COMMITTEE ON INNOVATION, COMPETITIVENESS AND PPP’s

AIRPORT PPP STANDARD

Thomas Frankl
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2011 European Commission
Transport White Paper

“It is difficult to conceive of vigorous economic growth which can create jobs and growth without an efficient transport system” (...)
Airport Capacity

- Nearly two million flights/a un-accommodated by 2035 (at least 120 M PAX unable to make their planned trips)
- By 2035, more than 20 airports running at or close to capacity (just three in 2012) - at the same time, overcapacity at many regional airports
- Impact of unmet demand on growth and jobs
It’s about the Jobs...

• Every 1 million passenger supports:
  – 2950 jobs nationally
  – 2000 jobs regionally
  – 1425 jobs locally / sub-regionally

• 1000 extra passengers create 1 additional direct job

(Source: 2015 ACI study on the socio-economic impact of airports)
Total Number of Jobs created by European airports (direct, indirect and induced)

Source: ACI 2015
Operational Inefficiencies: Overstaffing

- Overstaffing and overly bureaucratic processes are common at state-owned enterprises, e.g. airports
- It reduces profitability and available funds for capacity investments
- It increases costs to airlines, reducing the potential to attract new airlines and new routes
Operational Inefficiencies: Overstaffing, cont’d

- It limits an airport’s function as a catalyst for economic development
- UN Millenium Development Goal 1.B.:
  - “Achieve full and productive employment and decent work for all (...)”
Out of the Blue: Where the commercial potential is (and the new jobs)
Where the New Jobs are

- Airline-related revenue: 31%
- Pax-related revenue: 12%
- Ground handling revenue: 19%
- Retail concessions: 7%
- Property income/rent: 6%
- Non-operating revenue: 4%
- Rental car concessions: 11%
- Advertising: 6%
- Food & beverage: 6%
- Car parking: 4%
- Other non-aeronautical revenue: 1%
Why Airport PPPs?

- ‘The purpose of a business is to create a customer’ (Peter Drucker)
- Accordingly, the purpose of an airport is to ‘create a passenger’
- The private sector is best placed to ‘create passengers’ through innovation in design, operation, financing and business development
- Private parties bring operator know-how, operational efficiency, entrepreneurial drive
- PPP has emerged as the most effective way to establish an efficient airport system
Why Airport PPP Standards?

• High risk of failure due to the complexity of planning and implementing airport PPPs
• PPP consultants (while needed) are *a priori* not interested in knowledge transfer and capacity-building
• Document best (and worst...) practices re: choice of procurement method, tender procedures, training, communications, etc.
• Learn from the experience of successful PPP programmes, public and private sector practitioners
• **PPP Airport Standard will establish best practice in the conception, development and implementation of PPP programmes**
Thank You for Your attention

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