

# Challenges and opportunities for airport infrastructure

Angela Gittens,  
Kuala Lumpur, October 14, 2008





## Airports and airlines agree

"Infrastructure investments in India are urgently needed...We must use the breathing space of the current downturn to plan for capacity in the 100 million passenger range for Mumbai, like airports in Delhi, Seoul, Hong Kong, Dubai and other important cities."

*(Giovanni Bisignani, IATA, 24 September 2008)*





## Asia Pacific 2007 performance

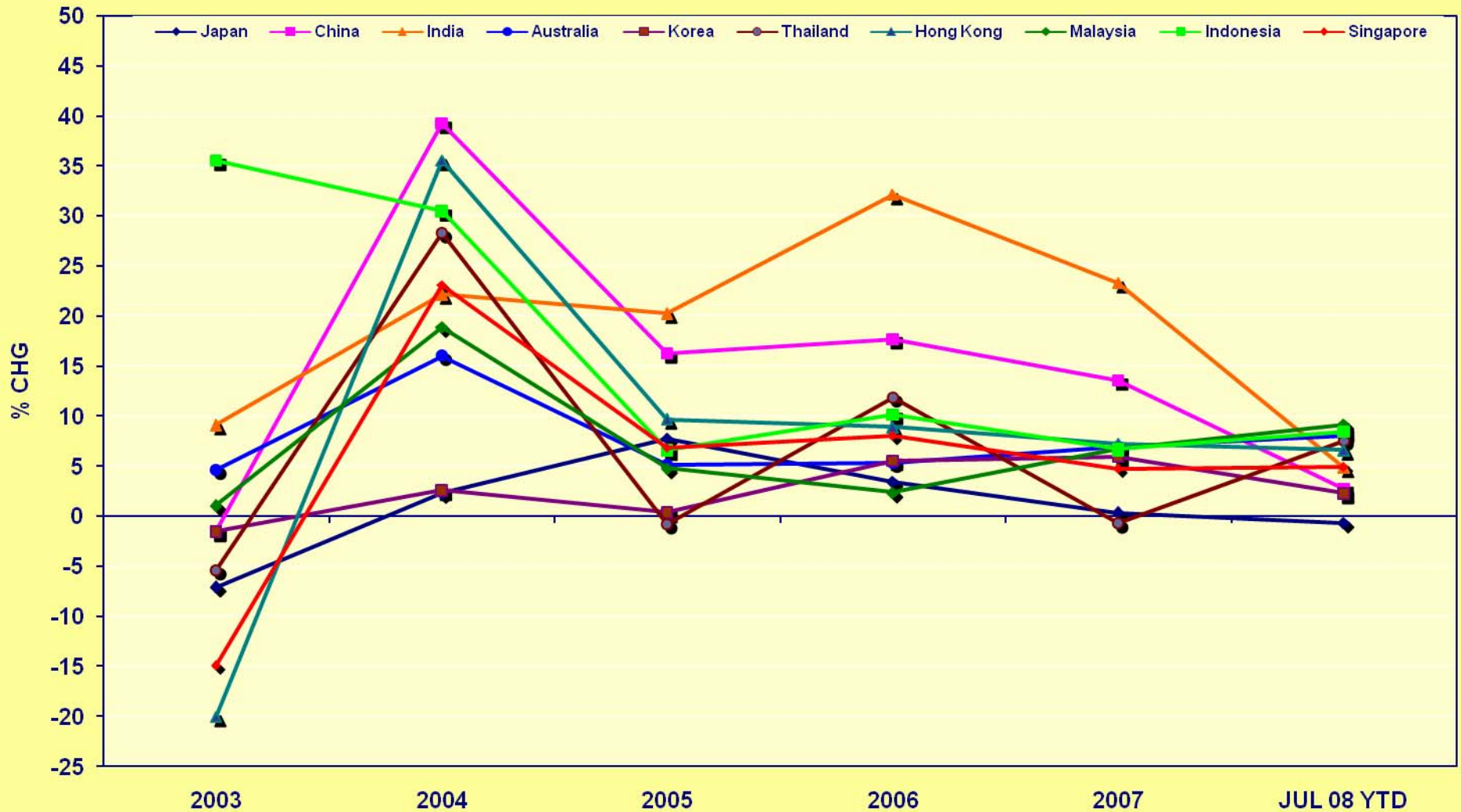
- 1.2 billion passengers (+9%)
- 25% of traffic worldwide
- Up 60% since 2003
- Double digit growth in China, India, Indonesia, Philippines and Vietnam





