

## **“Air transport liberalisation: the airports’ view”**

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I want to thank ICAO for inviting ACI to participate in this session. The title is indeed appropriate because we at ACI want to “*harness*” liberalisation in a structure that makes the most efficient use of existing and future airport infrastructure.

Since its founding 15 years ago, ACI has consistently supported the concept that market forces should determine air traffic flows. We have supported liberalisation of market access for both passenger and cargo services. The outcome is good for the passenger, in terms of providing a broad choice of flights and destinations at competitive prices. Liberalisation is also good for airports, which generally welcome higher levels of traffic, as do our airline partners. And liberalisation is good for the global economy in that it enhances tourism and supports cross-border investment and trade. In the area of cargo logistics, broader market access makes for a more seamless and efficient transfer of finished and intermediate goods essential in the interdependent global economy.

In unleashing the full power of the marketplace implicit in aviation liberalisation, however, we need to make sure that airport capacity keeps pace. So my primary message today assumes from the outset that liberalisation is a good and noble goal. But a corollary and a pre-condition for liberalisation is for Governments to help create the appropriate investment environment for the vast public and private investment in airport infrastructure that is required to meet the future demand for air travel. We were most encouraged by the recent commitment by the Government of China to build some 50 new airports in the next two decades. Decisions like this one will ensure that the broad benefits of liberalisation are not limited by airport capacity shortfalls.

Before going into this further, I would like to take a moment to tell you about ACI, the voice of the world’s airports. ACI was founded in 1991 through the merger of existing regional airport associations. It was largely because of ICAO that ACI was created: it became clear that as ICAO grew in importance as the global regulator for aviation, that airports needed to

**speak with one clear voice to be effective and constructive in influencing global issues.**

**ACI's prime purpose is to represent and advance the interests of airports and to promote professional excellence in airport management and operations. In 2005 our membership grew to over 1650 airports worldwide in 176 countries and territories.**

**ACI recently received a phone call from a journalist whose first question to us was: "Will there be sufficient airport capacity to handle forecast traffic growth?" This simple question requires a complex answer. We can say confidently that there will be sufficient overall capacity in the global network of airports. What we cannot say is that this traffic will be distributed in a manner that provides for seamless air transport across the global system. Any of my friends from the U.S. can tell you that a severe thunderstorm in Chicago, which is a hub for two of the largest US carriers, has a ripple effect which can be felt in flight delays from coast to coast. This sort of congestion at key hubs is already a problem, and threatens to be exacerbated if airport expansion projects are unnecessarily delayed by governments. At the same time, many of our member airports would welcome more traffic, as there is considerable excess capacity in some places, particularly in developing nations.**

**The ACI statistics team confirms that in 2005, some 4.2 billion passengers used the world's airports. That's a 6.5 percent increase over 2004. Cargo metric tonnes rose to 82 million and airports handled 72 million aircraft movements for that year. And the growth continues unabated this year according to our monthly data through July.**

**The surge in traffic affects all aspects of airport service from car parking to check-in to security screening and baggage delivery. Higher passenger numbers also put pressure on immigration and customs services to process greater numbers of travelers in and out of international gateways. Airport operators worldwide are challenged with providing good customer service in this atmosphere of rapid growth. Liberalisation will certainly accelerate that growth.**

**It is interesting to quantify the impact of liberalisation, which has already been covered in some detail earlier in this conference. As Philippe Rochat and the Air Transport Action Group have determined in a recent study prepared by Intervistas, even limited liberalisation would provide a tremendous economic boost. Liberalising just 320 bilateral markets of the 2,000 in ICAO's database would lead to growth in air transport services which would support 24 million new jobs and create almost US\$500 billion in additional Gross Domestic Product within several years. Historical data supports these conclusions, with notable examples being the liberalisation**

of the EU and US/Canada markets, where the economic benefits continue to build years after the agreements were signed. In short, it is difficult and wrong-headed *not* to support liberalisation. But to come back to my original theme, both airport and airspace capacity must increase at a rapid pace. Governments must address this issue on an urgent basis, if the full benefits of liberalisation can be felt.

Let's examine some of the current barriers to *building new airport capacity*. We believe that regulatory, political and environmental barriers to building new airport capacity are the biggest constraint to meeting the demand for air transport in both the short and long term. Governments, airport operators and other industry stakeholders must work together to fast-track approvals for new capacity. The scope of this problem has been quantified, for the first time, in the ACI forecasts released last year.

