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## IMPACT OF GLOBALIZATION ON AIRPORT INDUSTRY

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**Abstract:** *Globalization is, at its most literal sense, the process of creating, transforming things or phenomena into global ones and it is synonymous with expansion rush of international capital, in various forms to all over the world. Air industry is playing an important role in this expansion. Both airlines and air travel infrastructure must respond to the always changing demands for its services. Demand for air transportation is derived from international transport requirements for high quality, speed, reliability and safety.*

**Keywords:** *globalization, air transportation, airport industry*

### 1. INTRODUCTION

Globalization has become a fashionable concept in the social sciences, the main dictum of the management specialists, journalists and politicians of any kind. It says that we live in an era where most of the social life is determined by global processes, where cultures, economies and national borders are disappearing. Evolution of the airlines is a very intuitive example for developing alliances and globalization strategies for the coming years. For airlines there are several advantages of such a development, like strengthening market position, network extension, product integration, brand loyalty and costs reduction.

### 2. THE IMPACT OF GLOBALIZATION ON AIR TRAVEL

Air transport is a major industry in itself, with a significant contribution to economic, political and social processes. As it is in case of other types of transportation, demand for air transport services is a derived one and it is based on the need and the desire to achieve more final objectives. Air transport

contributes, for example, to the economic development of a region or a particular industry such as tourism. Lack of air transport, like in case of the absence of any other economic component, can prevent an effective growth. On the other hand, an excessive or inadequate transportation is a waste.

### 3. DEVELOPMENTS AND STRATEGIES IN THE AIRPORT INDUSTRY

Major theme of the literature on the aviation industry is focused on the unprecedented changes taking place in this field. After liberalization of air transport activities, which took place first in the U.S., then Europe and then even in Asia, with serious repercussions in airport operations, we are witnessing today a great tournament held under the sign of globalization. In the airport industry, first signs of globalization have emerged as new market availability: facing the limited possibilities of expansion at home, companies involved in airport management are willing to seek business expansion outside. There also appeared a number of organizations, from outside of the airport business, interested in using these

opportunities to become “global players” in the airport industry. They have achieved notable successes as they had the ability and

understanding to become themselves international companies.

