AERO CLUB OF WASHINGTON

U.S. Aviation Policy: Old School Instead of New Normal

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Angela Gittens
Director General
ACI World
Issues Facing U.S. Airports

FINANCING
INVESTMENT
CAPACITY
GOVERNMENT
GLOBAL COMPETITION
INFRASTRUCTURE
PRIVATIZATION
ACI World and Regional Offices

ACI World
Montreal, Canada

ACI North America
Washington, DC

ACI Latin America-Caribbean
Quito, Ecuador

ACI Africa
Casablanca, Morocco

ACI Asia-Pacific
Hong Kong

ACI Europe
Brussels, Belgium

Global Issues and Regulatory Bodies

Regional Issues and Regulatory Bodies
What’s Up with Airports?
‘Privatization’ becoming worldwide trend

By COTTEN TIMBERLAKE
Associated Press Writer

LONDON (AP) — Led by Britain, many Western nations are quickening the pace at which they are selling off state-owned companies to the public, and investors are snapping up the stock eagerly.

The sales — spurred by the bull markets in the world’s stock exchanges and the increasingly global nature of trading — have governments billions of dollars in revenue without having to raise taxes or increase public borrowing.

They have been a bonanza for many investors, too, with share prices for most of the companies rising.

But the trend — which has been called “privatization” — is not without its critics.

The critics claim the selloffs, and attempts to get more shares in the hands of the public, do not make as much economic sense as their proponents maintain.

Some analysts also say the best candidates for privatization may already have been sold, at least in Britain, which has gone the furthest.

OTHERS PREDICT that if the bull markets falter, the markets will not be able to absorb huge sales of stock and investors will see the value of their shares fall.

Surprisingly, socialists who believe in state ownership of utilities and industries that are crucial to the state have been restrained in voicing their objections. In Britain, the Labor Party even has renamed its goal of renationalization of companies — should it win the next election — to “social ownership.”

The nationalization of companies took place in many countries throughout this century and many of those companies are still state-controlled.

Britain’s government today runs railways and steel and coal operations, among others. They are likely to go on the auction block if the Conservative government can make them profitable enough to attract investors.

“Privatization has become a powerful weapon in the government’s failure to deregulate industries at the same time it sells companies to the private sector.”

For example, British Gas remains a monopoly utility although it has become a publicly held company.

“If you believe, as I do, that most of the benefits come from competition rather than from privatization per se . . . the gains from the program are rather small,” Kay said.

Colin Mayer, a professor at City University Business School, thinks that companies would benefit if individuals held their shares for longer and might be less demanding of short-term results than institutional investors.

The number of citizens who own stock has soared from between 2 million and 3 million to between 6 million and 9 million, the government estimates. Britain’s population is 56 million.

MOST RECENTLY, British Airways PLC was sold for the equivalent of $1.35 billion.

Previously, and in the largest initial stock sale ever, the government sold British Gas PLC for the equivalent of $7.6 billion.

A British Airways Lockheed Tristar, right, taxis to a gate at London’s Heathrow Airport. The British government recently sold the airline as part of its move toward privatization and now plans to sell British Airways Authority which owns Heathrow.

Sales of state-owned companies have given governments billions in revenue without having to raise taxes...
Airports are Viable Businesses in their Own Right

Beyond aeronautical activities.
An Interrelated Industry

### Legislation
- **1970s**: Deregulation USA
- **1980s**: Deregulation & liberalisation Europe
- **1990s**: Global Open Skies
- **2000s**: ?

### Airlines
- **1970s**: Restructuring USA
- **1980s**: Privatisation Flag carriers
- **1990s**: Alliances & Hubs
- **2000s**: Low Cost

### Technology
- **1970s**: Radar / VOR / INS
- **1980s**: CRS / FMS
- **1990s**: Internet, GPS
- **2000s**: B747-400, A340, RJs, 380, 787

### Airports
- **1970s**: Public entities
- **1980s**: Privatisations
- **1990s**: Hubs
- **2000s**: Competition

### Tourism
- **1970s**: Mass tourism (Tour operators)
- **1980s**: Consolidation
- **1990s**: Specialisation
- **2000s**: Pax becomes own travel agent

