

London City Airport - Half year update to 30 June 2010

Activity

The impact of the global recession continued to affect the aviation industry in the first half of the year. Activity levels were also affected during the period due to the impact of the severe winter at the start of the year and ash cloud disruption which resulted in the closure of UK airspace for a period of 5 days during April 2010.

Despite these factors passenger numbers of 1.4m were at the same level as for the comparative period last year. Corporate aviation movements handled by the airport were also consistent with the prior period at 3,719 in the first half of 2010 indicating that this side of the airport business has also stabilised.

Developments

During the first half of the year airline operators made further changes to schedules to improve load factors across their fleets as well as to introduce some new leisure routes. Principal service additions in the six months to June 2010 have been Ibiza and Palma, Mallorca (British Airways), Brive and Deauville (Cityjet). Services that have ceased in the same period are Plymouth & Newquay (Air SouthWest) Düsseldorf (Lufthansa). Copenhagen continued to be served from the airport by Cimber having previously been operated by SAS.

Significant capital investment projects in the period include the initial phases of a £7 million project to allow a 100% increase in the capacity of the security search area and to enlarge the passenger departure lounge providing passengers with more space and comfort. In addition the airport invested in Electronic Flight Progress Strips to increase the efficiency of the air traffic control operation by streamlining the co-ordination of departing, arriving and ground aircraft movements. The Airport's investment in this technology further enhances the traveller's experience with improved punctuality and increased service levels.

Future prospects

There are positive indicators that business travel levels are stabilising and, on certain routes, increasing as load factors have been strong in the second quarter of the year. Innovative services such as the BA service to New York have been successful and there are indicators in the industry that airline yields are recovering. Whilst the general economic outlook does point to limited growth in overall aviation traffic in the remainder of the year at the airport the airport remains well placed to target a return to growth through continued investment in operational service quality enhancements.