



**Address by the Secretary General of ICAO
Mr. Raymond Benjamin
to the
5th ACI Asia/Pacific Regional Assembly and Conference**

(Sanya, China, 13 May 2010)

Mr. Chairman, Distinguished Guests, Ladies and Gentlemen,

1. I am delighted at the opportunity to join you at this Conference and I thank Angela for her kind invitation to say a few words.
2. We live in extraordinarily challenging times. Just last year, the global economy faced an unprecedented and systemic global recession, in which some of the hardest hit areas were the air transport, tourism and services sectors.
3. While the skies are clearing, there remains uncertainty as to the depth and duration of the downturn, as well as prospects and benefits of what appears to be an emerging recovery for the air transport sector. We must therefore remain vigilant while moving forward in shaping the future, as the theme of your conference so ably suggests: *“Navigating Airport Business through Challenges and Opportunities”*.
4. One thing is clear - commercial success for airports in the years to come means much more than just attracting more flights and more passengers. This is why we should focus on the new fundamentals of the airport business and what challenges and opportunities it faces.

5. But let me first place things in perspective.
6. Fortunately, high-level policy makers increasingly understand that aviation makes a substantial contribution to the global economy, something we have known all along. In a report it published in June of 2009, *Oxford Economics* suggests that the world's future prosperity may depend on a growing and thriving aviation industry, which currently supports nearly eight per cent of the world's economy.
7. In this encouraging context, prospects for Asia/Pacific are bright. The Region is home to 57 per cent of the world population, with more than 3.9 billion inhabitants. It accounts for some 34 percent of the world GDP and by the year 2030, the region's economy should represent over 47 per cent of the world output.
8. Over the period 1995-2008, total scheduled passenger traffic of Asia/Pacific airlines, expressed in passenger-kilometres performed, increased at an annual growth rate of 6 per cent. Freight traffic of these airlines increased over the same period, at an annual growth rate of 5.3 per cent.
9. This is indicative not only of the tremendous potential and growth of aviation in the Asia/Pacific region, but also of the immense contribution that aviation makes to the regional and global economy.
10. And as aviation grows, so do all of its components, including the airport industry. According to an Airbus Industrie forecast, from 2009 to 2028, some 25,000 new passenger and freighter aircraft valued at US\$3.1 trillion will be delivered. This will no doubt pose a challenge to the airports in accommodating the increased capacity that will follow.

11. The demand will be driven by emerging economies, evolving airline networks, expansion of low cost carriers, the increasing number of mega-cities with their traffic growth and the need for more eco-efficient airliners.
12. The good news for this Region is that the greatest demand for passenger aircraft will be from airlines in Asia-Pacific and emerging markets. The People's Republic of China and India accounts for 31 per cent of the total, followed by Europe (25 per cent) and North America (23 per cent).
13. In terms of domestic passenger markets, India at 10 per cent and China at 7.9 per cent will have the fastest growth over the next 20 years. The largest by volume of traffic will remain the US domestic market.
14. Obviously, this exponential growth in traffic will place a burden on airport capacity and consequent demands upon the airport industry.

15. So back to the question – what is the airport business all about?
16. Airports are an essential part of the air transport system. They play a critical role not only in benefitting the macro environment of transportation but also in supporting the process of improving the quality of life of society and increasing wealth in national and regional economies.
17. Within that context, I believe the traditional definition of an airport is being reshaped and refined to reflect the reality that they are now complex industrial enterprises.
18. They are evolving from basic aeronautical infrastructures to multi-functional enterprises serving the travelling public, while at the same time catering to their commercial needs and those of others who visit the airport.
19. Like any other autonomous business enterprise, an airport has to exploit its inherent resources optimally; compete with other businesses of the area on quality of services offered; and reinvest funds in developing its business interests.
20. ICAO recognizes the continuing importance to airports of income derived from such sources as concessions, rental of premises and “free zones”. It recommends that, with the exception of concessions that are directly associated with the operation of air transport services – such as fuel, in-flight catering and ground handling – the full development of revenues of this kind should be encouraged. Due regard should be given, however, to keeping prices low, the requirements of passengers and the need for terminal efficiency.

21. Due consideration must also be given to the fact that the general public is recognized as customers of airports and that airports do not cater only to airline passengers and their visitors, but also to shoppers who may wish to pick up a bargain at the airport.
22. In the current context, airports are compelled to compete with each other to attract air traffic and business flowing therefrom and from the general public. To this end, many airports are now privatized and operate as autonomous entities. Privatization brings not only fiscal benefits, but also legal liability, a possible cost factor that should be taken into account.
23. More importantly, privatization connotes a businesslike approach that requires a certain involvement with market forces and competition that would necessitate reinvestment in the airport business for its commercial sustainability.
24. ICAO has consistently encouraged the growth of airports. ICAO Council Statements leave it wide open for airports to optimize their revenue to exceed all direct and indirect operating costs – so as to provide for a reasonable return on assets to contribute toward necessary capital improvements. This policy statement encourages commercial autonomy of airports and the practice of deviating from being instrumentalities of the State.
25. It also urges airports to optimize revenues in order to boost capital investment toward improvement, without such resources drawing unduly on airport and air navigation service charges, which should essentially be cost-related.

