

-- DRAFT --

MINUTES OF
2nd ACI Asia-Pacific Economics Committee Meeting
2 December 2015
Time: 09:00 to 16:30
Conference Room, GMR Project Office, New Delhi, India

PARTICIPANTS

Members (11)

Jeffrey Loke (JL, the Chair)	Changi, Committee Chair
Madhukar Dodrajka (MD)	GMR Airports Ltd., Committee Vice-Chair
Kuntheavy Chin (KC)	Cambodia Airports
Katsuhiro Yamaguchi (KY)	Kansai
Kenichi One (KO)	Narita
Muhammad Fariz-Qisti M. Takwir (FT)	Malaysia Airports
Sujata Suri (SS)	Hamad
Lionel Kapus (LK)	Port Moresby
Tae Sung Kim (TK)	Incheon (Note: attended on behalf of Sang Yong Lee)
Wen-Kuang Wang (WW)	Taipei
Atorn Spuntupongse (AS)	Airports of Thailand

Guests & Observers (4)

Takanori Isaka (TI)	Kansai
Han-Yu Chen (HC)	Taipei
Sumana Atigosol (SA)	Airports of Thailand
Sidharath Kapur (SK)	GMR Airports Ltd. (Welcome Remarks)

ACI Staff (2)

Suzanne Tong (ST)	ACI Asia-Pacific, Committee Secretary
Iliia Lioutov (IL)	ACI World (Note: Attended on behalf of Steve Van Beek)

ABSENT WITH APOLOGIES

Neil Cowen	Queensland Airports
Xing Wang	Beijing Capital International Airport
Wu Keqiang	Shanghai Airport Authority
Mohammad Reza Abdorrahimi	Iran Airports Company
Sun-hwa Oh	Korea Airports Corporation

Item 1 Opening of the Meeting & Introduction

1. The Chair noted a quorum has been reached and called the meeting to order at 0900 on 2 December 2015. The Chair welcomed all members to the 2nd ACI Asia-Pacific Regional Economics Committee and thanked the host GMR Airports Limited for all the assistance that have been provided throughout the preparation process.
2. The Committee reviewed and approved the meeting agenda.

Item 2 Welcome Remarks & Presentation from GMR Delhi

3. MD welcomed the committee to New Delhi. He gave a presentation on GMR Airports, Delhi International Airport Ltd, and the challenges of economic regulations in India. (Note: About midway into the presentation, SK visited the Committee meeting, gave welcome remarks and joined the discussions of Committee members on economic regulation issues).
4. Highlights of discussions/ interactions throughout the course of the presentation:
 - a. The need for consistency in government policy on privatization; and that the terms in the concession agreements needs to honored. The absence of these will create regulatory uncertainty deterring future private investments into India.
 - b. The situation is tricky in India as the independent regulator (Airports Economic Regulatory Authority, AERA) was constituted after a number of privatization agreements were signed.
 - c. In many jurisdictions, the government ministry adopts a pro-consumer approach, hence the difficulty for privatized airports to raise airport charges to recuperate a reasonable return on investments.
 - d. The Till debate – can privatization be done in a Single Till model? (Are there case study elsewhere that can provide insights to this?)
 - e. In Asia – governments are not experienced in privatization and may be hesitant and feel insecure about letting go of national assets. On the other hand, many treated privatization of airports as government’s “cash cow” with hefty revenue sharing arrangements (e.g. Santiago 76%, Jordan 54%). Overall, the trend is for governments to increase privatization of airports (in different variations): Vietnam, Nepal, Indonesia etc. (SK and MD shared the difficulty in the Maldives experience).
 - f. One possible project for this committee would be to consider preparing an ACI paper on “Privatization and Regulation” to study the experience in various countries, and draw insights and best practices advice for governments (e.g. ACI’s position on privatization).
 - g. Economic impact studies are helpful tool – for airports to demonstrate its contribution to the economy before governments.
 - h. In many cases, privatization is perceived negatively by the public (i.e. selling off national assets). In reality many privatization transactions has clauses (e.g. performance improvement) that allow government to take back the assets.

