

**59<sup>th</sup> CONFERENCE OF  
DIRECTORS GENERAL OF CIVIL AVIATION  
ASIA AND PACIFIC REGIONS**

*Cebu, Philippines  
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**AGENDA ITEM 6: ECONOMIC DEVELOPMENT OF AIR  
TRANSPORT**

**AIRPORT ECONOMIC SUSTAINABILITY AND FINANCIAL  
RESILIENCE ARE KEY PILLARS FOR INFRASTRUCTURE  
DEVELOPMENT**

(Presented by Airports Council International (ACI))

**SUMMARY**

This paper examines the anticipated growth in global passenger traffic, with a focus on the Asia-Pacific region. Airports Council International (ACI) forecasts that, by the end of 2024, global traffic will exceed pre-pandemic levels, driven largely by Asia-Pacific's 5.8% annual growth rate over the next two decades. This region will account for 40% of global air travel demand, necessitating substantial infrastructure investments. ACI also projected that a total of USD 2.4 trillion in airport investment is required globally, with USD 1.3 trillion needed in Asia-Pacific, including significant funding for greenfield airport construction. This paper underscores the importance of economic sustainability and financial resilience for airports to manage fixed operating costs, diversify revenues, and secure funding for future development. The Conference is invited to recognise the critical needs for infrastructure modernisation and sustainable financial strategies to support this growth.

## 1. INTRODUCTION

- 1.1 Airports Council International (ACI) predicted that global passenger traffic in 2024 would surpass the 2019 level for the first time since COVID-19, reaching 9.7 billion passengers, around 6% higher than the 2019 level. The Asia-Pacific region is expected to attain 3.5 billion passengers or 3% higher than that of 2019 level.
- 1.2 Setting sight on the future growth, markets in Asia-Pacific will drive the global growth of the industry in the upcoming two decades. Passenger traffic in Asia-Pacific is forecast to grow at a pace of 5.8% per year, compared to the global average of 4.3%.
- 1.3 Six out of the top ten markets that will contribute to the global air travel demand in the next two decades are located in Asia-Pacific, accounting for about 40%.
- 1.4 As for air cargo, Asia-Pacific is predicted to grow at 3.9% per year, higher than the global average of 3.3% in the next two decades.
- 1.5 As the demand for air travel and air logistics in Asia-Pacific will grow at such exponential rates, it signals the need for long-term investments and infrastructural developments with sufficient and sustainable funding to capitalise this future growth.

## 2. DISCUSSION

### 2.1 Airport investment needs:

- a) As airports in Asia-Pacific strive to meet surging passenger demand, airport infrastructure isn't always keeping up. There is an urgent need for expansion and modernisation projects to accommodate the growing number of travelers and to prevent congestion and delays. To address capacity issues, there needs to be substantial investments in airport infrastructure and in new technologies to improve efficiency, and to enhance passenger and cargo facilitation. Based on the current projection in the next two decades, it is estimated that approximately USD 2.4 trillion in airport total capital investments will be needed to address the long-term trend in passenger demand on a global level. Asia-Pacific is accounted for USD 1.3 trillion, or 54%.
- b) Among the required investments of USD 1.3 trillion in Asia-Pacific, an estimated USD 579 billion investment (44%) in greenfield airport construction will be needed to support the capacity needs of passenger growth across the region. Greenfield airports refer to the development of entirely new airports constructed at a new site. Investments in greenfield airports are particularly necessary, especially in cases where the current infrastructure is unable to handle the increasing traffic volumes due to capacity constraints.