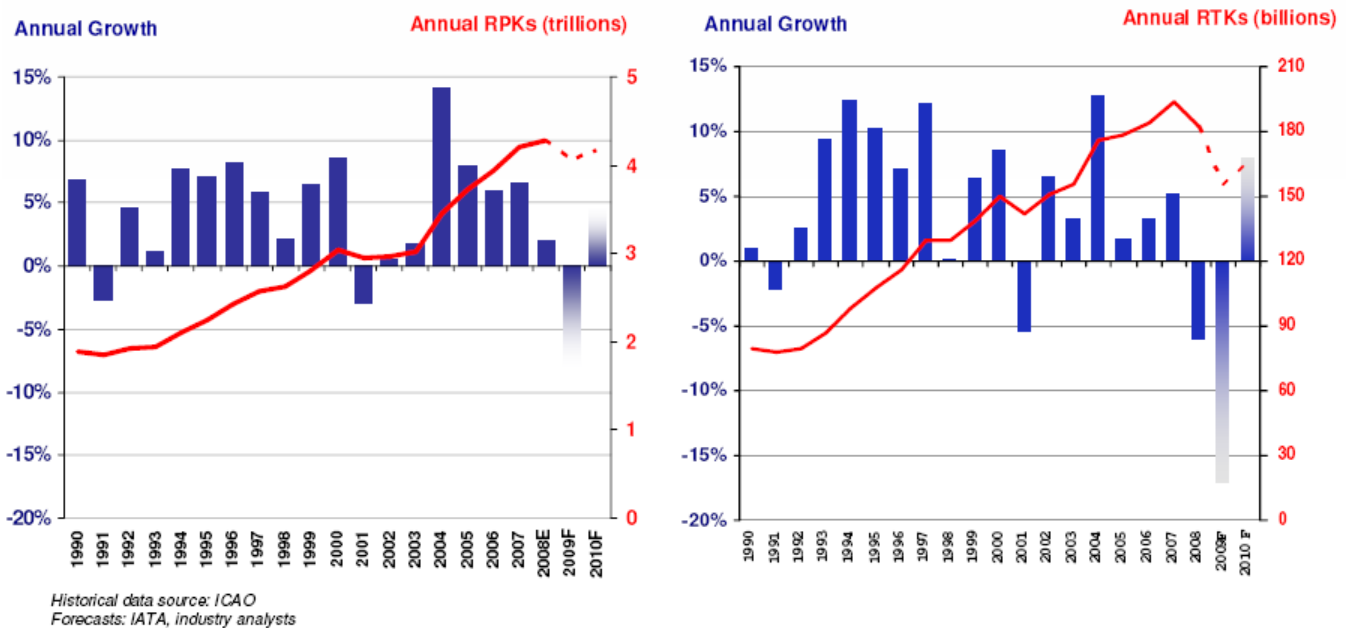


Fig. 1: Evolution of passenger traffic (left) and of the cargo traffic (right). The chart shows the annual percent increase in blue and red with the number of paying passengers x km (left, in billions) and freight tonne x km (right, in millions).

Source: Boeing's Global Strategy Summit 2009

Development of air transport has experienced a dramatic increase until the '90s, experiencing doubling of the traffic values at every 10 years. Since the 90s, the air transport market is approaching maturity, increased traffic, gradually decreasing by 5% per year, except that in some markets such as Asia - Pacific, growth remained at a rate of more than 7% (ICAO, 2001).

Despite declines in traffic in 2001, 2002 respectively, due to the September 11 terrorist attacks, the general trend was to increase the values of both passenger traffic and cargo traffic. A new challenge is the economic crisis

we are going through, which has dramatically affected the airline industry.

In total, traffic values are expected to decrease by 6.8% for passengers' transportation and by 19.3% for cargo, being visible a return of demand in the second half of the year (decreases reported for July was 2.9 % for passengers traffic and 11.3% for cargo). While market values of the traffic have declined a lot, the physical (actual reduction in the number of aircraft that have made racing) are -3.8% in passenger traffic and -10.2 in cargo traffic. Figure 2 summarizes the statistical figures on the evolution of air traffic in 2010 compared to 2009.



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Year on Year Comparison	Jan 10 vs. Jan 09						2009 vs. 2008					
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	ASK	PLF	FTK	AFTK	FLF
Africa	6.3%	5.5%	66.1	30.4%	9.2%	21.8	-2.0%	1.5%	66.7	-9.2%	2.0%	24.0
Asia/Pacific	6.5%	-1.4%	77.8	38.4%	10.3%	61.9	-4.6%	-5.3%	73.7	-9.1%	-11.1%	60.8
Europe	3.1%	-0.2%	74.5	11.6%	-6.9%	48.5	-3.3%	-2.9%	77.5	-16.1%	-10.8%	47.3
Latin America	11.0%	3.4%	80.3	30.9%	20.7%	37.3	0.0%	1.4%	72.9	-4.0%	1.2%	38.6
Middle East	23.6%	17.2%	75.3	33.0%	19.3%	42.6	11.2%	13.6%	73.0	3.9%	6.8%	42.7
North America	2.1%	-2.2%	77.6	27.3%	-4.3%	39.6	-5.2%	-5.0%	79.6	-10.8%	-9.7%	37.7
Industry	6.4%	1.2%	75.9	28.3%	3.7%	49.6	-2.5%	-2.1%	75.7	-10.1%	-8.3%	48.6%

Fig. 2: The evolution of air traffic in 2010 compared to 2009. Source: IATA 2010.

Projections on the rate of development of air transport are optimistic, despite a decline in the market in 2009 generated by the global financial crisis. It is estimated that after passing this point, air traffic growth to continue with the 4-6% per year.

customers demands, like low cost carriers, which are holding now an important share of the market. As the aviation industry is developing and other disorders may show up in the future, airports must constantly adapt to new requirements.

