Comprehensive Review of Airport Business Models
- New Business Model Proposal -

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1. Introduction

I joined Narita Airport as one of the engineering staff, responsible for designing, operation and maintenance of the airport facilities. While on secondment to Japan's Civil Aviation Bureau, I was able to watch the developments at other airports in Japan and was involved in strengthening cooperative ties with airports in the ASEAN nations.

Presently, I am engaged in the investment management and mid- to long-term management planning at Narita Airport.

Japan now stands at a turning point in her air transport policies, with the capacity expansion at Narita International Airport and the internationalization of Haneda Airport. But, at the same time, our national flag carrier, Japan Airlines, has been delisted and is now in a life-and-death struggle to rebuild itself. Ten years ago, few people would have imagined this situation.

It is not well known abroad but the airport business models in Japan are diverse and complex. Some are operated and managed by the central government, some by private entities, and others by regional municipal governments. The vast number of airports currently in operation - 98 in all - is viewed with much concern. One such problem is in the Kansai region where three airports - i.e. Kansai International (private corporation), Itami (central government) and Kobe (regional government) - all compete in close proximity. In the case of Haneda and Narita, Haneda is operated by an SPC (special purpose company) while the central government controls the basic infrastructure including runways. Meanwhile, at Narita, the entire airport including its runways is operated by a private corporation which is seeking public listing.

In the rest of the world, the trend of airport privatization has picked up speed again, except probably in the United States where privatization has not been a popular approach.

The present situation in Japan has possibly resulted from the fact that there is no clearly identified conclusion on the question of an ideal business model.

This paper aims to discuss the problems faced in Japan, PFI and other methodologies and puts forward suggestions for a new business model.

2. Airport Business Model Examples

In this section, I would like to discuss various airport business models around the world.
2.1 Airport business models in Japan

As of 1 April 2010, there are 98 airports operating in Japan. Of these, 36 are located on remote islands and were constructed as part of the public transport infrastructure. Nevertheless, the vast number of airports in comparison to the actual and forecast traffic demand is viewed with much concern. Furthermore, airports in Japan use a diverse range of business models. The table below shows the number of airports and the types of business model.

<table>
<thead>
<tr>
<th></th>
<th>Private corporations</th>
<th>Central government</th>
<th>Regional governments</th>
<th>Joint-use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key airports</td>
<td>3</td>
<td>0※</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Local/regional</td>
<td>0</td>
<td>20</td>
<td>64</td>
<td>7</td>
</tr>
<tr>
<td>airports</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Table 1: Airport Business Models in Japan (as of 1 October 2010)
※Haneda Airport International Terminal opened on October 21.

2.1.1 Private Corporations

The owners/operators of the three major international airports in this category are Narita International Airport Corporation, Kansai International Airport Co., Ltd., and Central Japan International Airport Co., Ltd. Although called private corporations, they are still under the supervision and substantial control of the central government and are not private corporations in the true sense of the word because their shares are not readily available on the market. There are also subtle differences in the management formats of the three.

(1) Narita International Airport Corporation

Narita International Airport Corporation was established in April 2004 to replace the former New Tokyo International Airport Authority. This came about as a result of a decision to privatize the airport operator as part of the Administrative Reform (2000) set out by the Japanese government in a Cabinet resolution.

The basic concept of this reform plan was that each of the three airports, Narita, Kansai and Centrair, would undergo privatization as an independent entity for the purpose of transparency in management responsibility and management efficiency. Subsequently, the Narita International Airport Corporation Law was legislated.

At present, the government holds all shares, but the company will be publicly listed as early as possible.
(2) Kansai International Airport Co., Ltd.

With the government-controlled Itami International Airport becoming physically inadequate to meet the growing traffic demand and because of the noise-related problems that are endemic to a landlocked airport, there was a general desire for a real international airport in the region and the decision was made to build Kansai International Airport.

Unlike Narita, it was decided to establish a joint stock company from the beginning with funds from the central government, regional governments and the private sector. As of March 2010, the central government (Ministry of Land, Infrastructure, Transport and Tourism and Ministry of Finance) has a 70% equity, regional governments (Osaka prefecture, etc.) 20% and the private sector 10%. (Source: Kansai International Airport Co., Ltd. Annual Security Report, Fiscal 2009.)

(3) Central Japan International Airport Co., Ltd.

