



ASSEMBLY — 36TH SESSION

ECONOMIC COMMISSION

Agenda Item 41: Regulation of the provision of airports and air navigation services

AIRPORTS: VITAL CATALYSTS FOR ECONOMIC GROWTH

(Presented by the Airports Council International)

EXECUTIVE SUMMARY

This information paper highlights recent trends in airport economics. Steady air traffic growth and capacity issues are keeping capital expenditure for airport infrastructure expansion at a high level. Airport activities will continue to generate a substantial economic contribution to an increasingly interdependent world economy.

*Strategic
Objectives:*

*Financial
implications:*

References:

1. INTRODUCTION

1.1 This information paper presents recent data on ACI member airports from 2005 to 2007 based on surveys conducted annually by ACI, highlighting recent economic trends.

1.2 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.

2. PASSENGER AND CARGO TRAFFIC IN 2006 (BASED ON ANNUAL TRAFFIC DATA FROM 1132 AIRPORTS)

2.1 Airports worldwide counted 4.372 billion arriving and departing passengers in 2006, 4.8% up compared to 2005. This performance keeps the airport industry clearly on track for the predicted doubling of global air traffic between 2006 and 2020. The figures are also in line with the robust growth rates the industry has shown since 2004. The 2006 traffic increase is also broadly back in line with the increase in global gross domestic product (GDP) of just over 5% in 2006.

¹ English, French and Spanish version provided by ACI.

Table 1: Passenger traffic growth by region (2006 vs. 2005)

Region	Passengers 2006 (million)	% change from 2005
Africa	114	+6.6%
Middle East	111	+8.6%
Asia/ Pacific	980	+9.7%
Europe	1,367	+6.4%
Latin America/Caribbean	272	+1.6%
North America	1,529	+0.6%
Total	4,373	+4.8%

2.2 In 2006, world air cargo traffic grew by 3.6%, slightly up from 3% growth in the preceding year. A major contributor to a performance lower than world GDP and passenger growth is the high jet fuel price in 2006. The sustained high price diverted some traffic to alternative transport means (maritime, road and rail). Cost-competitive expedited surface transport alternatives hamper the growth of the air cargo business particularly in domestic markets. Additionally, cargo demand could not be satisfied due to higher passenger loads resulting in hold cargo capacity restrictions.

Table 2: Air cargo growth by region (2006 vs. 2005)

Region	Air cargo 2006 (millions of metric tonnes)	% change from 2005
Africa	1.8	+12.8%
Middle East	3.7	+9.5%
Asia/ Pacific	27.6	+5.7%
Europe	16.4	+4.0%
Latin America/Caribbean	4.3	+1.5%
North America	31.8	+1.0%
Total	86.6	+3.6%

3. PASSENGER TRAFFIC GROWTH IN 2007

3.1 ACI's PAXFLASH tracks passenger trends only 25 days after the end of the previous month from a sample of 140 airports. As indicated in Table 4, passenger traffic was up in all regions for the 12 months ending in June 2007, with an overall increase of 4.7 percent.

Table 3: ACI Pax Flash – 12 months ending June 2007

Region	% change year-on-year
Africa	+10.8 %
Middle East	+10.2 %
Asia/ Pacific	+7.0 %
Europe	+5.3 %
Latin America/Caribbean	+4.3 %
North America	+1.3 %
Total	4.7 %

4. EMPLOYMENT AT AIRPORTS

4.1 Airports are highly significant centres of employment generation. In 2005, airport operators employed some 374,000 persons directly, while a total of over 4,500,000 persons were employed at airports (at airport and off-airport sites). For every person employed directly by an airport operator, another eleven work at the airport. It also means that, on average, every thousand passengers generate about 1 job at the airport. These figures do not consider employment created in the immediate vicinity of airports, which is of course substantial.

Table 4: Employment at airports in 2005

Region	Employed directly by airport operators	Total employees on airport sites
Africa/Middle East	50,000	250,000
Asia/Pacific	100,000	950,000
Europe	156,000	1,100,000
Latin America/Caribbean	25,000	200,000
North America	43,000	2,000,000
Total	374,000	4,500,000

5. AIRPORT CAPITAL EXPENDITURE

5.1 The 2006 ACI Airport Economics Survey again highlights the continued rise in capital expenditure by airports in all regions at existing airports. This is more impressive when it is borne in mind that relatively small projects and expenditure on new airports are not covered by the survey. Airports are investing heavily on infrastructure to meet the anticipated doubling of passenger traffic over the next fifteen to twenty years.

Table 5: Capital expenditure* by region (US\$ million)

Region	2005	2006	% change
Africa/Middle East	3,500	3,600	+2.9%
Asia/Pacific	3,700	3,700	nil
Europe	12,800	13,800	+7.8%
Latin America/Caribbean	900	1,200	+33.3%
North America	15,100	16,500	+9.3%
Total	36,000	38,800	+7.8%

*excludes infrastructure projects below USD 500 million as well as expenditure on new (greenfield) airports

6. PASSENGER FORECAST

6.1 According to the ACI Global Traffic Forecast 2006-2025, by 2010 the number of global passengers is forecast to surpass the 5 billion mark and by 2025 there is expected to be in excess of 9 billion passengers globally. The annual growth rate will slow however reflecting maturing markets in many countries. Overall, over the next 20 years world passenger volumes will rise by 4.0% annually.

Table 6: Total Passenger Growth Rates by Region (annual average % growth)

Region	2005-2010	2005-2025
Africa	+7.6%	5.8%
Asia/Pacific	+7.9%	5.8%
Europe	+4.9%	3.6%
Latin America/Caribbean	+5.7%	4.5%
Middle East	+6.8%	4.6%
North America	+2.7%	2.7%
World	5.0%	4.0%

7. CONCLUSION

7.1 Looking back over the past five years, airport operators have been remarkably resilient in coping with external shocks to the industry, including terrorist attacks, health and security crises. The airport community is clearly back on its feet with a robust financial performance in 2005 and 2006. Over the past year ACI has frequently publicly addressed the notion that existing airport capacity and moderate expansion, under a realistic growth scenario, will be insufficient to meet forecast traffic demand. To avoid congestion and inefficiencies, political regulatory bureaucratic and environmental constraints to building new capacity must be removed by governments, and approvals for new capacity must be made on a fast-track basis.

7.2 Airports require sufficient rates of return enabling them to invest appropriately and over the long term, according to air traffic forecasts. Liberalisation of market access can alleviate congestion by opening up new point to point international services, but a number of key hubs in North America, Europe and Asia/Pacific remain in need of major injections of new (mostly private) capital. Only if governments and regulators recognise that capacity is an urgent issue, will airports be able to fulfil their role as efficient catalysts for economic growth and continue to be at the heart of trade, tourism and investment links that promote global prosperity.

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