	International and Domestic		International	
	RPK	FTK	RPK	FTK
2007	7.4%	4.7%	7.9%	5.1%
2008	1.3%	-1.3%	3.4%	-0.9%
2009 F	-4.0%	-14.0%	-4.6%	-14.5%
2010 F	3.2%	5.0%	4.1%	5.5%
2011 F	4.8%	7.6%	5.7%	8.1%
2012 F	6.4%	6.2%	7.3%	6.7%
2013 F	6.1%	5.7%	7.0%	6.2%
2009-13 CAGR	5.1%	6.1%	6.0%	6.6%

Note: The figures are average annual growth rates taken from IATA's Financial Forecast.  
Updated: 9/2009 Next 12/2009  
Source: Industry Financial Forecast Table (Econ)

Fig. 3: IATA air traffic forecasts by 2013

Increasing traffic also generates troubles. Air traffic control units are overloaded, airways are increasingly crowded, and some airports are facing major traffic congestion.

Airports, operating in a commercial environment, must change to meet new

One of the most important changes that will take place at the airport industry will be the gradual transition to privatization, beginning with various forms of public-private partnership, until reaching the final stage of full privatization. Although a significant number of airports have been privatized, private sector involvement in the airport industry remains small comparing to the case of airlines. Despite the popularity of the airports and even on investment and business opportunity, there remains some uncertainty about the constraints on expansion, environmental, political and social right, and, in the European Union, the suppression of tax systems and tax-free.

There are currently controversial discussions whether traditional airports, with a long tradition and experience in airport operations, may work better as individual units or quasi-monopolistic companies such as TBI or AGI.

TBI is a financial institution that purchased in 1995 Cardiff International Airport, Belfast International Airport in 1996, Orlando Sanford International in 1997 and in 1998 bought 98% stake in Stockholm Skavsta Airport, and in 1999 acquired 82% stake AGI, which had almost total interests in airports in Canada, Bolivia, U.S., Australia and Central America. It was discussed whether the airports are more, from technical and operational point of view, a special problem, different from other businesses, or can be purchased like any other commodity, by the powerful multi-national financial companies. It seems that airports can be incorporated into the global financial management of big corporations by providing

technical and operational management of premium quality.

All fundamental change in the airport industry cannot be separated from the parallel development of the airlines, after disturbances produced by the tragic events of 11 September 2001. On the one hand, there was a decrease in the number of passengers, which airlines imposed a strict control on costs, and secondly there has been a move towards forming alliances of airlines. Despite the shock of the terrorist attacks on New York, long-term prognosis rate indicates a notable increase in passenger traffic. In Table 1 presents this forecast, prognosis being issued by both the aircraft manufacturers and the international civil aviation bodies.

<i>Organization</i>	<i>Time period</i>	<i>Traffic measure</i>	<i>Annual growth rate %</i>
Boeing	2000-2019	Passengers / mile	4,8
Airbus	2000-2019	Passengers / kilometer	4,9
Rolls- Royce	2000-2019	Passengers / kilometer	5,0
ICAO	1997 - 2021	Passengers / kilometer	5,5
AICI	1997-2010	Passengers	4,0