The decision was made to build Central Japan International Airport to meet the vigorous demand in the region which is home to the giant Japanese automobile company, Toyota. Central Japan International Airport Co., Ltd. was established in May 1998 after the format used by Kansai International Airport Co., Ltd., with a modification to increase the ratio of private sector capital in the company. As of March 2010, the central government has a 40% equity, regional governments (Aichi prefecture, etc.) 10% and the private sector 50%. (Source: Central Japan International Airport Co., Ltd. Annual Security Report, Fiscal 2009.)

2.1.2 Airports Operated by the Central Government

Both Haneda Airport and Itami Airport are in this category. The central government has direct control over 26 airports in designated key locations throughout Japan (including the joint-use airports mentioned in Paragraph 2.1.4). However, it is usually the case that the central government does not have a total control of the entire airport but facilities such as passenger terminals are managed by other entities.

Haneda Airport's domestic terminals were constructed and are operated and maintained by a 100% private sector company, Japan Airport Terminal Co., Ltd. The international terminal, which opened on 21 October 2010, is under a private finance initiative (PFI) by Tokyo International Airport Terminal Corporation, a special purpose corporation (SPC) which constructed and operates and maintains the facilities.

Almost all of the other airports in Japan are operated by third-sector entities financed by capital from local regional governments and private enterprises.
2.1.3 Airports Operated by Regional Governments

Most of the other airports are funded and managed by regional governments but the passenger terminals are operated by the third sector.

2.1.4 Joint-Use Airports

These are airports that are jointly used by the Japanese self-defense forces (JSDF) and civil aviation. Komatsu and Hyakuri airports fall into this category.

2.2 Airport Business Models Around the World

2.2.1 Airports in Asia

(1) Mainland China

Beijing Capital Airport is operated by Beijing Capital International Airport Co., Ltd. The company was listed in 2000 following a major expansion project undertaken with Japanese ODA but the Chinese government holds the majority of shares.

Shanghai Pudong International Airport is operated by a special corporation, Shanghai Airport Authority.

(2) Korea

Incheon International Airport is operated by Incheon International Airport Corporation. At present, the government has full equity in the company but plans to release them publicly in the future.

(3) Hong Kong

Chek Lap Kok Airport is operated by Hong Kong Airport Corporation but all shares are held by Hong Kong Special Administrative Region.

(4) Singapore

Changi International Airport used to be operated by the Civil Aviation Authority of Singapore but a decision was taken to privatize it in stages commencing in 2009. The airport operations division has already been privatized.

(5) Malaysia

Kuala Lumpur International Airport is operated by multiple companies under the Malaysia Airports Holdings Berhad (MAHB), an operating holding company. The holding company operates and maintains airports in Malaysia and undertakes their non-aeronautical projects. Overseas, it is active in Astana, Kazakhstan (10 years’ involvement in activities related to terminal design, business plan formulation, recommendations for improvements); Delhi, India (participation in joint venture operating company); New Hyderabad, India (airport construction and operation in joint venture with Airports Authority of India); Siem Reap International Airport; Phnom Penh International Airport; and Sabiha Gokcen, Turkey (terminal operations,
concessions).

(6) Vietnam
Vietnam is divided into north, central and south regions and the airports in those regions are operated by the respective authorities.

2.2.2 Airports in USA and Europe

(1) USA
In the USA, the operating format varies from airport to airport but, basically, they are generally publicly owned and are closely tied to the regional authorities. There are also airport authorities such as the Metropolitan Washington Airports Authority which operates and manages Washington Dulles International Airport as well as forms of ownership in which airports are owned by multipurpose public organizations such as the Port Authority of New York & New Jersey (PANYNY) which runs JFK International Airport, among others. There is a wide variation in the passenger terminal operating entities managed by PANYNJ. (Refer Table 2)

<table>
<thead>
<tr>
<th>JFK Airport</th>
<th>Newark Airport</th>
<th>La Guardia Airport</th>
</tr>
</thead>
<tbody>
<tr>
<td>T1</td>
<td>T4</td>
<td>T5</td>
</tr>
<tr>
<td>A/L</td>
<td>Private-sector</td>
<td>A/L</td>
</tr>
<tr>
<td>• JAL</td>
<td>terminal operator</td>
<td>A/L</td>
</tr>
<tr>
<td>• KAL</td>
<td></td>
<td>• JetBlue</td>
</tr>
<tr>
<td>• AFR etc.</td>
<td></td>
<td>• AAL</td>
</tr>
</tbody>
</table>

Table 2: Passenger Terminal Operators at Port Authority Controlled Airports

Washington Dulles International Airport is administered and operated by an authority. San Francisco and Chicago O'Hare Airports are administered and operated by regional governments.

