



Immediate and long-term priorities for Manila Airports

**INTERNATIONAL AIR TRANSPORT ASSOCIATION
(IATA)**

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Priorities for Manila Airports

This document represents the views of the International Air Transport Association (IATA) on critical aspects of Airports serving Manila in the Philippines. IATA is the trade association for the world's airlines, representing some 250 airlines or 84% of total air traffic. IATA supports many areas of aviation activity and helps formulate industry policies on critical aviation issues. This IATA submission focuses on 3 key priorities for Manila Airports:

1. **Immediate safety and operational concerns** at Ninoy Aquino International Airport (NAIA): IATA and its member airlines have grave concerns about the safety of ground movement operations and management of the airside infrastructure NAIA
2. **Infrastructure Capacity** to serve the needs of the Metro Manila region: Currently the market is served by 2 airports (NAIA and Clark International Airport) but there is a need to formulate and implement a long term strategy to meet the growing needs of the region.
3. **Ownership and Control** options from which commercial considerations arising: The issue of private equity participation in airport infrastructure has been the focus of much debate. Of particular relevance are some of the proposals related to restrictions on ownership by airline entities or airline shareholders.

1. Immediate safety and operational concerns

IATA is gravely concerned with a number of operational issues including some that may compromise safety of airline operations.

NAIA is routinely characterized by airlines as one of the top high risk airports in ASPAC. From 2010 up to 2013, the predominant concerns raised by IATA member airlines were regarding air traffic management issues including extended holding, vectors and delays, non-standard ATC procedures, etc. As such, our major focus was on ATM operational and organisation strengthening and activities, such as ATC observations (2012) and runway performance measurement.

A few of the recommendations from the ATC Observations were at least partially implemented, resulting in a declared capacity increase from 36 to 40 movements per hour:

- Tactical flow control procedures
- ATC controller training
- RWY 31 Departure was implemented (operated for a few months) and is now suspended due to the Terminal 4 obstacle issues.

Airside ground safety hazards in the 'hot-spot' area were identified and listed as action items within the OSCET process as early as Feb 2012:

- Early indications gave an impression that these issues were being properly "managed"
- Manila International Airport Authority (MIAA) reported that it had installed temporary signage and new markings and ordered stop bar lighting and permanent signage (Nov. 2012)



- At least one airline reported 'some' improvement in the ground signage.

Since 2013, IATA records have indicated a decrease in the number of ATC related safety reports, with an increasing number airside safety reports. IATA has regularly elevated concerns to Civil Aviation Authority of the Philippines (CAAP) and MIAA, urging corrective action:

- IATA Director-General' meeting with the President of the Philippines in 2012 - focus at that time was more on airport planning, air traffic management concerns and CAT 2 issues
- Safety and operational concerns were raised to Department of Transport (DOTC) Under-Secretary (2014)
- Safety and operational concerns were raised at Congressional Hearings (2015)
- Letter to Transportation Committee Chair (2015)
- Regular facilitation of NAIA Operational Safety and Capacity and Enhancement Team (OSCET) and Capacity Enhancement Working Group (CEWG) since 2011.

IATA's recommendation on safety and operations:

Urgent steps need to be taken as listed below:

Safety

- Reduction in airside ground safety risks, particularly at the 'hotspot' area of RWY 31 and RWY 6/24
 - Ground movement aids installed and maintained to at least ICAO Annex 14 Standards
 - ATC procedures be put in place to provide further mitigation
 - Airfield charts be updated and accurate with adequate notation for ground hazards
- Airport Safety Management System (SMS) in place that enables proper hazard identification and risk management processes and includes a system to collect, investigate and provide feedback to airline safety reports
- Up-to-date assessment of airport obstacles and terrain through completed aeronautical survey

Capacity / Efficiency

- Optimized Runway utilization and configuration management
 - Explore all safe options to enable use of RWY 31 for departure
 - Accelerate plans to expand aircraft parking (to include vacating A320's from T4 if necessary)
- Increased flexibility in Air Traffic Flow Management (ATFM) procedures
 - Ensure airlines have visibility and input into day-to-day ATFM and slot scheduling decisions

An IATA Operational Notice was issued to all IATA member airlines on 26 May 2015 and a copy can be found in Appendix A. In the meantime, IATA will request airlines to re-submit prior safety reports (6 months) to NAIA and CAAP to allow proper follow-up and action (IATA to monitor).