26. Let me now move on to some challenges and opportunities for airports, mainly from the perspective of the Organization I represent.
27. An important challenge faced by the airport industry is economic oversight and the relationship between the user and the airport as a provider of services.
28. I must emphasize in this regard that the protection of users against potential abuse of dominant position by airports is a State's responsibility and that this responsibility could be discharged through economic oversight, for example, monitoring the commercial and operational practices of service providers.
29. In doing so, States should ensure that service providers consult with users and that appropriate performance management systems are developed and implemented.
30. States should also select the appropriate form of economic oversight according to their specific circumstances, while keeping regulatory interventions at a minimum and as required.
31. They should assess the degree of competition, the costs and benefits related to alternative forms of oversight. As well, the legal, institutional and governance frameworks should be taken into consideration.
32. States should further consider adoption of a regional approach to economic oversight, particularly in instances where individual States lack the capacity to adequately perform economic oversight functions.

33. I am also convinced that the assessment of airport performance, including the use of benchmarking, can serve to improve the key performance areas of safety, quality of services, productivity and cost-efficiency of airports.
34. States should ensure that their service providers establish performance objectives with the purpose, as a minimum, to continuously improve performance in those four key performance areas.
35. All of this would help support investment decisions.
36. The next challenge is then for States to ensure, within their economic oversight responsibilities, that a clearly defined, regular consultation process is established with users by their airports and air navigation services entities where provider/user cooperative arrangements are not already in place.

37. In the area of security, 2001 and 2006 were benchmark years for airports which now face a huge security mandate. They have to advise and brief passengers on such processes as the tamper-evident bag system, restrictions on liquids, gels aerosols and pastes.
38. New and emerging threats to civil aviation are a constant cause for concern to the aviation community.
39. A critical challenge facing international civil aviation remains to ensure that the air transport industry remains continuous and its consumer is assured of sustained regular, safe and secure air transport services.
40. I believe States should adopt a security culture that admits of an overall approach to air transport and airport security.
41. Also, States should ensure that users are consulted on the level and structure of charges as well as on capacity development and investments.
42. Another duty that devolves on States in this regard is to consider users' feedback obtained during consultations as far as possible before reaching a decision regarding any proposal; that the confidentiality of the market-sensitive data is properly protected; and that the relevant decision documents provide appropriate rationale for the decision.
43. Changes in governance, ownership and control of airports, including cross-border investments in privatized airports, can have implications for a State's obligations in the provision and operation of airport services.
44. Based on the experiences of commercialization and privatization, we must consider the influence of different governance structures on the performance of airports and what measures States can take in order to ensure that all relevant obligations of States are observed.

45. States should consider the establishment of autonomous entities to operate airports, taking into account the economic viability of the airport as well as the interests of service providers and users.
46. Where the operation of one or more airports represents only one of several functions performed by a government entity, States should give consideration to a clear separation of the regulatory and operational functions, with roles and powers clearly defined for each one.
47. Determining costs with regard to charges is another issue for consideration. As the cost basis of an airport for charging purposes has usually been established by taking into account the costs of operation and maintenance, cost of capital and depreciation of assets and a “reasonable” return on assets, we should attempt to build a consensus on possible ways to assess what would constitute a “reasonable” rate of return, and explore the possibility of consolidating several airport cost bases into one cost base for charging purposes.
48. ICAO’s current policies and guidance material on airport charges have provisions dealing with how the costs of the various airport facilities and services should be allocated to different categories of users.

49. However, it should be noted that some new trends have emerged such as the allocation of costs on a per passenger basis, which includes all or most cost bases of the aeronautical activities.
50. I am convinced that, as ICAO's policies on security charges suggests, the costs of security functions performed by States such as general policing, intelligence gathering and national security should not be passed on to the airport users.
51. Let me finally turn to the subject of development. I believe that airport builders and managers should look at airports as business enterprises that contribute to efficient air travel.
52. In the process, they should obviously consider as important those principles that are essential for developing safer, secure and efficient airports.
53. Therefore, when planning for the injection of additional aircraft capacity in an airport, an airport administration should take into account the requirements of the international community in the form of Standards and Recommended Practices as promulgated by ICAO, in order that international civil aviation retains a certain consistency and uniformity in its global activity.
54. ICAO policies serve as a basis for providing for the orderly and timely development of an airport that is adequate to meet the present and future air transportation needs of an area or State.
55. We must also bear in mind that early aviation history recognized the need for some public control of land in the vicinity of an airport, taking into consideration airport needs for future airport development.

56. It also took into account the need to ensure minimal interference with the environment and the public. ICAO has based its policies on this dual approach.
57. I believe that airport development now falls into three main areas which are:
- a) the development of airport capacity and facilities;
 - b) the balancing of airport development with necessary safety and security measures; and,
 - c) the balancing of airport development with ecology i.e. city planning, noise pollution avoidance, etc.
58. This categorization would require that cooperation in technical and economic areas would have to be further expanded to include safety, security and ecological factors in the technical field and all research in city planning and infrastructural development in the economic field.

Ladies and Gentlemen,

59. These are times of change, and as Mahatma Gandhi said: "We must become the change that we want to see in the world".
60. I am certain that this conference will contribute richly towards achieving this objective and I wish you every success.

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