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ECONOMIC COMMISSION

Agenda Item 30: Other air transport issues

AIRPORTS: VITAL CATALYST FOR ECONOMIC GROWTH

(Presented by the Airports Council International (ACI))

INFORMATION PAPER

SUMMARY

This information paper highlights recent trends in airport economics and is intended to be read in conjunction with ICAO's WP/42 and ACI's WP/197 relating to the contribution of the aviation industry and airports to the global economy.

Air traffic growth and capacity issues are once again requiring the attention of airport operators – capital expenditure for new airport infrastructure is at a high level.

INTRODUCTION

1. This information paper presents recent data on ACI member airports for 2003 and 2004 based on surveys conducted annually by ACI, highlighting recent economic trends.

2. ACI began collecting economic data from its members in 1995 and in each succeeding year the sample size has grown. A total of 665 airports responded to the ACI Airport Economics Survey in 2003, compared with 620 in 2001 and 548 in 2000. The responding airports handled over 2,400 million passengers in 2003, representing more than 71 per cent of the total passenger traffic at ACI members' 1550 airports. The Middle East, ACI's smallest region in terms of members, has been combined with Africa in the 2004 survey. All five regions are well represented in the survey sample, as shown in Table 1.

¹ English, French and Spanish versions provided by ACI.

Table 1: Survey sample airports by region

Region	Airports responding	Passengers (2003)
Africa/Middle East	41	79 million
Asia/Pacific	162	317 million
Europe	196	776 million
Latin America/Caribbean	153	133 million
North America	113	1,132 million
Total	665	2,437 million

3. The size of the survey sample and the high response rates from all five regions permit the extrapolation of the survey results to cover all ACI member airports. *All subsequent airport statistics in this information paper are estimations of regional and global totals based on extrapolations of the sample data.*

PASSENGER AND CARGO TRAFFIC IN 2003

4. In 2003, global airport passenger traffic for ACI members was up 1.6 percent over 2002 to 3,420 million passengers, with modest growth in all regions except Asia/Pacific, which saw a decline of 1 percent (see Table 2). Growth in the traffic of low-cost carriers contributed to much of the traffic growth in 2003, as many traditional carriers experienced difficulties.

Table 2: Passenger traffic growth by region (2002 vs. 2003)

Region	Passengers-2003 (million)	% change (from 2002)
Africa/Middle East	160	4.5
Asia/Pacific	676	-1.0
Europe	1,056	4.2
Latin America/Caribbean	194	1.3
North America	1,338	0.6
Total	3,424	1.6

5. Total cargo tonnage handled increased 2.8 percent in 2003, posting gains in all regions except Latin America/Caribbean as shown in Table 3 below. But more recent data shows cargo increased sharply in 2004, up 9.1 percent worldwide over the first five months of 2003. Air cargo accounts for some 40 percent of world trade in value terms.

Table 3: Air cargo growth by region (2002 vs. 2003)

Region	Cargo-metric tonnes 2003 (million)	% change (from 2002)
Africa/Middle East	4.03	4.0
Asia/Pacific	20.94	5.6
Europe	14.05	2.3
Latin America/Caribbean	2.94	-1.4
North America	26.67	0.9
Total	68.63	2.8

PASSENGER TRAFFIC GROWTH IN 2004

6. ACI's PAXFLASH tracks passenger trends only 25 days after the end of the previous month from a sample of the world's 100 busiest airports. As indicated in Table 4, passenger traffic was up sharply in all regions for the 12 months ending in July 2004, with an overall increase of 8.6 percent.

Table 4



**ACI PAX* FLASH
(AMONG MAJOR WORLD AIRPORTS)**

ACI STATS REGIONS	12 MONTHS ENDING JUL 2004/2003					
	INTL PAX	% CHG	DOM PAX	% CHG	TOT PAX	% CHG
AFR	15 640.0	12.1	16 668.8	9.0	32 870.2	9.3
ASP	172 014.8	18.3	202 966.7	13.5	384 591.4	15.1
EUR	529 936.5	7.4	164 543.2	3.2	699 312.9	6.4
LAC	30 202.9	15.1	38 106.6	11.1	70 716.7	12.3
MEA	19 778.5	16.2	396.9	(2.9)	20 909.6	16.4
NAM	106 256.8	10.3	518 869.8	6.5	861 385.0	7.2
ACI	858 189.5	10.2	924 883.2	7.5	2 036 915.6	8.6

* data in 000s

EMPLOYMENT AT AIRPORTS

7. As in past years, the survey results demonstrate that airports are highly significant centers of employment generation. In 2003, airport operators employed some 333,000 persons directly, while a total of over 4,400,000 persons were employed at airports (at airport and off-airport sites). This means that, for every person employed directly by an airport operator, another ten work at the airport.

8. The ratio is much higher for airports in North America (1 to 48), where many airport activities are outsourced (i.e. performed by private contractors). A recent survey indicated that about 2 million jobs exist at airports and near airport sites in the region. In Europe, the ratio would be considerably higher than 1 to 9 if it were not for the fact that several large airport operators directly employ thousands of persons in ground handling operations, which are outsourced at most other airports worldwide. One major European airport, for example, employs some 10,000 workers in its ground handling operation alone.