2. Infrastructure Capacity

Metro Manila region has historically been served by Ninoy Aquino International Airport (NAIA) and more recently Clark International Airport (CIA).

Manila - NAIA

The airport's terminals have a combined design capacity of 31 million passengers per annum with 1 main runway and another cross runway. The airport's throughput is restricted by a number of infrastructural and operational constraints such as the following:

- Facilities within the airport footprint have now reached the extremities of the security perimeter fence line.
- Terminals are reaching total design capacity with no immediate prospect of additional infrastructure and limited available land for expansion.
- Runway configuration and taxiway layout has inbuilt constraints and growth limitations.
- Expansion of the airport to meet future airline and passenger demand has severe limitations.
- Design of the airfield and terminal locations do not provide for a straight forward flow of aircraft movement or passenger inter-terminal connectivity.

Clark - CIA

The relatively newer CIA is well positioned to service the travelers from northern Philippines. CIA has ambitions to become a hub of Metro Manila and there are major expansion plans to reach a capacity of 80 million passengers per annum by 2025. CIA has been identified as a possible alternative in meeting both current and future demand for the Manila region.

Given the traffic congestion and flight delays at NAIA, CIA is lobbying with government and foreign airlines to use it as an alternate airport. It is completing a PHP 417m improvement project to accommodate the increase in passengers from 1.2m to 3.0m. DOTC is pursuing a PHP 7.2 billion passenger terminal designed by the Aéroports de Paris.

However, the distance of 100kms from the Manila city center to Clark is a major challenge and the lack of surface land and/or rail transportation is a barrier to connectivity (that would be very expensive to fund), while minimum connection times (MCT) for passengers attempting to transfer between flights at different airports would be extremely uncompetitive and uneconomic for airlines to operate compared with industry norms. The unfortunate reality is that that airport is not geographically positioned well enough to efficiently or effectively serve the needs of the travelling public.

Recent trends suggest that capacity constraints at NAIA are resulting in traffic being lost to other regional hubs, rather than being recaptured by CIA, to the detriment of the economy of the Philippines. This is reflected in CIA's relatively static growth in passenger numbers despite its available infrastructure capacity, which is as a result of its remote location from the city center and lack of surface access connectivity.



Even with a new terminal, a 2nd runway spaced at the right distance is needed to allow independent runway operations. The present 2nd runway is of military design and spacing and would not be suited or permitted for commercial airline activities by the regulatory authorities. Substantial CAPEX would be needed on these issues. Moreover, the cost of constructing a dedicated link between city and airport would be considerable and would question the viability when a facility closer to Manila's city center would be more acceptable.

Thus, CIA would need to overcome these issues in an affordable way in order to be considered a long term solution as an international gateway or the principal domestic airport. Instead, CIA could be seen in a support role to the main city airport in accommodating aircraft maintenance and repair facilities, low cost point to point airline operations, dedicated cargo operations, general aviation and private flying.

Options

Over the years, a number of options have been proposed that include a combination of expanding facilities at NAIA, developing CIA as the main airport or a new airport altogether. Lately, discussions have focused on the following 3 scenarios:

1. A single airport system wherein the government would shut down and sell the NAIA and develop the Clark International Airport in Pampanga.
2. A twin or dual system wherein the government would develop Clark and at the same time maximize the operations of NAIA until 2025 but at the same time look for an alternative site for a new airport that would be 25 kilometers or 30 minutes away from the existing gateway.
3. A twin or dual system wherein the government would jointly develop Clark and NAIA and then decide whether or not to put up an alternative airport.

