



Airport Infrastructure Business Cases

Introduction

Airport capital investments should only proceed where a clear business case exists, supported by a positive cost benefit analysis and the explicit agreement of airlines.

The main purpose of airport infrastructure business cases is to clearly describe why the project is required, the benefits for airlines and passengers, and other alternatives that may exist.

A direct cost relatedness exists between airport infrastructure investments and airport charges that airlines pay for. Airport investments therefore need to be affordable, fit for purpose and deliver a return on investment for airlines, as well as airports.

In addition to developing sound business cases, airports also need to ensure that infrastructure benefits will be maximized by conducting meaningful and effective consultation with the airline community. See "IATA Airport Infrastructure Investment-Best Practice Consultation" for further details.

Airports and airlines should collaborate and work in partnership while recognizing that the success of airlines maximizes economic benefits for all parties.

Objectives

Best practice business cases should achieve the following objectives:

- Demonstrate the return on investment for airline stakeholders through a detailed cost-benefit analysis.
- Identify material benefits and outcomes from the start of a project and through the design, development, and delivery stages to benefits realization.
- Ensure that airlines business objectives and inputs are captured from an early stage in the project process.
- Ensures the support of the airline community before the project proceeds through major decision points.

- The benefits of best practice airport infrastructure business cases include:
 - Projects investments that optimize the use of capital expenditure with airlines buy-in.
 - Operating cost reductions and efficiencies, improvements in capacity and resilience, and passenger experience enhancements.
 - A quality check with airline subject matter experts that investments deliver the intended functional and commercial outcomes.
 - Assurances that existing assets are being used as efficiently as possible before investment is made.

Business Case Planning and Implementation

The level of detail available in the business case will depend on a project's level of maturity at a point in time, for instance:

- Near term projects with well-developed objectives, costs and benefits defined through design and development stages.
- Medium term investments being progressed planned for the following the next 18 months to 5 years.
- Longer term investments beyond 5 years that can include major projects over multiple years or master plan phasing elements where less detail and cost/benefit certainty will exist.

Business Case feasibility should include an assessment of a "do nothing" scenario and consider process and technology improvements to use existing infrastructure more efficiently.

As part of user consultation airport stakeholder events are recommended for each major project stage to ensure the business case remains viable for airports and airlines.

Resolution of major outstanding issues or risks is required prior to progressing to the next stage of feasibility for any project including airport investments.

When a project is in the implementation stage following the endorsement of the business case and conclusion of the design phase, a clearly defined change control process is recommended should any unforeseen, material changes to the project be required. The impact of any changes to the business case benefits should be assessed, understood and either jointly rejected or approved by airports and airlines.

Consideration should also be given to identify natural break points in projects to maintain flexibility, should market conditions change or unforeseen issues materialize, resulting in business case benefits and outcomes being compromised.

Independent checks to provide an ongoing appraisal of all major decisions, focusing on the efficient use of capital and project outcomes are also recommended for high value projects.

An assessment to validate whether business case benefits have been delivered is important when assets enter operational use.

Any excess capital costs incurred during the implementation and delivery phase of the project should not be added to the airport's asset base and not recovered through airport charges.

Business Case Core Elements

Core elements include (but are not limited to):

Scope:

- Key assumptions
- Identify the issue, opportunity or main drivers for the project as the basis for the business case e.g. safety and compliance, asset replacement reliability and resilience, capacity, passenger experience or technology
- Objectives to specify what is going to be achieved through the project
- Solutions providing an overview of the assets and infrastructure required to deliver the objectives
- Asset life and whole life costings
- Total capex requirement and opex impacts

- Identify all stakeholders and parties affected by the project
- Inter-dependencies with other projects should be identified and their impacts understood
- Project delivery, key milestones

Benefits:

- The impact and outcome of each specific benefit should be identified with a clear description, and indication of how the benefit will be measured with a baseline and target.
- Identifying categories/sub-categories can help to align benefits with airline and airport strategic objectives.

Risks:

- Identify the top risks and impacts including the type of risks and probability of each one materializing.
- A risk register and mitigation strategy is required for each business case.
- The impact on airline operations should be recognized as a risk where relevant.

Financials:

- A positive financial return on investment.
- Investments should result in efficiencies, lower operating costs per passenger and deliver best value.
- Airport user charges impact recognizing a direct cost-relatedness with infrastructure.
- A financial appraisal that includes capital and operating expenditures, revenue and spend profiles, depreciation and financial assumptions.

Schedule:

- A schedule of critical dates and construction phasing aiming to minimise airline and operational disruption.

Supporting Documents

This paper provides a framework for other papers and related to airport infrastructure development:

- IATA Airport Infrastructure Investment – User Consultation