(2) Europe
Airport privatization is well in progress in Europe, with London, Frankfurt and Charles de Gaulle already listed publicly. London Heathrow Airport was widely publicized in Japan as the pioneer of airport privatization but trading in its shares was suspended when a consortium led by a Spanish construction company staged a takeover in 2006.

Generally speaking, most airports in Japan and around the world fall into the two business model patterns set out below:
3. Construction, Operation and Maintenance Examples

Most national projects such as airport construction are major undertakings in terms of funding, construction and operation. Being national projects, it is generally accepted that construction and operation would be funded by the government. However, because of limited financial resources and the need for operational efficiency, the use of private sector funding and know-how was called for and in many cases private finance initiatives (PFI) are now adopted. The following are the principle PFI methods:

(1) BOT (Build Operate Transfer)

The private sector operator procures its own funding, constructs the facilities and then operates them for a certain period until it has recovered its investment. At that point, the facilities are then handed over to the central or regional government or other public entity.

The advantage of this method is that it makes available the higher level of freedom and skills of a private enterprise.

(2) BTO (Build Transfer Operate)

The private sector operator procures its own funding, constructs the facilities and then hands ownership over to the central or regional government or other public entity and in return, retains management and operation rights for a certain period.

The advantage of this method is taxation benefits because ownership is held by a public entity.

<table>
<thead>
<tr>
<th>Operation model</th>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Integrated management</td>
</tr>
<tr>
<td>Integrated</td>
<td>Run by A/L, terminal operator, etc.</td>
</tr>
<tr>
<td>Terminal</td>
<td>Owned by gov’t &amp; public entities</td>
</tr>
<tr>
<td>Land+primary facilities</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Separate management</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(3) **BOO (Build Own Operate)**

The private sector operator procures its own funding, constructs the facilities and then manages and operates them. Ownership is not handed over to the central or regional government or other public entity. Because this is a normal private sector management format, it enables full optimization of private sector dynamics.

(4) **BLT (Build Lease Transfer)**

The private sector operator procures its own funding, constructs the facilities and then recovers its investment by leasing the facilities to the central or regional government or other public entity. The facilities are handed over when the lease period expires. The advantage to the public entity is that this method enables levered fund procurement through the payment of lease fees.

(5) **ROT (Rehabilitate Operate Transfer)**

The private sector operator procures its own funding, upgrades existing facilities, manages and operates them for a certain period and then hands them over to the public entity when it has recovered its investment.

(6) **DBFO (Design Build Finance Operate)**

The private sector operator designs, constructs, funds and operates the facilities and recovers its investment through service fees paid by the public entity.

4. **New Airport Business Model Proposal**

In this section, I will set out problems in the airport business models in Japan and possible solutions. Most of the problems in Japan are not unique to the country but may often overlap those faced in all countries.

4.1 **Problems in the Airport Business Models in Japan**

1. **Too many airports**

As mentioned in Paragraph 2.1, airports in Japan continued to increase in number in conjunction with the post-war recovery and economic growth in Japan, until the number became as many as 98. In terms of self-supporting airports, we could count the number of profitable airports on one hand. One of the reasons for this seems to derive from the problematic framework of the Special Account for Airport Development. The principle sources of revenue for this Special Account are airport user fees (landing fees, etc.), funds transferred from the general account and borrowings. This is used for the construction, improvement and
maintenance of airports and for environmental countermeasures. Because of this system of fund pooling, more airports than actually needed have been built without much consideration to their financial viability.

That is not to say that the system of fund pooling is inherently bad. These projects came about due to the will of the regional government (if not of the residents) at the time and also due to economic conditions.

The regional government advocates the logic that there is a need for an airport in their location from the viewpoint of inducing commercial interests and public infrastructure development. They then submit strong demands to the central government, backed up by locally elected politicians.

Since almost all of the existing airports were planned at a time when the economy was booming, nobody had any real doubts about the demand continuing to rise. The fund pooling system then provided the clincher. Consequently, all of the factors combined - government, politics and the system - delivered these results.

On the other hand, it is true to say that we cannot write off development of public infrastructure in remote islands and isolated areas solely on economic grounds. Where to build airports and what type of management format they should take should be decided as part of the national strategy. Japan provides a good case study for countries planning to construct new airports.

