers are required to monitor air traffic and operate airport towers. Furthermore, many airport support activities, like check-in and airport lounge services, require significant labour inputs.

Capital Intensity Ratios



Airport Operations
Source: IBISWorld

Technology & Systems

Potential Disruptive Innovation: Factors Driving Threat of Change

Level	Factor	Disruptive Effect	Description
✔ Low	Rate of Innovation	Unlikely	A ranked measure for the number of patents assigned to an industry. A faster rate of new patent additions to the industry increases the likelihood of a disruptive innovation occurring.
⚠ High	Innovation Concentration	Likely	A measure for the mix of patent classes assigned to the industry. A greater concentration of patents in one area increases the likelihood of technological disruption of incumbent operators.
✔ Very Low	Ease of Entry	Very Unlikely	A qualitative measure of barriers to entry. Fewer barriers to entry increases the likelihood that new entrants can disrupt incumbents by putting new technologies to use.
⊖ Medium	Rate of Entry	Potential	Annualized growth in the number of enterprises in the industry, ranked against all other industries. A greater intensity of companies entering an industry increases the pool of potential disruptors.
⚠ High	Market Concentration	Likely	A ranked measure of the largest core market for the industry. Concentrated core markets present a low-end market or new market entry point for disruptive technologies to capture market share.

The rate of new patent technologies entering the industry is low, which limits the potential for innovations. A low rate does not mean that innovations cannot occur, just that the likelihood of some innovation materializing as a threat is lower. However, the concentration of technologies is high in this industry. This suggests that industry operators have exposure to potentially unforeseen areas of innovation.

The industry structure is not accommodative to new entrants succeeding, which limits the incentive for new companies. This is accompanied by an average level of new entrant operators. The combination provides a limited threat from disruptors.

The major markets for this industry are highly concentrated, which implies that the market has a focus on key customer segments. This presents an opportunity for strategic entrance into lower-end markets or unserved markets for innovations to take on a disruptive trajectory.

The Airport Operations industry exhibits high technological change, but few of these innovations disrupt current operators.

The industry is highly regulated, which almost completely eliminates disruption from external sources. Nevertheless, industry firms have been investing heavily in new systems, equipment and software to boost efficiency. For instance, airports have become increasingly streamlined through investment in improved baggage scanners and more widespread use of self-check-in kiosks. Airservices Australia is set to revamp air traffic control systems over the next five years by introducing the OneSKY program.

The level of technology change is ⚠ High

The Airport Operations industry exhibits a high level of technology change.

Airport operations largely depend on the efficiency of technological developments to improve operations and increase capacity. Demand for air travel has increased strongly over the past five years, which has meant that airports have had to cope with an increased number of flights and aircraft on their property, along with being able to provide efficient air traffic management. Most of the focus over the past five years has been on the enhancement of air traffic control systems and the

implementation of new functional airspace blocks, which will allow for shorter flight times and a reduction in fuel consumption and greenhouse gas emissions.

Air traffic control

Airservices Australia currently uses air traffic control technology called the Australian Advanced Air Traffic System (TAAATS), which was commissioned in 2000.

The TAAATS unites computer, radar and communications technologies in a system that makes all flight information available to all air traffic controllers. This facilitates the best use of air space for pilots and radically enhances safety. In March 2015, Airservices Australia announced a partnership with the Department of Defence to develop a new integrated air traffic control system under the OneSKY Australia Program. This new system is expected to be fully implemented by 2024-25, and is designed to enhance aircraft safety and operational efficiency. This will be achieved through using common air traffic control data across the country, which will allow a controller in any location to monitor any flight in Australian airspace. It is also designed to be modular and adaptable to easily incorporate future upgrades, allowing the industry to cope with forecast rises in aircraft and passenger movements over the coming decades.

Operational efficiency

Runway technology is highly advanced at major airports, and is important to minimise wear and tear on aircraft when departing and landing.

Pavement surfaces are typically grooved and prepared to maximise friction for wheel braking, allowing the aircraft to reduce its stopping distance. Given the rising number of passengers crossing airports each year, the need to move people efficiently has escalated over time. In addition, airport infrastructure technological developments like self-serve kiosks for check in are helping reduce wait times for passengers and decreasing labour intensity for airport operators.

Revenue Volatility

The level of volatility is △ Very High

Volatility vs. Growth



Airline activity plays a significant role in revenue fluctuations

- Airport operators have benefited from rising revenue over the long term, due to steady growth in demand for air travel.
- The cancellation of routes or a reduction in aircraft or passenger movements often significantly affects aeronautical revenue. This can lead to volatility in aeronautical revenue for airport operators.