Two hundred and seventy airports, representing 60% of global traffic, responded to our survey and provided a startling reality check on the question of capacity. We included a new question about 'constrained' demand at airports, a concept to factor in barriers to building new infrastructure. Our members estimated that such barriers could substantially reduce their ability to meet passenger growth over the next 15 years. While the airports projected passenger growth of 4% annually during the period, global airport capacity was expected to grow only about 3% per year. In practical terms this means that while over seven billion passengers are expected to demand air transport in 2020, airport capacity might comfortably serve only six billion passengers. The implications of this capacity shortfall and resulting congestion are bleak in terms of the quality of the travel experience.

To avoid this capacity crunch, we need governments to streamline approvals for new airport capacity. Airport infrastructure expansion can take well over a decade to plan and implement. For greenfield airports, the cycle is longer. The approval process in the mature aviation markets of North America and Europe provides clear evidence of the difficulty in building new airports. Indeed, in the U.S. there has been only one major new airport (Denver) built in the past 30 years. In Europe, only Athens and Oslo obtained new airports in the last decade.

I would like to give you three examples of regulatory constraints which have impeded airport capacity. The first is the construction of a parallel runway at Seattle-Tacoma International Airport, which, due to environmental constraints and a number of protracted lawsuits filed by local citizens, will finally be completed in 2008, 23 years after it was initially approved by local authorities. These restrictions greatly constrained Seatac's vision to be a major international hub on the Pacific Rim.

**In the UK, the government inquiry required before construction was begun on Terminal 5 at London Heathrow took six years and countless hours of testimony to approve. Indeed, airport operator BAA measured the documentation not in pages submitted, but in kilograms! In the end, approval was granted for a facility the entire industry -- including ACI and IATA and other stakeholders in the Air Transport Action Group -- unanimously agreed was required at the outset of the inquiry.**

**In the Pacific region, construction of a second runway at Narita International Airport near Tokyo was held up for over a decade by a powerful group of local farmers and politicians. When approval finally came, it was for a runway too short for movements of any aircraft larger than a Boeing 767, thus failing to provide the capacity to meet forecasts for Narita's growth.**

**ACI policy recognizes that oversight of airports by governments is to be expected, but we have consistently recommended a light-handed regulatory touch in the area of economics. Regulation which distorts market forces or creates expensive, time-consuming bureaucratic hurdles to airport development distracts airports operators from their core mission: that is to serve the community and region and deliver services for airport users in an efficient and cost-effective manner.**

**ACI welcomed ICAO guidance on charges emanating from the economics conference ANSCONF 2000 which provided airport operators with new flexibility in setting user charges. This includes the pre-financing of new infrastructure by raising charges if needed as infrastructure construction commences. ICAO guidance also permits a proportion of non-aeronautical revenues to be transferred directly into financing of capacity. These guidelines have provided incentives for airport operators to continue to build non-aeronautical revenue streams. But not all States are following ICAO guidance. We need to spread the message: our airport members cannot operate as efficient commercial enterprises if they are encumbered with outmoded, costly government regulation.**

**Liberalised market access could create new international point to point services, alleviating pressure on congested hubs and spreading growth more evenly over the entire airport system. In addition, liberalisation would allow low-cost services to move into previously unserved city pairs, as has been the case in North America and Europe, providing a boost to tourism and opening air transport up to previously untapped large markets such as those in China and India. We have only to look around us here in Dubai to observe the remarkable results that can be achieved when governments open their skies. To ensure that liberalisation proceeds along these lines, and does not simply create more congestion but promotes sustainable and environmentally responsible development of necessary capacity, airport**

**requirements need to be considered at every step in bilateral and multilateral air transport negotiations.**

**In summary, I believe we are at a crossroads in the history of air transport. We are in a period of rapid traffic growth, despite record high fuel prices. Airport investments are proving attractive in the global financial marketplace and private sector funding for new infrastructure is available. The imponderable factor in the capacity equation is government regulation. Economic regulation which inhibits airports' commercial flexibility can slow new development and bring back the hassle factor, degrading the travel experience. The preferred option is for governments to allow the marketplace to function efficiently and approve airport projects which are consistent with the plans of the community and region. In that scenario, airport operators can build sufficient capacity to underpin trade, tourism and investment flows that are a key factor in driving global economic prosperity.**