



***Aviation in Transition:
Challenges & Opportunities of Liberalization***

Session 7: The Future of Liberalization

What Liberalization Means for Airports

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I. General observations regarding the aero-political context

For ACI, a most interesting question is whether current US position as the dominant aviation power will be matched in effect by centralization in Brussels of the European negotiation process

Also, today US carriers lead the major alliances. But US carriers' role may change (bankruptcy, etc.)—especially if there is consolidation among EU carriers

In other regions, will conservative countries in Asia/Pacific—like Japan—liberalize?

Developing nations—which cannot match the aviation power of industrialized nations—which will need special protection measures for the foreseeable future

II. What will liberalization mean for airports?

A. Airports should be participants in negotiations of new air service treaties (e.g. Europe-U.S.) that result under liberalization—the airports are directly affected/their interests are synonymous with those of the communities they serve

B. Greater exposure to fluctuations in market demand/ traffic

-shifting carrier alliances (hubs, airlines will “come and go”) will have facilities (terminals) implications

-shifting industry patterns—low cost carriers may make improved use of (underutilized) airport facilities

-stimulation of demand/increased air service to communities
-airport revenues will fluctuate with changes in traffic

C. Greater financial uncertainty

-revenue planning will be more difficult/revenues no longer guaranteed /may fluctuate or fall
-investment planning will be more difficult—investing in new capacity when airline presence no longer “guaranteed” (examples are: Basel, Zurich, Brussels, Columbus (Ohio))

D. To satisfy expected and stimulated traffic growth, airports will have to expand capacity (liberalization brings growth in number of carriers/routes/pax). But, there will be two significant constraints:

-Environmental & political: aircraft noise responsible for greatest community opposition to airport expansion (air quality factors catching up). The economic benefits are no guarantee for political and environmental acceptance of airport expansion—especially by well-off populations. *So, the inability to significantly expand airports could be a dilemma/constrain accompanying liberalization. Aviation community needs to be very proactive*
-Financial: present government restrictions in many nations do not allow airports to use their funds as they see fit. Many of the world’s airports still depend on government funding for their capacity expansion

E. Greater flexibility and freedom would help airports to fulfill their role under liberalization. (Most airports are effectively regulated by trade & competition laws, by contractual agreements with airlines, and by effective general pressure from large and well-organized airlines. *In future, these forces must be restrained to the bare minimum needed to protect against any abuse of pax and airlines.*)

-capacity and slot management: airport operators have the right to define/declare capacities of their facilities. They should have an important part in the slot establishment process and in overseeing efficient allocation of slots to airlines.

-financial mgt: ICAO’s ANSConf 2000 supported giving airports more financial flexibility—which will be absolutely essential. Revenue diversification (commercial)/

capex prefinancing/use of economic principles in airport pricing (without “over recovery”)
-autonomy and privatization: flexibility to adopt ownership and management. structures that will allow for highest levels of service and access to capital markets

F. ICAO’s Role

-more stringent noise & emission standards to help alleviate (mentioned) environmental constraints
-implementation of airport-related recommendations of ICAO ANSConf 2000 in ICAO policy & guidance
-help achieve recognition that airports do compete with one another/are not so-called “natural monopolies” that need to be regulated more than other enterprises