### 2.2 Economic sustainability and financial resilience to fund future development:

- a) Generally, airport operators generate revenue from primarily two channels: aeronautical and non- aeronautical. While aeronautical revenues arise from the provision of infrastructure and services essential for the operation of air transport, and typically include passenger and landing charges, non-aeronautical revenues are associated with ancillary commercial activities such as retail concessions, real estate, food and beverage services, and car parking.
- b) As for costs, like many asset-intensive businesses, the airport cost structure is characterised by predominantly high fixed costs in the operation and maintenance of major infrastructure components, such as runways and terminal buildings. It is because associated operating costs, including those related to safety and security, vary little regardless of the scale of traffic. According to ACI data, before the COVID-19 pandemic, airports' average operating costs in Asia-Pacific accounted for 71%, while capital costs accounted for 29%.
- c) The COVID-19 pandemic has undoubtedly damaged the financial health of the aviation industry. Airport operators did not have sufficient traffic to drive down per traffic unit costs

and achieve economies of scale, nor to generate significant revenues to cover the basic costs and to service debts. As such, it led to significant challenges in modernising existing infrastructure and building new infrastructure to accommodate future demand, while also impeding efforts to achieve a sustainable transformation in the sector to meet evolving environmental and regulatory standards.

- d) Airport infrastructure development projects often involve long term investments and project duration, which, during the period may encounter multiple business cycles and economic shocks that could lead to severe industry downturns. As such, lower demand for air travel means fewer flights and passengers to generate revenues to cover airports operating and capital expenses, while providing funds to finance infrastructure development projects.
- e) Additionally, large-scale infrastructure projects, such as airport expansion and construction of new airports, require significant investment, and often involve up-front “lumpy nature” of investments with long Return On Investment period to achieve breakeven. As such, airport operators have underlying financial vulnerabilities to finance infrastructure developments that would preclude independent or private investments without public assistance or grants.
- f) Hence, it is crucial for airport operators to ensure their economic sustainability and financial resilience. Many airports are actively diversifying revenue streams in order to mitigate risks and to finance the fixed costs during industry downturns, as well as to fund infrastructure development and modernisation projects in anticipation of recovery and future growth.
- g) The pathway to achieving economic sustainability and resilience for airports to finance their daily operations and fund future development requires strategic involvement from public, private, and institutional investors, along with appropriate regulatory support. As most airports are either corporatised or privatised, they are mandated to self-finance a significant portion, if not all, of their capital expenditures and operational costs. This shift away from traditional state funding models means airports now need to secure funding through diversified means.
- h) Airports, like any business entity, must demonstrate that their operations are financially viable, capable of covering costs while providing a reasonable return on investment. This principle is explicitly acknowledged ICAO Doc 9082, which has underscored the need for airports to balance cost recovery with investor returns, ensuring sustainability without compromising service quality or accessibility. However, most of the airports in the region are small and struggle to reach break-even. Despite this, they play an essential role in terms of socio-economic impact for the regions they serve.
- i) In this context, airports must rely on adequate and timely access to financial resources to meet their cash flow requirements. Cash flow management is essential for covering both ongoing operational costs and future infrastructure investments, which are critical to meeting growing passenger demand and supporting economic activities. Consequently, airports must be positioned to generate sufficient revenues, both from aeronautical activities like landing and passenger charges, and non-aeronautical activities such as retail, real estate, and car parking.
- j) The ability to balance these revenue streams is vital to ensuring that airports can continue to fulfill their strategic role as engines of economic and social development. Airports are hubs for commerce, tourism, and trade, and play a key role in regional development, job creation, and connectivity. Therefore, it is imperative that States provide a transparent policy framework that incentivises investment while allowing airports to generate the necessary revenues to remain competitive and resilient in an increasingly complex global environment.
- k) The regulatory environment must also be conducive to enabling airports to operate with enough flexibility to meet investor expectations, ensure operational efficiency, and adapt to evolving market conditions. Without this, airports may face challenges in attracting the resources necessary for expansion, modernisation, and sustainability, ultimately limiting their ability to

contribute to broader economic and social goals.

**3. ACTION BY THE CONFERENCE**

3.1 The Conference is invited to encourage States and Administrations to:

- a) Acknowledge the projected significant growth in air passenger and cargo demand across Asia-Pacific in the coming decades.
- b) Urgently address the need for modernising and expanding airport infrastructure to accommodate this increasing demand.
- c) Prioritise the financial sustainability of airport operators by ensuring continuous operations, debt servicing, and future infrastructure investments.

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