# Asia Pacific 2003 – 2008 annual average growth

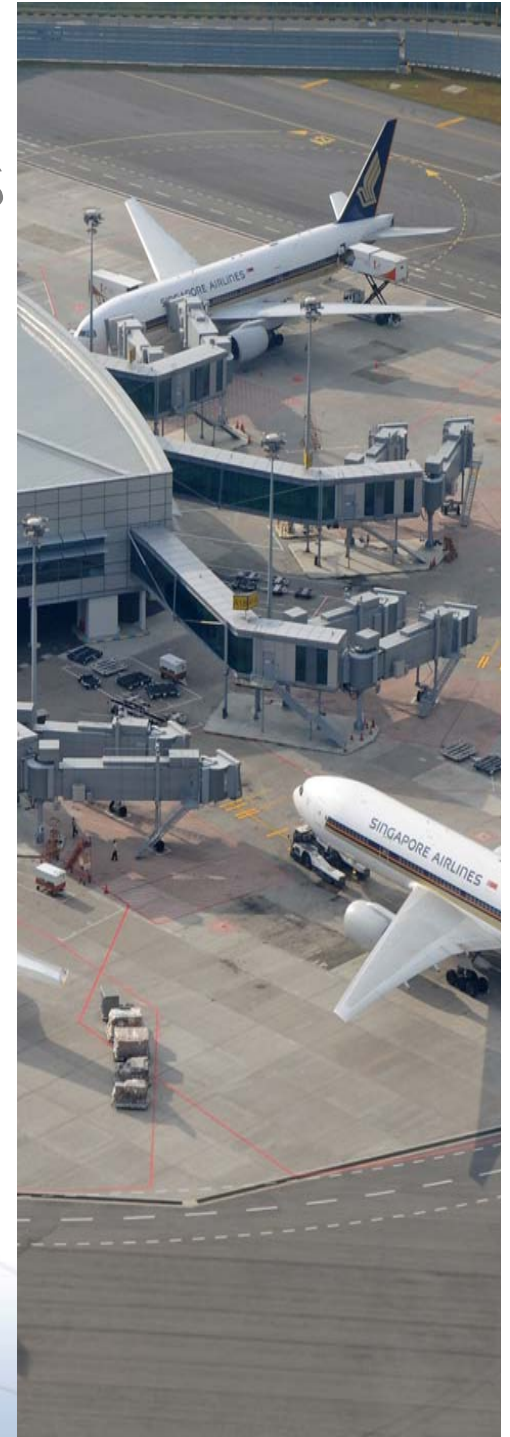
## TOTAL PASSENGERS ANNUAL & MONTHLY TRENDS





# Asia Pacific market characteristics

- Strong hub competition
- Large domestic markets
- Restrictive bilateral air service regimes





## Liberalisation ASEAN



Brunei Darussalam, Cambodia , Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam



## Liberalisation ASEAN

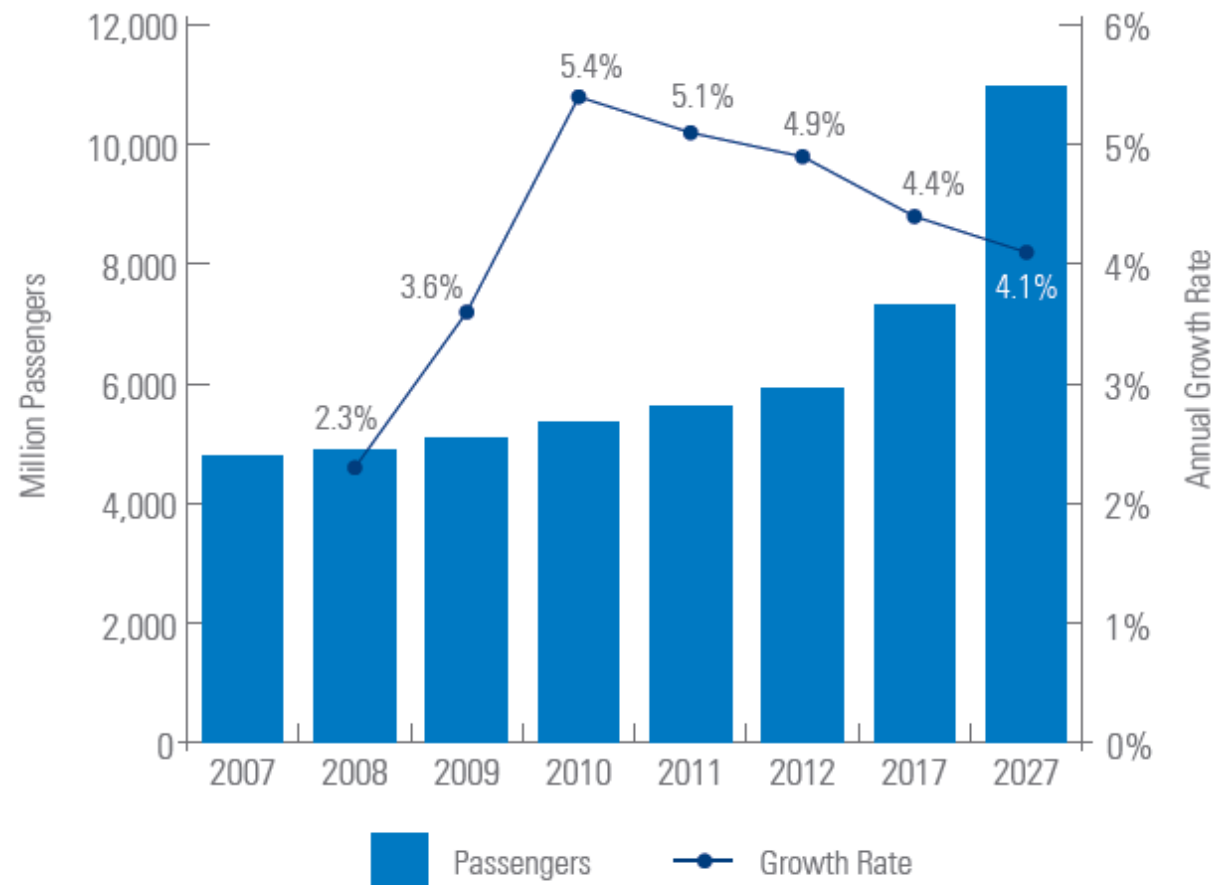
- From December 2008, no restrictions on traffic between ASEAN capitals
- Full country-wide liberalisation by 2015
- Removal of restrictions on 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> Freedom Rights between China and the 10 ASEAN members by 2010.