### Additional Notes
- **Tourism**: Pax becomes own travel agent
Total Worldwide Passengers 2001–2012

Year-over-year growth %

-2.5% 0% 2% 4% 6% 8% 10% 12%

2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012*

Billions

2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012*

3.7 3.7 3.7 4.1 4.4 4.6 4.9 4.9 4.8 5.2 5.4 5.7

Source: ACI

* Preliminary results
Year-Over-Year Passenger Growth 2012/2011

- Africa: 6.4%
- Asia-Pacific: 7.3%
- Europe: 1.7%
- Latin America-Caribbean: 7.2%
- Middle East: 13.1%
- North America: 1.2%
- World: 3.9%

Source: ACI
Changing Distribution of Passenger Traffic

- Hartsfield-Jackson Atlanta International Airport
- Beijing Capital International Airport

Source: ACI
2012 Airport Rankings by Passengers*

* Preliminary results

Source: ACI
2012 Airport Rankings by Cargo*

* preliminary ** includes transit cargo
2012 Fastest Growing Airports* (over 10 million passengers)

- Istanbul, TR (IST)
- Osaka, JP (KIX)
- Abu Dhabi, AE (AUH)
- Riyadh, SA (RUH)
- Tokyo, JP (NRT)
- Santiago, CH (SCL)
- Doha, QA (DOH)
- Cairo, EG (CAI)
- Moscow, RU (SVO)
- Sapporo, JP (CTS)
- Jakarta, ID (CGK)
- Dubai, AE (DXB)
- Fukuoka, JP (FUK)
- Lima, PE (LIM)
- Taipei, TW (TPE)
- Incheon, KR (ICN)
- Cancun, MX (CUN)
- Mexico City, MX (MEX)
- Xi’An, CN (XIV)

* Preliminary results
## Capital Expenditure* by Region (USD millions)

<table>
<thead>
<tr>
<th>Region</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013-2016***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>2,600</td>
<td>700</td>
<td>1,600</td>
<td>8,400</td>
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<tr>
<td>Asia-Pacific**</td>
<td>4,400</td>
<td>5,300</td>
<td>5,800</td>
<td>42,000</td>
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<tr>
<td>Europe</td>
<td>9,600</td>
<td>10,200</td>
<td>13,200</td>
<td>44,600</td>
</tr>
<tr>
<td>Latin America-Caribbean</td>
<td>1,200</td>
<td>2,500</td>
<td>3,900</td>
<td>10,700</td>
</tr>
<tr>
<td>North America</td>
<td>8,200</td>
<td>10,800</td>
<td>9,800</td>
<td>29,200</td>
</tr>
<tr>
<td>Worldwide</td>
<td>26,000</td>
<td>29,500</td>
<td>34,300</td>
<td>134,900</td>
</tr>
</tbody>
</table>

* only includes upgrades or expansions of existing airport infrastructure

** data only includes two airports in mainland China

***projection over four year time horizon serves only as an estimate of expected expenditure from today’s perspective

Source: ACI 2012
Alternate Airport Governance Worldwide

- Concessions: 251
- Freehold: 152
- Management Contracts: 47

Total: 450

Source: Compiled by ACI
Selected Airports Listed on Stock Exchanges

- 2006 – Monterrey
- 2006 - Guadalajara
- 2002 - Haikou
- 2000 - Cancun
- 1996 - Xiamen
- 1998 - Shenzhen
- 1999 - Kuala Lumpur
- 1998 - Shanghai
- 2011 - Guangzhou
- 2004 - Bangkok
- 2000 - Beijing

Source: ACI
Our Global Economy
2012 Passenger vs. Aircraft Based Revenue

![Pie Chart showing 63% Passenger-Based Revenue and 37% Aircraft-Based Revenue.]

Source: ACI
Passenger Facility Charge (PFC) % of Airport Charges

Hong Kong 20%
Singapore 55%
Beijing 25%

Source: ACI User Charges Calculator
Reshaping of the World Aviation Map
North American Economic Impact of Aviation

$365 billion payroll per year

10.5 million jobs are supported by air transport

8% of GDP

7% overall employment

1.2 trillion in economic activity

Source: ACI North America
Leading, representing and serving the global airport community

www.aci.aero