IATA's recommendation on Infrastructure Capacity:

Optimizing the current capacity and throughput

IATA views that the first and immediate priority should be maximization of the effective capacity and throughput at the existing NAIA facilities. IATA has provided guidance to the authorities in this regard. In lieu of short term investments, IATA proposes optimizing the current capacity of NAIA through more efficient Air Traffic Control and improvements in the runway system (particularly addition of rapid exit taxiways). IATA has provided considerable input to MIAA, CAAP and DOTC in this regard to increase the throughput from the existing 40 movements per hour to 51 or even 56 movements per hour. An increase of 40% in capacity will go a long way in reducing the congestion issues at the airport.

Reprioritizing investment and resources

An effective strategy to support sustainable growth in the Metro Manila area in the short-medium term is to re-prioritize sufficient investment and resources in NAIA to relieve congestion issues and help address existing capacity constraints. This approach combined with integrated planning to balance capacity and demand across ATC, airfield and terminal infrastructure will help to identify the most efficient and optimal solutions to make best use of scarce land and capital, until a longer term solution for the Metro Manila area is implemented. Alternatively, limited investment in NAIA will continue to result in the ongoing degradation of passenger experience at NAIA. This will have a detrimental impact



on the airport's ability to attract transfer traffic, and the airport's reputation in the region, notwithstanding the airlines requirement for an acceptable level of customer experience.

Taking passenger experience into consideration

A critical element for NAIA to address is passenger experience that is suffering due to a lack of available capacity and defined levels of service. The introduction of a Service Level Agreement (SLA) as the basis to monitor and improve passenger experience at NAIA (and CIA) would help NAIA evolve towards recognized international best practice standards, and support the competitiveness of airlines and success of the airport. IATA works in collaboration with a number of major hub airports on a global basis to help improve performance, working at an airline community level in the spirit of partnership for our joint benefit. In return for regular transparent consultation with users, IATA would be pleased to discuss how we could support the successful evolution of NAIA and the relevant authorities in this respect.

An open, transparent and constructive communication

While it is positive that plans are underway to utilize NAIA's remaining capacity to the greatest extent possible, IATA strongly recommends the introduction of an open, transparent and constructive dialogue between DOTC, domestic airlines and the international airline community. This will help to determine the most efficient and optimized land use plan to relieve congestion and deliver terminal, stands and parking capacity to the greatest extent possible, which is in our joint interests. While a leap of faith is initially required by all stakeholders, the introduction of an ongoing process of "Constructive Engagement" built on principles of trust and transparency would help to facilitate a more effective and meaningful structure of consultation to manage conflict and competition for scarce land and facilities. The benefits of this approach have been proven at other major airports and could result in a win-win solution and an aligned development plan to make best use of existing capacity.

Construction with structural flexibility

Regarding the construction of dedicated facilities, IATA advises against the construction of bespoke, low cost facilities that usually lacks the flexibility to adapt to changing industry trends over time. There are numerous examples in the industry where these types of facilities have not been successful, such as Singapore's Budget Terminal (which had to be torn down and is being replaced with a terminal that caters to different airline models). IATA recommends that all new terminal buildings be constructed with sufficient structural flexibility to safeguard for evolving trends in the industry and the requirements of different business models over time i.e. additional building levels, power requirements, new aircraft types, emerging technologies, changing security and immigration requirements, and the ability to improve levels of service.

Clark positioning

CIA can be used as an interim solution to alleviate some of the current capacity issues but should not be developed to become the long term primary gateway. Rather CIA could operate as an aviation maintenance center and for other aviation support industries, or be developed into the major low cost/point to point air carrier airport in the area.

Long term solution

Based on the available information, IATA's long term view of an infrastructure solution for the Metro Manila region is the development of a new greenfield airport with sufficient capacity to meet Manila's aviation needs that is situated no greater than 50kms from the



city center. This would be in line with the public's expectations and the conditions at other major city airports. This would make Manila a bona fide contender for the leading aviation hub in the region and meet its obligation to be the gateway for tourism and business into the Philippines. In advance of selecting an infrastructure solution, IATA strongly recommends that the Government carefully consider its vision, strategic objectives and intents, as the basis for a framework and criteria to assess the location of airport facilities to meet demand. For instance, Financial, Customer, Airlines, Operations, People, Infrastructure and Stakeholder Engagement are all key considerations as a basis to shape the master planning process.