9. Employment data compiled in recent ACI surveys in North America and Europe have shown that airports also create jobs in a catchment area in the immediate vicinity of the airport (for example, freight-forwarders and other businesses located just off the airport). Moreover, many airports are space-constrained and related activities are therefore located in adjacent areas. Indeed, a 1999 ACI questionnaire on airport cargo operations found that many employees engaged in air freight activities work well off-airport, as far as 50 kilometers away in some cases. With the inclusion of these workers, the survey confirms ACI's estimate that approximately 4.5 million jobs are created directly by airport activities worldwide, including airline employees working at airports.

10. In contrast with the situation in the other regions, many airport systems in Africa/Middle East and Latin America are operated by national civil aviation authorities. The proportion of public employees at the airports in these systems is therefore quite high and outsourcing of services is limited. Moreover, airports in these regions tend to have lower average traffic volumes than those in Europe, North America and Asia/Pacific, thereby limiting opportunities for job creation in non-aeronautical activities, such as retail concessions, car rentals and hotel and convention facilities.

Table 5: Employment at airports in 2003

Region	Employed directly by airport operators	Total employees on airport sites
Africa/Middle East	49,000	250,000
Asia/Pacific	100,000	950,000
Europe	120,000	1,100,000
Latin America/Caribbean	19,000	160,000
North America	42,000	2,000,000
Total	330,000	4,460,000

REVENUES BY REGION

11. There has been a clear worldwide trend over recent years for the proportion of airports' non-aeronautical revenues to rise. ICAO data from 1990 suggests that only about 30 percent of airport revenue came from non-aeronautical sources at that time. ACI's data shows growth in non-aeronautical income to 46 percent of total airport income in both the 1995 and 1996 surveys, rising to 52 percent of total income in 1997 and 1998, 51 per cent in 2000, and to a record 53.5 per cent of total income in 2001. (The percentage declined slightly in 2000 due to the elimination of duty free sales within the European Union. Non-aeronautical revenue in Europe fell from 50 per cent of the total in 1998 to 45.7 per cent in 2000, due almost entirely to the loss of duty-free revenues). Non-aeronautical revenues declined slightly in 2003 to 51.2 percent of total revenues, but this was considered a temporary decline as airports and concessionaires coped

with security-driven design modifications and the full impact of the rebound in passenger traffic had not yet reached pre 9/11 levels.

12. The increase in the share of non-aeronautical revenue testifies to the entrepreneurial creativity of airport operators in generating revenue and improving customer service by providing a wide range of services for passengers.

Table 6: Revenue by source – 2002/2003

Region	Aeronautical revenue (USD billion)	Non-aeronautical revenue (USD billion)
Africa/Middle East	1.40	1.20
Asia/Pacific	5.60	6.00
Europe	13.85	10.30
Latin America/Caribbean	.85	.60
North America+	5.85	8.15
Total	27.55	26.25

+2002 data used to harmonize varying fiscal years

13. The proportion of aeronautical revenue continued to exceed that for non-aeronautical revenue by a wide margin in Latin America/Caribbean, where the smaller size of airports tends to reduce the potential for lucrative landside activities, such as retail and parking concessions. The North America region had the highest percentage of revenue derived from non-aeronautical sources (56 per cent). This reflects the strong non-aeronautical performance of a number of the region’s large airports.

14. The economic impact of airports has been the subject of several major studies and it is not ACI’s intention to analyze the direct, indirect, and catalytic impact of airports in terms of employment and income effects, subjects covered well in WP/42. It is worth noting that, excluding the impact of aviation, a number of studies have calculated that the income impact related to airport activity is in the order of 2 to 3 percent of Gross Domestic Product, and higher in some States which have a high percentage of companies producing high value goods which tend to move by air. In addition, the World Travel and Tourism Council estimates that over 10 percent of all employment worldwide is in the travel and tourism sectors.

AIRPORT CAPITAL EXPENDITURE

15. One of the most significant findings of the 2004 ACI Airport Economics Survey is the rise in capital expenditure by airports in all regions at existing airports. This is more impressive when it is borne in mind that expenditure on new airports is not covered by the survey. Airports are investing heavily on infrastructure to meet the anticipated doubling of passenger traffic over the next fifteen years.

Table 7: Capital expenditure* by region (US\$ million)

Region	2003	2004	% change
Africa/Middle East	2,500	2,700	8.0%
Asia/Pacific	1,700	3,300	94.1%
Europe	11,200	12,400	10.7%
Latin America/Caribbean	350	700	100.0%
North America	8,700	12,000	37.9%
Total	24,450	31,100	27.2%

*Excludes expenditure on new airports

CONCLUSION

16. Airport economic indicators over the past year suggest that the industry is on its way back to a healthier financial situation as both passenger and cargo traffic growth has picked up strongly beginning in mid-2003. Airport operators are once again faced with congestion at many major hubs and it is encouraging that capital expenditure to build new capacity increased sharply in 2004. Airport activities will continue to generate a substantial economic contribution to an increasingly interdependent world economy.

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