(2) No independent financial viability

Of the 98 airports in existence, only three privatized models - i.e. Narita, Kansai and Centrair, - are financially independent. Each uses corporate accounting practices in line with private enterprise management methods and their economic and financial conditions are immediately discernable on their web sites. Meanwhile, the 26 government-controlled airports (including the joint-use airports) have recently started disclosing their independent finances but only 6, including Haneda and Shin-Chitose, are said to be profitable. (Refer: Preliminary Financial Report for Individual Airports, 10 September 2010, Ministry of Land, Infrastructure, Transport and Tourism.)

There is no accurate data available for airports controlled by regional governments since there is no central disclosure of information or lists made available. According to a survey by the Kyodo Press in March 2009, however, 53 of the 58 airports which responded reported losses.

(3) At almost all airports, passenger terminals are operated by separate entities.

With the exception of Narita, Kansai and Centrair, the passenger terminals and cargo terminals are managed by separate entities at almost all airports. The domestic passenger terminals at
Haneda Airport only are operated by Japan Airport Terminal Co., Ltd., a publicly listed company. However, its international passenger terminal, which opened on 21 October 2010, is a private sector PFI (BOT) project with basic conditions stipulated by the government and is operated by a SPC called Tokyo International Air Terminal Corporation.

Since the passenger terminals are run by different entities from the airport itself, the airport often generates losses while the terminals may be profitable. In November 2009, the Minister of Land, Infrastructure, Transport and Tourism revealed that 80% (32 in number) of the operators of passenger and cargo facilities at the 26 government-controlled airports were trading at a profit with retained earnings totaling JPY226.4 billion.

According to a survey of regional airports conducted by a private sector research company in February 2010, around 90% of the operators were generating profits. From this we can see that airport management in Japan has produced an imbalance where airport operation is loss-making while terminal facilities are profitable.

(4) Increasingly complicated, expanding security

There has been much discussion and increasing tightening in airport security since 11 September 2001, particularly in advanced nations. Methodologies and systems vary depending on conditions from country to country and therefore, as the outlook becomes obscure, the costs incurred will present problems.

This topic is discussed in more detail in Paragraph 4.2 (4).

4.2 New Airport Business Model

So far, we have looked at the business models in Japan, the global situation and a number of PFI project examples. The most suitable model is decided by the prevailing circumstances in a specific country at the time.

However, all nations today are faced with problems with national finances and are troubled by the question of where to invest their limited taxation revenue. It is becoming practically impossible for nations to invest extensively and undertake all aspects of the airport business alone. Therefore, a system for utilizing private sector finances and operating and retailing know-how, such as those discussed in Paragraph 3, is becoming ever more crucial.

Nevertheless, there is a limit to what can be resolved solely on the strength of the private sector. Airport business in particular, which lies at the core of national strategies, cannot succeed without government support in the areas of international negotiations, overcoming disparities in monetary value standards and national conditions, and security, which may even fall under the category of national defense.

Also, as already pointed out in Paragraph 4.1, it is clear that the system of fund pooling and having multiple operators within the same airport, which could be viewed as a two-tiered system,
is far from efficient.

In light of the above, I make the following proposal for a new airport business model:

(1) Airport managed by a single operator

As a business, airports should not be allowed to operate at a loss. The biggest issue relating to airport management is how to procure finances to maintain and manage the tremendous amount of assets. In this respect, a rigid charging format would have limitations. Rather, the entire airport must be treated as a single entity to carry out multilateral management. There is no doubt that facilities such as passenger terminals and cargo terminals are of prime importance to multilateral management. Therefore, the most efficient method is to have just one entity manage an airport. At the very least, there should be just one entity in each region. Even then, income and expenditure should be sorted out by airport to clarify areas for improvement.

(2) Preferential tax treatment

It has been a while since airport privatization became a global trend and a growing number of companies have already listed publicly. This trend is unlikely to end any time soon. Being a private company means there is no way of evading taxes and public charges. Especially with companies that own the basic airport infrastructure, the massive fixed asset tax is a factor which weighs down heavily on the corporate management. Airport business is contingent on co-existence with the airline users. A rise in the airport costs translates directly to a burden on the airlines. Therefore, airport costs, landing fees in particular, need to be kept low. As a way of lowering these costs, I propose that we lobby our governments for a sizeable reduction on fixed asset tax (or more preferably, 100% exemption) through collaboration between ACI, ICAO and IATA. If possible, we should issue an open declaration or statement calling for a consideration of this kind.

(3) Backing of central and regional governments

In addition to direct supports as described in Paragraph (2) above, the backing and cooperation of central and regional governments are also necessary, including necessary legislation.

