

The relationship between private and public investment – the airports approach

Paris, Feb. 9, 2012





ACI – Airports Council International

- ➔ ACI advances the collective interests of the world's airports and promotes professional excellence in airport management and operations.
- ➔ 580 members operating 1,650 airports in 179 countries
- ➔ Traffic (2010)
 - ➔ 5 billion passengers
 - ➔ 91 million metric tons of air freight
 - ➔ 74 million aircraft movements
- ➔ 98% of the world's commercial traffic



Airports - Economic Characteristics

- **Highly diverse value chain**
- **Differentiated customers**
- **Monopoly characteristics**
- **Fixed operating costs and variable revenues**
- **Sizeable and lumpy capital investments (... and ongoing)**
- **Importance of non-aeronautical revenues**
- **Operating margins**
- **Highly resilient**



Why invest in airports

- **Defensive qualities and growth potential**
- **Civil aviation worldwide growing faster than GDP**
- **Low volatility and quick recovery from shocks: Traffic and revenue yield resilient**
- **High quality investments**
 - Cash generative: strong operating cash-flows (EBIT growth can double revenue growth) – non-aeronautical revenues
 - Opex practically fixed
 - Growth businesses, particularly in non-aeronautical business
- **Low risk profile and a stable market**
 - Very high barriers to entry



Privatisation trends

- **Initiated in 1987 – listing of BAA**
- **Preferred method: long-term concession**
 - BOT
 - Outright sale (i.e., Freehold)
 - IPO
- **Still relatively few airports with private equity**
- **Trend towards PPP – particularly in emerging countries**
- **Urgent need for airports in: China, India, Indonesia...**
 - China needs USD96 bn investments just to keep up with demand