# ACI global forecast 2008 - 2027

**Global passenger traffic will reach 11 billion in 2027**



Source: DKMA

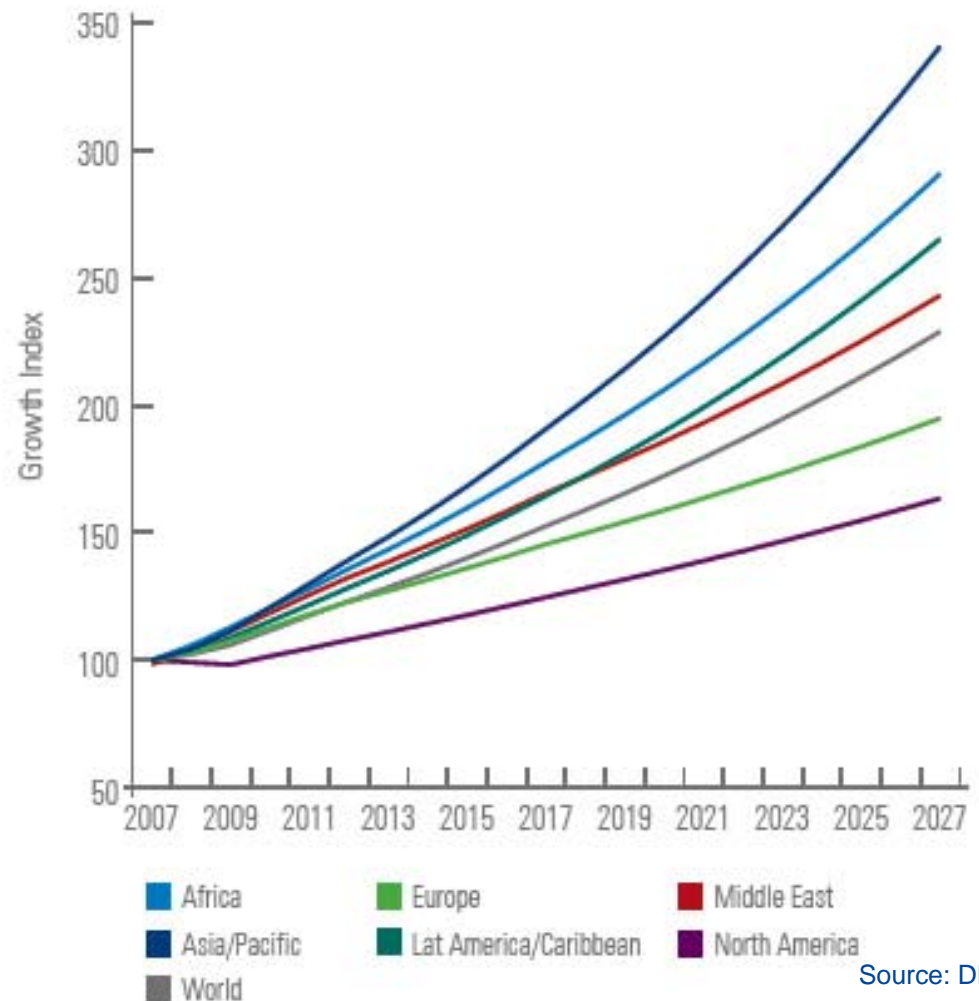




## Asia Pacific leading growth

- Traffic in the region expected to triple by 2027
- Handling more than a third of worldwide passengers
- Volume in India and China forecast to increase six-fold

