Slide 1: Introductory slide

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Thank you, John. Let me set the stage with the effect of the global economic decline on airport traffic.

Slide 2 - charts:

The most dramatic downturn has been in the air cargo business as you can see on this **first graph.** And the second shows the impact on passenger traffic worldwide.

But we are seeing "green shoots" from June and July results, and in Asia we saw real growth in domestic traffic last month. Like everyone else**,** we are hopeful that these are trends.

As much as we are riveted by the economic crisis, the fact is that airports will serve over 4 billion passengers this year and must continue to fill their role in the community as sustaining economic engines.

So let me briefly highlight three fundamental challenges for airports:

- First, airports have high fixed costs
- Second, airports have a long development cycle to build new capacity
- Third, airports face marketplace competition for air service and, as such, are constrained in the extent they can recover capital costs for aeronautical facilities.

(Slide: capital expenditure and investment)

1. Airports must maintain fixed infrastructure and personnel, costs that do not go away in time of economic stress. They cannot park terminals or runways in the desert, nor can they maintain just a portion of a runway or taxiway if traffic is down. It is not usually financially feasible to cancel construction once mobilized nor allow facilities to go without maintenance. Simply put, airports are capital intensive businesses, highly dependent on economies of scale.

The current global financial crisis has really highlighted the tension between the airline and the airport business arising from the fundamental differences in their respective business models. Airlines need to react ever quicker to market shifts by reducing capacity or cutting routes. Airports are exposed to these unilateral measures and have to deal with the consequences of declining revenues and profits. Fewer passengers and reduced air services from air carriers have slashed airport revenues, both aeronautical and non-aeronautical, yet do not present great opportunity for cost savings.

2. Our forecast for future growth has been delayed, not removed. That is why our **Long Development Cycle** is such a challenge. Airports need to prepare today for the market situation in 5 to 10 years since it takes at least that long to develop that capacity. They put themselves at considerable risk by making investments in downturns but will fail their community and their airlines if they don't.

(**Slide** IT technology 4 images)

3. Which brings me to the third challenge: **recovering costs**. The industry needs to identify and implement efficiencies that are meaningful for the entire system. This is different from temporary reduction in charges to airlines, which is at best a stop gap measure. We need to take cost out of the system, collaborating with airlines and other users to be more efficient while still providing quality service to our customers.

A focus for us has been the application of emerging Information Technology to gain maximum efficiency by establishing common protocols and standards. This approach enables us to share systems that drive down costs permanently.

As aviation partners our greatest challenge is to understand each other's life cycles and constraints, working together with common purpose not just to bridge short term crises but to implement long-term solutions that enable us to serve our communities and end users in the future. It is the only way forward.

END