

To the Airports, to Make Much of Time
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In the June 1 issue of the Daily, Greg Principato, President of ACI-NA, describes the almost \$100 billion investment needed by airports over the next five years. Indeed, investing is the proper terminology; because unlike aircraft, “brick and mortar” expenditures for airport facilities cannot be recouped by moving assets to another geographic market if conditions in the original location become unfavorable.

While demand for air travel is growing significantly, airports face many uncertainties as they plan for the future. Potential concerns include:

- Structural changes in the airline industry
- Environmental factors
- The impact of high petroleum prices on both the airline industry and the total economy

Industry Structural Changes

Airline operating paradigms occasionally change fairly suddenly. The regional jet “revolution” provides a recent example. This has impacted airports in a variety of ways, including lower landed weights (landing fees); decreased cargo throughput (due to the lack of belly capacity); and even facilities (jet bridges suitable for full-size jets may require modification, or may not be usable for the smaller aircraft).

Lurking on the horizon is the prospect of industry consolidation. From an airport perspective, there will be both winners (hubs that are strengthened) and losers (hubs that are eliminated, for example). Examine what happened at Dayton, Ohio following the USAir acquisition of Piedmont for an example of the latter.

Environmental Concerns

Airports are beholden to both direct and indirect consequences in this area. Direct, via their own production of emissions (aircraft operating on the ground and flying in the immediate vicinity of the airport, plus ground vehicles) and items such as the impact of de-icing fluids and storm water runoff on both the airports themselves and neighboring property. An airport may be a large employer and a significant factor in the local economy, but it’s not going to get a free pass from the neighbors, who are facing many of the same problems themselves

Indirectly, airports also will be impacted by factors relating to airlines. In the extreme, we’ve already seen the idea that air travel might be sinful; taxes on this potentially heinous activity can be sure to follow (reportedly, Al Gore already purchases carbon offsets when he travels to present “An Inconvenient Truth”). While this may seem

extreme, it is likely to take on increasing importance. For example, were consumers taxed on carbon usage, or forced to budget their carbon consumption, would air travel always win over other alternatives (think lights and heat, for example)?

Impact of High Petroleum Prices

Little explanation of the impact of high oil prices on the airline industry should be required, from either a supply (cost increases for fuel) or demand (higher ticket prices) perspective. Continuing high fuel costs will impact demand for air travel negatively, particularly with respect to personal and leisure traffic, which provides much of the present volume. Even business travel will be affected, especially where the purchaser's company is impacted by high fuel costs.

There also is the possibility that a greater fraction of GDP will be consumed by energy costs, leading to less consumption overall, including air travel. Few have yet considered this, but it could become a serious – and worrisome – factor for the commercial aviation industry. Again, as with environmental concerns, consumers and businesses may well have to devote a greater percentage of their resources to more “basic” needs than air travel.

Notwithstanding the above, the situation is not entirely bleak. As Greg has pointed out, an investment of nearly \$100 billion will be required in the next five years to avoid almost-certain gridlock, even before some of the factors cited above come into play more fully. What's certain is that airports need to engage in effective strategic planning that takes these, and factors not yet foreseen, into account as they prepare for what could be a turbulent future.