Asia will be the fastest growing region in the next 25 years



Source: DKMA



## Meeting the challenge

- New terminals at almost every major hub in Asia Pacific
- More airport expansions are planned across the region
- 43 new airports in China by 2010
- Total of 244 airports in China by 2020; 13 airports will handle more than 30 million passengers
- India targets 500 operational airports by 2020



Source: People.com.cn



## Confidence to grow

- Asia Pacific region responded adequately and timely to the quick rise in air service demand
- Remarkable amount of foresight and confidence in light of the SARS crisis only five years ago
- Governments recognised that aviation is key for their economic and societal development





## New patterns in Asia Pacific

- Air service liberalisation will generate changes in traffic patterns
- Significant increase in number of non-stop intra-regional flights
- O & D traffic: an ever growing proportion of traffic at airports
- Modifying and expanding hubs in the region will not be sufficient
- Secondary airports needed to absorb large parts of the growth

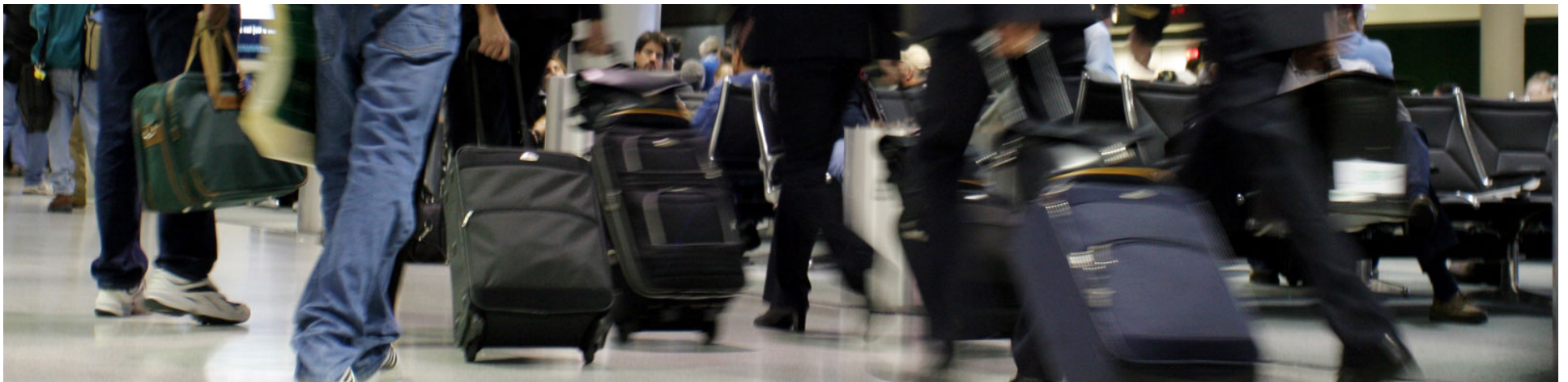




## The capacity imperative

Liberalisation without sufficient ground capacity:

- Inhibits the full development of markets
- Poses barriers to entry or expansion for airlines
- Results in limited or distorted competition ...which stifles competition and removes incentives for quality of service, innovation and new technologies





## The risk factor

- Airports worldwide have invested over 150 billion US\$ in capital infrastructure over the past 5 years
- Asia Pacific CAPEX over 6 billion US\$ in 2007 and 10 billion US\$ in 2008
- Annual CAPEX in China and India not quantified, but in the multi billion range





# Understanding airport business

- Financing airport infrastructure is the fundamental challenge of the future
- Diverse risk profile, at the heart of a business repeatedly exposed to adverse external influences
- Investors expect a premium on risk





## The airline factor

- Airlines may be forced at any time to cut routes, fly smaller aircraft, reduce frequencies or abandon an airport altogether
- In a deregulated and competitive environment, the mobility and flexibility of airline operations increases







## Managing risk

- Airport planning needs to align with the development of the local community
- Investor focus on prospective demand from passengers and businesses
- Consideration of prevailing regulatory framework





## Thinking ahead

- Substantial capital needs despite tough times
- Airports must look beyond current problems
- Airports attract investments by delivering safe, secure, efficient and environmentally responsible services
- Governments need to provide a regulatory framework conducive to competition and sustainable growth





## In essence

The full potential of aviation to contribute to social and economic development depends on our readiness to accommodate demand.

Airports are up to the challenge.



Source: Cairns Port Authority



# THANK YOU

Contact us

ACI World, Geneva

Tel: +41 22 717 8585

Fax: +41 22 717 8888

E-mail: [aci@aci.aero](mailto:aci@aci.aero)

[www.aci.aero](http://www.aci.aero)