Rental and retail provide stable demand

- The long-term rental of retail and business park space to companies tends to provide a steady source of revenue for airports

- Revenue from these services helps to moderate the industry's revenue volatility.

Regulation & Policy

The level of regulation is ▲ Heavy and the trend is Increasing

Airports Act 1996

The largest airports operating in Australia are run by private companies under long-term leases from the Federal Government. The Airports Act requires all airports to prepare a Master Plan and an Airport Environment Strategy. All leased federal airports are subject to restrictions on ownership and control of airport infrastructure, the protection of airspace around airports, building control and environmental management. Leased federal airports are also subject to price and quality of service monitoring.

CASA airspace administration

Airspace regulation is widely governed by the Civil Aviation Safety Authority (CASA). Through the Office of Airspace Regulation, CASA ensures that Australian airspace is administered and used safely while meeting standards outlined by the International Civil Aviation Organization. CASA governs issues like protecting the environment, using airspace efficiently, equitable airspace access and national security.

Security regulations

Over the past two decades, airport regulation has increased due to increasing security regulations for airports, like limits on quantities of liquids, aerosols and gels carried by each passenger on flights and the implementation of full-body scanning at international airports. These regulations came into effect in September 2007 and November 2012 respectively under amendments to the Aviation Transport Security Act 2004 and Aviation Transport Security Regulations 2005.

Airport (Environment Protection) Regulations 1997

Airports must minimise the negative effects of noise and other pollution on nearby residents and the environment. To balance these requirements with the efficiency of aircraft movement through airports, some airports operate programs like slot management. For example, Sydney Airport has a slot management program that prevents more than 80 aircraft from taking off or landing in an hour. Sydney Airport's curfew program also prevents certain runway movements between 11:00 pm and 6:00 am.

Modern Slavery Act 2018

The Australian Border Force and the Australian Federal Police already work in airports to mitigate threats to modern slavery at airports. However, the act will affect major airports in Australia in terms of reporting, as they earn over \$100.0 million in annual revenue. Airports also have many suppliers and clients, including food and clothing retailers, which may need to undertake more robust action to ensure their supply chains comply with the act.

Industry Assistance

The level of industry assistance is ☹ Medium and the trend is Increasing

Public

Indirect government assistance

The Federal Government indirectly supports airport operations through various bodies, including the Civil Aviation Safety Authority (CASA) and Airservices Australia. CASA regulates aviation in Australia, overseeing aviation safety. CASA help operators meet compliance requirements. Airservices Australia provides air traffic control services to the aviation sector, which are vital to the operation of airports.

Airservices Australia COVID-19 assistance

Airservices Australia received over \$1.3 billion in Federal Government funding over the two years through 2020-21, and is expecting to receive a further \$550.0 million over the two years through 2022-23. Airservices Australia has been using the grant to reduce fees to airlines, facilitating more aircraft and passenger movements. These assistance packages are benefiting industry airports and support services firms.

Private

Australian Airports Association (AAA)

The AAA is a non-profit organisation that was established in 1982 to provide advocacy and professional development services for its members. The AAA represents over 340 airports and aerodromes in Australia ranging from small regional airports to major international airports. The AAA encourages cooperation between airport members and other partners in the aviation sector, to provide a safe, secure, competitive, and environmentally sustainable air transportation system in Australia.

Key Statistics

Industry Data

Year	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)
2013-14	5,767	2,497	887	534	9,496	N/A	N/A	882	N/A
2014-15	6,056	3,567	930	560	9,966	N/A	N/A	986	N/A
2015-16	6,655	4,020	1,055	631	11,091	N/A	N/A	1,098	N/A
2016-17	7,020	4,556	1,107	659	11,717	N/A	N/A	1,097	N/A
2017-18	7,290	4,738	1,125	669	12,345	N/A	N/A	1,107	N/A
2018-19	7,409	4,846	1,181	703	13,174	N/A	N/A	1,111	N/A
2019-20	5,136	3,066	1,208	734	12,309	N/A	N/A	1,056	N/A
2020-21	3,234	2,316	1,110	728	11,584	N/A	N/A	999	N/A
2021-22	4,391	2,262	1,115	708	11,967	N/A	N/A	990	N/A
2022-23	6,357	3,013	1,160	713	12,511	N/A	N/A	1,026	N/A
2023-24	7,009	3,497	1,193	719	13,205	N/A	N/A	1,101	N/A
2024-25	7,358	3,811	1,229	722	13,442	N/A	N/A	1,140	N/A
2025-26	7,491	4,195	1,249	723	13,530	N/A	N/A	1,154	N/A
2026-27	7,776	4,829	1,255	725	13,713	N/A	N/A	1,185	N/A
2027-28	7,990	5,146	1,262	727	13,852	N/A	N/A	1,208	N/A