On its own, the airport is merely a dot on the map. It is only when the regional government develops the surrounding area and establishes a relationship for liaison and co-existence with the local community, and the central government undertakes projects to improve access and other infrastructure that the airport can function fully.

Without these initiatives, it is impossible to create free-trade zones centered around the airport and realize schemes to develop giant logistics bases incorporating marine and land transportation. Airports are, quite simply, at the core of national strategies.
(4) Steps to address intensifying aviation security measures

Since the 9/11 terrorist attacks, aviation security measures have become a source of much headache for airports, airlines and the State governments alike. In response to calls for anti-terrorist measures, security has been stepped up with no signs of easing. As a matter of fact, introduction of body scanners is now almost certain in the US, and Japan, too, is looking into the possibility of introducing them. More stringent air cargo screening is also under review.

As a result, screening devices have undergone tremendous advancement, reminiscent of the so-called Cambrian explosion, with the introduction of new technologies such as EDS (Explosive Detection System), ETD (Explosive Trace Detection), liquid analyzing equipment, body scanners, fingerprint recognition and iris verification. We now find ourselves in a spiral with security procedures getting more and more complicated and complex every time an incident occurs that seems to exploit a security loophole.

Such screening equipment is generally expensive and difficult to introduce except in advanced countries. Operation and maintenance of the equipment also requires advanced skills and knowledge and the cost of this is much higher than conventional equipment.

Many advanced nations are targeted by terrorists and while this has a psychological effect, it also results in more stringent security screening leading to the problem of complicated boarding procedures and growing costs.

The level of security in different countries around the world varies and it would be meaningless if only advanced nations implemented these measures at their international airports.

Even advancing nations are affected by tribal, religious or regional conflict to some degree and they are not immune to terrorism and other heinous crimes.

This situation transcends far beyond the capabilities of any single entity, be it government or private enterprise, and requires solutions from the perspective of national defense and global peace. Therefore, a forceful approach is required that goes beyond the frameworks of individual countries let alone a single entity.

Up to this point, I have offered various suggestions but aviation security measures in particular are changing at a rapid pace and governments, airport authorities and airlines are all puzzled over the cost of implementation and the question of who should shoulder the operation costs.

Therefore, in the following section, I put forward an idea of a global aviation security organization under the United Nations or as a completely autonomous body.

5. Establishment of a Global Security Organization

In the Paragraph 4.2.(4) above, I suggested a global aviation security organization. For the time
being, I will tentatively call the organization the International Airport Security Association (IASA).

The following is a summary of the reasons that IASA is needed.

1. Unilateral aviation security measures by individual countries are meaningless
2. Each country has its own level of methodology and technology
3. The issue of cost associated

Because aviation security today comes directly under national defense, it is natural that it be isolated from the airport entity and implemented under the direction of the central government. By doing so, we can eventually liberate the airport entity from the cost of security.

It is not possible for advancing nations to forge ahead with introduction of such equipment at a cost of around JPY 100 million per unit for purchase, maintenance and operation.

Therefore a system for resolving this problem is required in which individual countries work together and assist each other by allocating costs in accordance with the circumstances of each country. That organization would be responsible for drawing up guidelines for regulations, carrying out installation and operation, providing training, and eventually transferring skills on site.

5.1 Activities in Preparation for IASA Establishment

Of course, there are many countries that would be unable to join IASA due to national circumstances, security reasons or their political systems. Therefore, it would be best to begin with nations which are able to undertake such initiatives and parameters that are feasible, and then gradually expand from there. A first step in achieving this would be the formation of a research group within ACI to survey the circumstances in individual countries. The survey would look at the security situation in each country and draw up an equipment list, costs associated, challenges and requirements. Once this has been completed, an organization would be formed in conjunction with ICAO and IATA, etc.

5.2 Scope of IASA Activities

The following are possible IASA activities.

1. Preparation of security guidelines
2. Provision of EDS, cutting-edge X-ray equipment, body scanners and other state-of-the-art devices to individual countries
3. Maintenance of said equipment
4. Training and education
5. Technology transfer via on-site instruction
6. Periodical site audits

5.3 Operation Costs

The major problem is the question of what to do with the costs of operation.
In Japan, half of the cost of security is borne by the government or by the airport operator while the other half is borne by the airlines. Consequently, the more sophisticated the screening equipment becomes, the greater the cost that must be shouldered not only by the airport operator but also by the airlines. At Narita Airport, due to a rise in security costs, it was decided that a security fee be collected on tickets from passengers starting from November 2009. The operators of Kansai International Airport and Chubu International Airport are also currently looking at collecting a similar security fee.