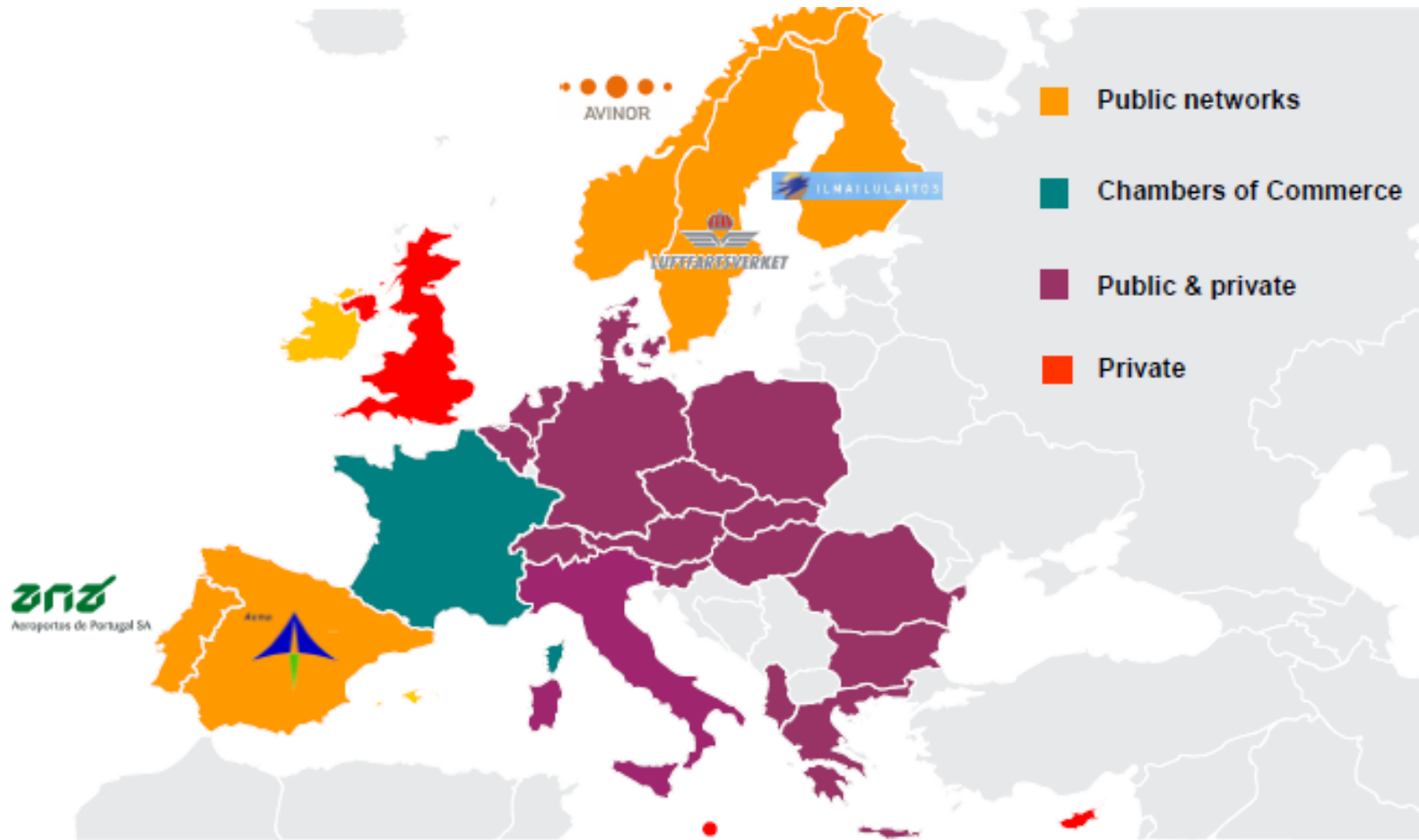


The World Airport Privatisation Map





European Ownership Models





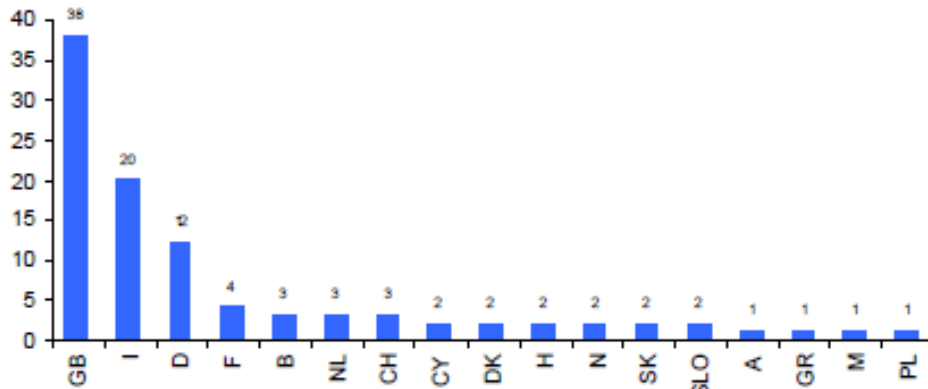
European Ownership Models

	PUBLIC				PRIVATE	
	Country	Region	Town	Other	Listed	Private
French Region.	X			X		
AdP	X				X	
Amsterdam	76%		24%			
Manchester			100%			
Munich	26%	51%	23%			
Milan		14.6%	84.6%	0.8%		
Vienna		20%	20%	10%	50%	
Torino		13%	38%	4.7%		44.3%
Newcastle			51%			49%
BAA					100%	
Bristol						100%

The World Airport Privatisation Map

- 785 IATA coded airports in Europe (incl. Russia & Turkey) of which 635 IATA are in EU+EFTA
- 98 (15%) of the airports in the EU+EFTA have private equity participation
- 40 of the 135 airports (30%) with more than 1M pax in 2005 in EU+EFTA had some form of private equity