Annual Change

Year	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)
2013-14	3.44	-2.64	1.95	2.10	2.77	N/A	N/A	8.17	N/A
2014-15	5.01	42.8	4.84	4.86	4.94	N/A	N/A	11.8	N/A
2015-16	9.89	12.7	13.4	12.7	11.3	N/A	N/A	11.4	N/A
2016-17	5.48	13.3	4.92	4.43	5.64	N/A	N/A	-0.11	N/A
2017-18	3.83	3.99	1.62	1.51	5.35	N/A	N/A	0.90	N/A
2018-19	1.63	2.26	4.97	5.08	6.71	N/A	N/A	0.35	N/A
2019-20	-30.7	-36.7	2.28	4.40	-6.57	N/A	N/A	-4.95	N/A
2020-21	-37.0	-24.5	-8.12	-0.82	-5.89	N/A	N/A	-5.40	N/A
2021-22	35.8	-2.35	0.45	-2.75	3.30	N/A	N/A	-0.91	N/A
2022-23	44.8	33.2	4.03	0.70	4.54	N/A	N/A	3.66	N/A
2023-24	10.3	16.1	2.84	0.84	5.54	N/A	N/A	7.34	N/A
2024-25	4.98	8.97	3.01	0.41	1.79	N/A	N/A	3.48	N/A
2025-26	1.80	10.1	1.62	0.13	0.65	N/A	N/A	1.26	N/A
2026-27	3.80	15.1	0.48	0.27	1.35	N/A	N/A	2.64	N/A
2027-28	2.76	6.56	0.55	0.27	1.01	N/A	N/A	1.94	N/A

Key Ratios

Year	IVA/Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee (\$'000)	Wages/ Revenue (%)	Employees per estab. (Units)	Average Wage (\$)
2013-14	43.3	N/A	N/A	607	15.3	10.7	92,839
2014-15	58.9	N/A	N/A	608	16.3	10.7	98,926
2015-16	60.4	N/A	N/A	600	16.5	10.5	98,990
2016-17	64.9	N/A	N/A	599	15.6	10.6	93,599
2017-18	65.0	N/A	N/A	591	15.2	11.0	89,640
2018-19	65.4	N/A	N/A	562	15.0	11.2	84,295
2019-20	59.7	N/A	N/A	417	20.6	10.2	85,758
2020-21	71.6	N/A	N/A	279	30.9	10.4	86,214
2021-22	51.5	N/A	N/A	367	22.5	10.7	82,702
2022-23	47.4	N/A	N/A	508	16.1	10.8	82,008
2023-24	49.9	N/A	N/A	531	15.7	11.1	83,408
2024-25	51.8	N/A	N/A	547	15.5	10.9	84,794
2025-26	56.0	N/A	N/A	554	15.4	10.8	85,307
2026-27	62.1	N/A	N/A	567	15.2	10.9	86,392
2027-28	64.4	N/A	N/A	577	15.1	11.0	87,186

Figures are inflation adjusted to 2022-23

Additional Resources

Additional Resources

Bureau of Infrastructure and Transport Research Economics
<http://www.bitre.gov.au>

Civil Aviation Safety Authority
<http://www.casa.gov.au>

International Civil Aviation Organization
<http://www.icao.int>

Australian Airports Association
<http://www.airports.asn.au>

Industry Jargon

APRON

A parking area for aircraft where they can be refuelled, boarded by passengers and loaded with cargo or baggage.

CIVIL AVIATION SAFETY AUTHORITY (CASA)

An independent statutory authority responsible for regulating civil air operations in Australia.

GENERAL AVIATION

Includes all civil aviation activities other than scheduled and charter passenger and freight air transport.

SLOT MANAGEMENT

A capacity management process used when there is insufficient airport infrastructure to meet demand. This involves airports giving airlines specific landing and departure times to maximise capacity.

TAAATS

Stands for the Australian Advanced Air Traffic System, a flight information sharing system used by air traffic controllers.