Item 3 Approval of Minutes, Terms of Reference and Work Plan

5. The Committee reviewed the draft Minutes. With no further comments, members approved and accepted the Minutes.
6. Members reviewed the draft Work Plan in light of the Committee Terms of Reference (ToR) approved by the ACI Asia-Pacific Regional Board in September 2015. The new section “Scope of Work” added by the Board will guide the Committee in reviewing and refining our proposed work projects.
7. Highlights of committee discussions:
 - a. **Project Category – Economic Value of Airports**
 - i. Relevant ToR clause #2.2: “To share experience and provide guidance to the study of economic impact of the airports”
 - ii. Committee members who have experience in preparing economic impact reports (e.g. Delhi, Hyderabad, Beijing, Taipei).
 - iii. Committee members currently developing/ will soon develop economic impact reports (e.g. Cambodia Airports, Malaysia Airports, Doha, Port Moresby)

- iv. Members agreed that economic impact reports are useful to help airports advocate a specific message before governments (e.g. defend the need to invest in infrastructure; educate the government on the value of airports; in preparation for the establishment of a new regulator)
- v. The Committee agreed that it may be useful to first collect the various economic impact reports currently/ soon be available from ACI members in the region, starting with the Economics Committee members. Upon reviewing methodology and approach that was adopted thus far, the committee will then be able to sketch out the next step for this project area.

b. Project Category - Airport Charges

- i. Relevant ToR clause #2.3: “To analyze and review the implications of airport competition on pricing policy and strategy”
- ii. Members noted projects in relation to Airport Charges will fall under the scope of this ToR clause. There are already some possible project ideas in the current draft work plan outline that can be incorporated under this project category. Such as:
 - Review of definition of charges and related airport taxes, identify inconsistency in definitions. (JL noted that the World Economics Committee currently conducts a high level survey among members regarding the definition/ treatment of ground handling charges – see Item 6 below)
 - Review current airline argument against airport charges, and identify areas where airport position is lacking/ or not communicating as effectively. Identify areas of different airport pricing policy (e.g. passenger charges, airline charges, domestic vs international charges. Collection of airport development fees (timing of the charge before or after?)

c. Best Practice Sharing -- policy developments/best practices/ Airports of the Future discussions

- i. Monitoring policy developments in the region -- (Relevant ToR clause #2.4: “To share experience concerning the impact and evolution upon business practices of the legislation and regulation governing airports)
- ii. ST encourage members to proactively inform the ACI and fellow committee members if there are significant policy development in the respective country that may have impact on airports.
- iii. The Committee agreed that increasing awareness of members’ economic issues and challenges is the first step for the committee “to serve as ‘think-tank’ to the ACI Asia-Pacific Board on economic issues and priorities (Relevant ToR clause #2.1).
 - For instance: policy such as Tobacco display ban in Australia may negatively impact airport commercial revenue in the future.
 - Policy issues such as smart security policy may increase airport operation costs
 - JL suggested that we may invite relevant speakers (e.g. WBP or other industry associations) in future meetings on some of these policy areas.

Item 4 Prioritization of Work Plan projects

- 8. The Committee re-visited the Airport Charges project to further develop potential action plan/ project deliverables:
 - a. Economic data collection: review the current ACI World Economic Survey to provide input/ suggestions for improvement. (JL noted that the Leigh Fisher Data bank is a helpful source of

reference. Given Leigh Fisher is a WBP member of the ACI World Economics Committee, we may be able to sought his thoughts/ suggestions)

- b. Survey: stock-take of airport charges and the definition of charges (e.g. aeronautical vs non-aeronautical revenue).
 - To start with members of this Committee in the first phase, once we start increasing awareness of this exercise within the region, we will expand to include all members in the region.
 - MD noted that this project could also look at best practices in airport charges (e.g. tariff design/ rate structure evolution against financial outcome)
9. For the Economic Impact Project, as a number of airports are currently in the process of developing an economic impact report, at this point the Committee will only engage in information gathering/ high level review and compilation of existing reports. ST will coordination the collection of the reports. The Committee will then review the progress of this project at the next meeting.
10. The Chair summarized the Work Plan focus as decided by the Committee: Two working group will be established --- “Airport Charges” and “Privatization & Regulation”. Call for volunteers to join these working group members will take place in the afternoon.

Item 5 Future Committee Meetings

11. For better planning of Committee meetings in the future, members discussed and decided on the following:
 - a. The Committee will meet annually in conjunction with the ACI Asia-Pacific Regional Assembly where the ACI Asia-Pacific Board meeting takes place. (Note: 3 members of our committee is regularly required to attend the Board meeting)
 - b. Frequency of meeting: the Committee expects to meet twice a year
 - c. The Committee discussed and accepted ACI World Economics Committee’s invitation to organize a joint meeting in the Asia-Pacific region in 2017
12. With committee members volunteering to host, the following meeting schedule was set:

April 2016	Gold Coast, Australia (with ACI APAC Regional Assembly)
October 2016	Siem Reap, Cambodia (in conjunction with the Small and Emerging Airport Seminar)
Spring 2017	Doha, Qatar (with ACI APAC General Assembly)
Fall 2017	Singapore (joint meeting with ACI World Economics Committee)
Spring 2018	Tokyo, Japan (with ACI APAC General Assembly)
Fall 2018	[tentative] Taipei, Taiwan

Item 6 Update: ACI World Economics Committee (WEC)

13. IL, with support from ST, gave a presentation on ACI World’s Economic and Statistics update that was presented at the last WEC meeting at Salt Lake City, US.
14. Members were briefed specifically on a number of ICAO related initiatives.