Airports with private equity by country

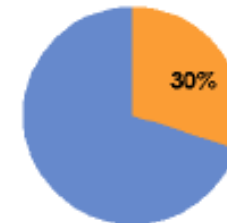


Private equity in EU+EFTA Airports

Total EU+EFTA Airports



> 1M pax Airports



 Airports with private equity

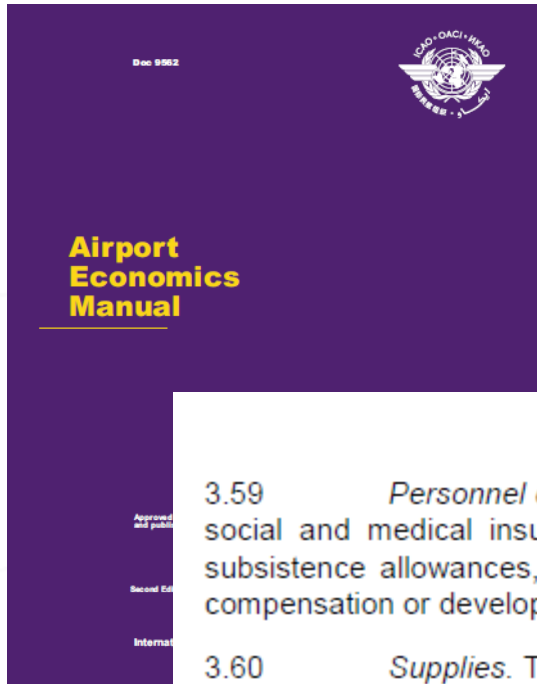


Issues Measuring Airport Investments

- **Highly diverse activities**
 - Aeronautical
 - Non-Aeronautical
- **Public Vs. Private**
 - Privatisation has brought transparency to the industry
- **Economic regulation**
 - Difficulty in establishing RAB
- **Different standards**
- **Little guidance from ICAO**



Issues Measuring Airport Investments



Operation and maintenance

3.59 *Personnel costs.* This would include direct remuneration to personnel, as well as expenses for social and medical insurance, pensions, remuneration in kind (e.g. board and accommodation), travel subsistence allowances, employee training and other such costs that may be associated with employee compensation or development.

3.60 *Supplies.* This would include the cost of spare parts and consumable materials that the airport actually incorporates or expends in providing facilities or services without the assistance of agencies or enterprises outside the airport entity (see *Services — contracted*). Such costs should include the operation and maintenance of fixed assets (e.g. vehicles, machinery, furniture and fixtures) ~~provided such items are not also listed as depreciable assets.~~ Also included is the cost of services and supplies, such as heating, air conditioning, lighting, water, cleaning, laundry, sanitation, stationery and postage.

3.61 *Services — contracted.* This includes payments made to others for the provision of airport facilities and services.



Maintenance & Capex

- **Maintenance expense (2010): USD4.5bn**
 - 8% of Opex
- **CAPEX (2010): USD26bn**
 - 30% lower than predicted
 - Excludes Middle East and China
- **USD134bn planned for 2013-2016**

Operating cost structure

Costs	Percentage of total operating expenses
Personnel	36.0%
Contracted services	19.0%
Communications, Energy and Waste	8.0%
Maintenance	8.0%
Materials, Equipment, Supplies	6.0%
General Administration	6.0%
Lease, Rent, Concession Fees	6.0%
Insurance, Claims, Settlements	2.0%
Other	9.0%

Capital Expenditure* by region (CAPEX - USD millions)

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

* 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



KPIs for the Airport Industry

Core	Safety and Security	Service Quality	Productivity/Cost Effectiveness	Financial/Commercial	Environmental
<ol style="list-style-type: none"> 1. Passengers 2. Origin and Destination Passengers 3. Aircraft Movements 4. Freight or Mail Loaded/Unloaded 5. Destinations—Nonstop 	<ol style="list-style-type: none"> 1. Runway Accidents 2. Runway Incursions 3. Bird Strikes 4. Public Injuries 5. Occupational Injuries 6. Lost Work Time from Employee Accidents and Injuries 	<ol style="list-style-type: none"> 1. Practical Hourly Capacity 2. Gate Departure Delay 3. Taxi Departure Delay 4. Customer Satisfaction 5. Baggage Delivery Time 6. Security Clearing Time 7. Border Control Clearing Time 8. Check-in to Gate Time 	<ol style="list-style-type: none"> 1. Passengers per Employee 2. Aircraft Movements per Employee 3. Aircraft Movements per Gate 4. Total Cost per Passenger 5. Total Cost per Movement 6. Total Cost per WLU 7. Operating Cost per Passenger 8. Operating Cost per Movement 9. Operating Cost per WLU 	<ol style="list-style-type: none"> 1. Aeronautical Revenue per Passenger 2. Aeronautical Revenue per Movement 3. Non-Aeronautical Operating Revenue as Percent of Total Operating Revenue 4. Non-Aeronautical Operating Revenue per Passenger 5. Debt Service as Percentage of Operating Revenue 6. Long-Term Debt per Passenger 7. Debt to EBITDA Ratio 8. EBITDA per Passenger 	<ol style="list-style-type: none"> 1. Carbon Footprint 2. Waste Recycling 3. Waste Reduction Percentage 4. Renewable Energy Purchased by the Airport (Percent) 5. Utilities/Energy Usage per Square Meter of Terminal 6. Water Consumption per Passenger



THANK YOU

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