In the USA, the TSA (Transport Security Administration) collects security fees levied on tickets from the passengers, and installs and operates screening devices. Immediately after the 9/11 attacks, it injected huge grants to airports to install EDS and other screening equipment.

It is the passengers who are guaranteed safe travel that will benefit the most from IASA activities. Therefore, IASA’s revenue would be supported by the collection of security fees from the passengers. The fee should be set in accordance with the average national income, GDP and other prevailing conditions of the country so that passengers in advanced nations shoulder a higher fee and those in advancing nations a lower fee.

Since this alone would not be sufficient to cover all the costs, we would request financial assistance from the respective governments. For example, Japan provides huge amounts of ODA to various countries every year. If even a small part of this can be allocated to our cause, we can expect a substantial amount of assistance.

5.4 Operation Method

Similar to the United Nations, participating States would form a decision-making body. The organization would be administered by an executive council made up of several member States based on the level of their financial contribution. Since it would not be feasible to install equipment in a large number of countries at once, installation programs would be drawn up by the executive council or other sub-group of the organization.

5.5 Coordination with Other Organizations

The TSA in the United States works along similar lines domestically. Naturally, the IASA would work closely with similar organizations in other countries.

6. Conclusions

① Airport operation by a single entity

Runways alone do not constitute an airport nor do passenger terminals. It is only when they are put together that they become an airport.
② ICAO influence on governments for preferential taxation

When airlines grow and expand, so do airports. Landing and parking charges must be kept low to enable this to happen. However, in the accelerating trend towards privatization today, the cost of fixed asset tax and other taxes and charges is immense. Therefore, preferential taxation is essential as a principal means of reducing airline costs.

③ Increased ties between central and regional governments

The use of PFI and similar methods will be essential for airport management. This does not mean that the central and regional governments have no involvement with airport operation. The ability to utilize the airport as a focal point for interaction lies with the central government and regional governments.

④ Security implemented by an international organization separated from airport management

The responsibility for managing an airport is set aside from the aim of achieving uniform levels of quality in aviation security among individual States. This can also lead to dramatic reductions in costs associated with bulk purchases of sophisticated security devices.

Viewed from this perspective, an international public private partnership (PPP) would seem a better framework than a PFI.

This is a formula in which the public and private sectors would work together to push the project forward by utilizing the areas in which they excel.

Management relying solely on central and regional government would most likely be inefficient because of its weakness in pursuing profits. Conversely, management relying solely on private enterprise would certainly be faced with endless problems.

Rather than decide on one of the two alternatives, the only choice is to seek an optimum solution. Although it might seem obvious to many, I feel that the following is the solution in Japan at the moment:

1. Integrate airport operation under a private sector management
2. Significant central and regional government assistance is essential in off-airport strategies
3. Implementation of aviation security by a separate independent organization

7. Wrap Up

The aviation industry is still in the process of emerging from the fallout from the collapse of Lehman Brothers. Soaring oil prices have now become relatively stabilized. However, economic conditions in individual countries are still volatile and unpredictable. In the EU and in the US instability remains. Other nations are also facing chaos with serious natural disasters, regional problems and unemployment.
The aviation industry is recovering but there are probably no answers to the many risks it is still facing.

Any single incident, be it influenza or some other pandemic, soaring oil prices, collapse of a national economy, regional conflict or terrorism, will immediately throw the industry into a serious and chaotic situation, a situation for which there is no special remedy.

However, there is a way in which we can avoid conflict and terrorism. That method is the growth and development of our aviation industry. Why do conflicts occur, and why does terrorism happen? That is because we have made no advances in mutual understanding. Terrorism can be prevented by raising the level of security. Conflicts will not escalate if we make advances in mutual understanding at a basic level.

I believe that by furthering mutual understanding at a grass-root level through regular, frequent overseas travel, we will be able to avoid disastrous situations even when relations are strained between the governments on both sides.

I recognize that many may be skeptical the feasibility of this proposal, particularly in regard to the establishment of a global security organization. Nevertheless, if it does come to fruition, it would be advantageous, particularly to those on the road to growth and development, and would be a unique opportunity for the advanced nations which develop the devices to expand their business possibilities.

I strongly hope that ACI will go ahead in building a framework for providing greater numbers of travelers with safety and confidence though uniform quality in aviation security, and in parallel with that, hold discussions on maintaining and improving CS levels.

In closing, I would like to thank the International Policy and Planning Office at NAA and Airports Council International for providing an opportunity to write this paper.