- a. **ICAO Aviation Data & Analysis Panel** – exploring the possibility for ACI to utilize the ICAO Airport Traffic data portal to disseminate ACI Airport data.
 - b. **ICAO Doc 7100 application (user charges)** – exploring the feasibility of a common/ credible electronic ICAO charges database with input from ACI.
 - Risks and challenges: data in Doc 7100 (submitted by States) is not current; different definition of charges; hence the risk of having an ACI “stamp” on ICAO data
 - ICAO going ahead with this project with or without ACI’s involvement. Hence it is important that ACI remains engaged to monitor the progress of this project.
 - c. **ICAO Airport Economics Panel – Working Group – Revision to Doc 9562 (Airport Economics Manuel)**
 - Some conflicting views with IATA re: definition of aeronautical vs non-aeronautical revenues. (Note: ACI World is currently doing a high level survey among members of the WEC on the definition and treatment of ground handling charges)
 - d. ICAO Airport Transport Regulation Panel – **Proliferation of taxation** (Note: collaboration with IATA on certain areas of common interest)
 - Members discussed the charges/ taxation related issues in the region. And noted that the ACI should increase awareness of its positions on taxation before Governments.
 - The new Airport Charges Working Group should note the development of this project.
 - e. ACI World will call on members’ input as these initiatives move forward. The Committee will work with WEC to coordinate regional engagement and feedback.
15. Members were invited to join the **Airport Traffic Think Tank (AT3)**, a subcommittee under the WEC. Members of AT3 are airport traffic statisticians and its current projects include reviewing and providing guidance on forecasting methodology. This group meet once a year in June.
 16. ST gave a presentation on **APEX in Airport Business** (“APEX in Business”), with LK sharing experience as a participant of the first APEX in Business **pilot Peer Review** recently conducted in Port Moresby, Papua New Guinea (PNG) in September 2015. The PNG learnings and experience were shared and discussed, and ST encouraged committee to sign up as mentors to the program/ volunteer small airports (<3M annual passengers) to participate in the program.
 17. Highlights of Members’ comments and suggestions of the APEX in Business program:
 - Members discussed the ways to deliver “One-to-One Mentoring” services (e.g. phone call, face to face, how to define success of the program)
 - To save travel costs for small/host airports that request the assistance, MD suggested that small/host airports could consider visiting the mentor airport instead of flying groups of experts to the small/ host airport (e.g. Experience - Nepal airports representatives visit India airports)
 - ST updated the group that at the WEC working group for APEX in Business is developing methodology to evaluate the success of the program.
 18. The Chair and ST briefed the Committee on the current working draft agenda of the **ACI 8th Annual Airport Economics & Finance Conference in March 2016 in London, UK**. Members were invited to participate or speak at the E&F Conference. KY (New Kansai) and MD (GMR Airports) expressed interests in speaking at the event.

Item 7 Roundtable – Airport updates & discussions

19. All members took turn to give a brief update of the current issues/ challenges at their respective airports. Highlights as follows:
- TK: Incheon - Minimizing congestion: night time utilization/ space utilization
 - KO: Narita - growth of Low Cost Carriers (LCC), boost in Chinese tourists, new Terminal 3
 - KY: New Kansai & Itami – Privatization (Orix & Vinci consortium, 44 years concession); other privatizations transactions in Japan will follow (e.g. Sendai)
 - LK: Port Moresby - airport expansion project to prepare for 2018 APEC leaders meeting; difficulty in verifying airline under-reporting passenger traffic data.
 - Committee members gave some suggestions on how to verify passenger data (e.g. requiring airlines to provide data audited by 3rd party, data from Air Traffic Control)
 - Establishing systems of checks and impose financial penalties to airlines (especially effective when the Airport has to collect taxes on behalf of the Government)
 - FT: Malaysia Airports (MAHB) – 2014 results impacted by the tragic incidents, but is recovering.
 - Government will establish a new regulator in Malaysia – The Aviation Commission
 - MAHB is developing an Economic Impact Study to counter LCC arguments and anticipated pressures from government/ regulator
 - WW & HC: Taipei – airport MRT link (March 2016 with downtown check-in), smart terminal project 2021
 - SS: Doha – Airport extension, evaluating funding options, smart security project, ISO 55000 certification
 - AS: Airports of Thailand – growth of LCC and their demands of lower airport charges
 - Member discussed the common challenges in dealing with the demands of LCC. (E.g. What is LCC? The line between Full Service Carriers and LCC are blurring)
 - Discussions: LCC should be subject to the same charge – occupy the same aircraft space, runway, gates etc. vs “LCC Terminal”- that only provides “bare minimum” facilities (e.g. no airbridge, no elevator) – hence, a differentiated product? (Note: consumer satisfaction may be jeopardize – perception of an “inferior” airport product)
 - Note Changi’s experience of turning LCC Terminal into full service terminal T4, as passenger not in favour of LCCT and resulted in low ASQ scores.
 - KC: Cambodia Airports – health growth with increasing capacity, subject to revenue review (no expected to increase in regulated revenue)
 - JL: Changi – T4 and Project Jewel, beyond T4 may need a 3rd runway. Evaluating funding options including Airport Development Fee & Economic Impact of airport.