Glossary

BARRIERS TO ENTRY

High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY

Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labour. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labour; medium is \$0.125 to \$0.333 of capital to \$1 of labour; low is less than \$0.125 of capital for every \$1 of labour.

CONSTANT PRICES

The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the 'real' growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the Australian Bureau of Statistics' implicit GDP price deflator.

DOMESTIC DEMAND

Spending on industry goods and services within Australia, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT

The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE

A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT

The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS

Total value of industry goods and services sold by Australian companies to customers abroad.

IMPORTS

Total value of industry goods and services brought in from foreign countries to be sold in Australia.

INDUSTRY CONCENTRATION

An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE

The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA)

The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE

The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%; medium is 5% to 20%; and high is more than 20%. Imports/domestic demand: low is less than 5%; medium is 5% to 35%; and high is more than 35%.

LIFE CYCLE

All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT

Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT

IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY

The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than $\pm 20\%$; high volatility is $\pm 10\%$ to $\pm 20\%$; moderate volatility is $\pm 3\%$ to $\pm 10\%$; and low volatility is less than $\pm 3\%$.

WAGES

The gross total wages and salaries of all employees in the industry.

Call Preparation Questions

Role Specific Questions

Sales & Marketing

How accessible is your airport for travellers?

Travellers are drawn to airports with public transport links and access to major cities.

How can your company diversify into other markets?

Having diverse markets can help smooth revenue fluctuations.

Low-cost airlines are becoming increasingly popular among consumers.

Strategy & Operations

What plans does your company have to upgrade terminals, runways or other facilities?

Major airports, such as Melbourne and Brisbane airports, are investing in new facilities to boost aircraft capacity.

Investment is necessary to ensure strong customer satisfaction ratings and to boost long-term revenue growth.

What brands occupy your airport's rented spaces?

Retailers are an important market for airports, and having the right brands in place can boost profitability.

Luxury retail brands are reporting increased demand, as more high net-worth travellers are moving through Australian airports.

Technology

How can your airport automate to reduce labour costs?

Automating surplus labour requirements can help improve profit margins.

How does your airport monitor long-term trends in aircraft movements through data analysis?

Data analysis can help improve pricing efficiency and ultimately revenue growth.

Compliance

How does your airport comply with noise regulations in your region?

Noise restrictions can limit the number of flights that can land per hour, particularly during the night.

What airport security measures does your company have in place?

Airports are subject to increasing regulation over safety for travellers and staff.

Security costs are increasing for airlines, but remain crucial for customer satisfaction and safety.

Finance

How does your company fund expansions or upgrades to major facilities?

Many Australian airports are increasing capital expenditure on upgrades.

Large investments can cause cashflow problems, which usually require debt to fund.

How do your airport's profit margins compare with those of its competitors?

Airports are a high-margin business due to their high entry barriers and regional monopolies.

The ACCC monitors the profitability of major Australian airports, providing a benchmark.

External Impacts Questions

Impact: Consumer sentiment index

How do economic conditions affect travel volumes?

Weak economic conditions can result in negative consumer sentiment, with some consumers forgoing air travel.

This can reduce domestic and outbound international travel, making inbound tourists an increasingly important market.

Impact: Demand from international airlines

How can your airport directly or indirectly benefit from growing international tourism?

As some airports near capacity, a growing volume of international flights offers more airports an opportunity to target international airlines.

Having partnerships in place to take domestic legs of international travellers can allow smaller airports to leverage a growing market.

Impact: Air passenger movements through capital city airports

How does your airport determine the rates charged to renters?

Increased airport traffic results in greater exposure and revenue to renters of retail spaces.

Raising rental rates in response to more passenger traffic can increase revenue.

Internal Issues Questions

Issue: Superior financial management and debt management

How does your company fund facility or terminal upgrades?

Poor cashflow can inhibit attempts to upgrade runways or major terminal facilities.

Access to debt and prudent financial management are crucial for success.

Issue: Ability to accommodate environment protection requirements

What environmental issues affect your airport?

Noise pollution concerns can impose restrictions on the maximum number of aircraft movements per day.

This can limit profitability and revenue growth.

Issue: Market research and understanding

How does your company keep track of aircraft movement trends?

Understanding trends in the destination or origin of travellers can help improve the airport experience for customers.

In-depth knowledge of airline trends can help an airport set prices efficiently.



WHERE KNOWLEDGE IS POWER

IBISWorld helps you find the industry information you need – fast.

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