Table 1. Passenger traffic long term forecast

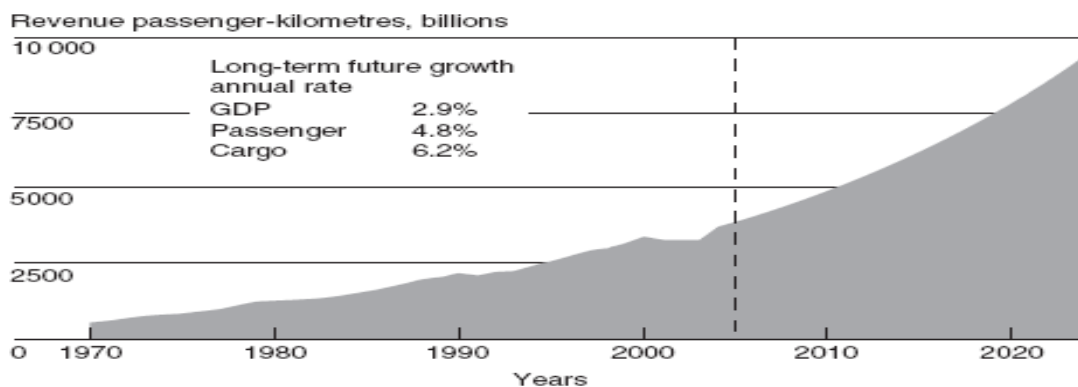


Fig. 4: Passengers traffic evolution. Source: Boeing

General economic growth reflected in increased activity of businesses and mobility of the people, along with increasing affordability of the air transportation will increase demand for traffic, but development of telecommunications links and the emergence of teleconferencing could reduce demand for business travel. But development,

overall global trade business and will encourage additional air traffic needs to arise.

At the same time it is expected an increase in air cargo traffic, with an even higher ratio than annual rate than passenger traffic. Table 2 is depicted a long-term forecast of development.



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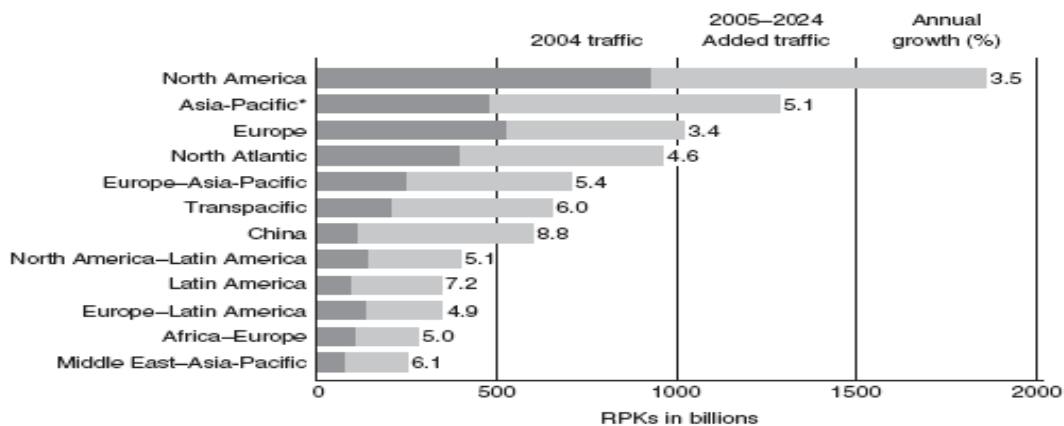


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<i>Organization</i>	<i>Time period</i>	<i>Traffic measure</i>	<i>Annual growth rate %</i>
Boeing	2000-2019	Tones / mile	6,4
Airbus	2000-2019	Tones / kilometer	5,7
Rolls- Royce	2000-2019	Tones / kilometer	6,5
ACI	1997-2010	Tones	6,4

Table 2. Cargo traffic long term forecast



\*Except within china.

Fig. 5: Cargo traffic evolution. Source: Boeing

Projected growth in freight traffic is obviously strictly related to economic growth, cost of operation and speed. But this growth, substantially higher than for passenger traffic, has other explanations. First, the electronics industry (computers, communication and multimedia) and the pharmaceutical industry is in continuous development and high value products distributed have small weights (low weight high-value). Secondly, it was found that passengers' baggage does not occupy the whole capacity of planes cargo deck, so this aircrafts were used for the transport of light cargo, containers properly. Thirdly, cargo transport does not require a particular

schedule, and could be made at any time at night, if there are environmental restrictions.

The main cause of the growth of the freight traffic is globalization. Big retailers like Metro, Billa, Selgros, Carrefour wants to have the same goods at the same time, in various parts of the world, and this requires rapid transport, that can be performed only using air transport.

#### 4. CONCLUSIONS

Globalization has stimulated and will continue to stimulate technology transfer and employment, development of new technologies and processes that will improve

the overall economic condition. Air transport is an important factor in the evolution of globalization, and according to statistical data presented, there will be a prosperous period in both passenger traffic and in trade.

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