Item 8 Work Plan Project: Discussions and Forming Working Groups

Project Area 1: Airport Charges

20. JL led members in further deliberations of the scope of the project:
- a. Different ownership models – different methodologies adopted in developing charges
 - b. Different definitions of aeronautical vs non-aeronautical revenue and costs (e.g. controversial in the treatment of ground handling charges & cargo handling charges)
 - c. In the case where privatization is applicable, these definition of costs matters (e.g. revenue and costs related terms in the concession agreement)
21. Members agreed that a **simple questionnaire** should be developed to collect basic information from airports on tariff structure (i.e. rate card), and the economic oversight model/ approach it

adopts to setting charges. The goal is to have a basic level of understanding of the various ownership models and approaches adopted by committee members.

22. The questionnaire should cover basic charges related information: different types of charges at their respective airports, how charges are regulated (e.g. economic regulation), whether they have differentiated pricing (domestic vs international; LCC vs Full Service), whether they collect airport development fees (duration, who is the agent of collection)
23. Roundtable discussions on charging practices in: Transfer Charge, Cost of Collection Charge (when airlines collect charges on behalf of airports), and Congestion Charge.
24. IL and ST noted that some highly aggregated information may already be collected in the current ACI World Economic Survey.
25. The following members volunteered to join the **Airport Charges Working Group** to take this initiative forward:

Airport Charges Working Group
1. Jeffrey Loke (Changi, Leader)
2. Muhammad Fariz-Qisti Mohd Tawkir (Malaysia Airports)
3. Kuntheavy Chin (Cambodia Airports)
4. Lionel Kapus (Port Moresby)
5. Katsuhiko Yamaguchi (New Kansai)
6. Wen-Kwang Wang (Taipei)
7. Artorn Spuntupongse (Airports of Thailand)
8. Suzanne Tong (ACI Asia-Pacific, Secretary)

Project Area 2: Privatization & Regulation

26. JL led members in further deliberations of the scope of the project:
 - a. List of privatized projects in the region (current status?)
 - b. Airport experience
 - c. What is the working model of privatization?
 - d. How are charges being set? (Methodology)
 - e. International cases: Brazil, Cebu, Istanbul, New Kansai, Delhi International Airport, Airports of Thailand, Munich (what can we learn from these models?)
 - f. For APAC region – we could start with these case studies: India, Japan, Cebu, Airports of Thailand, Cambodia
 - g. Government's approach to privatization
 - h. The Till decision (Single, Hybrid, Dual) in privatization
 - i. Alignment of incentives
 - j. Effective airport competition? Vs Market Power (monopolistic behavior) and Price Cap regulation
 - k. Classification of aeronautical vs non-aeronautical revenue (Economic Regulation model) and airport pricing.
27. The following members volunteered to join the **Privatization & Regulation Working Group** to take this initiative forward:

Privatization & Regulation Working Group

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| <ol style="list-style-type: none">1. Madhukar Dodrajka (GMR, Leader)2. Sujata Suri (Doha)3. Katsuhiko Yamaguchi (New Kansai)4. Wen-Kwang Wang (Taipei)5. Kuntheavy Chin (Cambodia Airports)6. Jeffrey Loke (Changi)7. Suzanne Tong (ACI Asia-Pacific, Secretary) |
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Project Area 3: Economic value of Airports

28. As discussed earlier under paragraph 7(a), the Committee will first conduct preliminary information gathering of economic impacts currently available from committee member airports. Upon reviewing the methodology and approach that was adopted in these report, the Committee will revisit this project to determine the next phase for this project area. ST will reach out to individual airport members and report back on progress.

Item 9 Committee Photo & Airport Tour

29. The meeting adjourned at 16:30. Members gathered for a group photo and then proceed for an airport tour of New Delhi Indira Gandhi International Airport.

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