3. Ownership and Control

IATA and its member airlines acknowledge the trend towards greater commercialization amongst our airport and air navigation service provider partners. The efficient delivery of air transport services would benefit from such suppliers being economically motivated, cost-efficient and customer-focused. In many cases, the participation of private capital and expertise can be essential for the successful development and operation of aviation infrastructure. IATA has considerable experience with Airport restructuring across the globe and has compiled Global Best Practices in Economics Briefs (available at <http://www.iata.org/publications/economics/Pages/index.aspx>):

- Airport Privatisation: lessons learnt from past examples
- Economic Regulation: the case for economic regulation of monopolies
- Aviation Economic Benefits: social and economic value of air transport

A Public-Private Partnership (PPP) has the potential for harnessing the best of both worlds. While IATA supports the concept of public-private partnerships, the following key principles should be adopted:

1. Stakeholder consultations and transparency throughout the restructuring process
2. Setup of Independent Economic Regulation and oversight
3. Avoidance of onerous rent transfers or concession levies from private enterprise to government.
4. Avoidance of pre-funding (e.g. through introduction of a passenger fee) especially since one key reason for PPP is to tap funds from the private sector.
5. Setting up of Service Level Agreements (SLA) and incentives for cost-efficiency
6. Impact on aviation industry and its wider economic benefits to the Philippine economy
7. Productivity gains and other benefits of restructuring to be shared with the users of the services
8. Development of commercial revenues to assist in keeping airport charges moderate and sustainable.

Airports are natural monopolies that are able to exert significant market power. In the absence of independent economic regulation this market power can be exploited. There is no "one-size fits all" regulatory framework – and the key is to implement a regulatory framework appropriate to the nature of and objectives for the regulated entity. Nevertheless, in each case the underlying principle should be for an independent framework that allows a fair and constructive relationship between airlines and suppliers to develop and flourish.



In the Philippines, there is no such independent economic and service regulator at present that is dedicated to regulating privatized airports. The Civil Aviation Board (CAB) deals with the economic aspect of air transportation but does not regulate airports. The Civil Aviation Authority of the Philippines (CAAP) performs general aviation oversight functions but does not have any rules or a regulatory framework for airports' service or economic efficiency behavior. This lack of regulation is seen as a weakness in the governmental framework. For example, an airline that owns or operates an airport may abuse its ownership position in the absence of controls to the disadvantage of competing airlines. This market power could theoretically be manifested in favorable allocation of facilities (check-in counters or gates), discriminatory charges or terms and conditions. Thus, the government's current thinking is to limit airline ownership to a minority stake.

IATA's recommendation on Ownership and Control:

IATA does not support any restriction on airline ownership of airports as it unfairly discriminates against airline owners. There are already a number of cases globally where the airline and the airport share the same owner and the airport is considered world class with no evidence of other airlines being subject to discriminatory practices - Singapore and Dubai are two such examples. It is always in the airport owner's self-interest to ensure that the airport provides fair and non-discriminatory services to all airlines as a means to maximizing service levels and user satisfaction. Any other behavior will undoubtedly lead to an erosion of the airport's competitiveness and profitability in the long run while reflecting poorly on the airport management and owners. Instead, the priority should be in ensuring that there is a robust service and economic regulation framework that protects the interest of all the users while allowing for investment by any interested party (including airlines). In fact, airline owners are uniquely placed to ensure that airports fulfill their fundamental role – to deliver services in line with user (airline and passenger) expectations. These regulatory functions should be performed by an independent entity and should cover various financial and service aspects including service levels, pricing, slots, counter allocation etc.

IATA has considerable experience with these issues and is able to assist the Philippine government and relevant authorities in the development and implementation of a comprehensive action plan to meet the present and future requirements of aviation in the country. For additional information, please contact:

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OPERATIONAL NOTICE – Ninoy Aquino International Airport (MNL), the Philippines

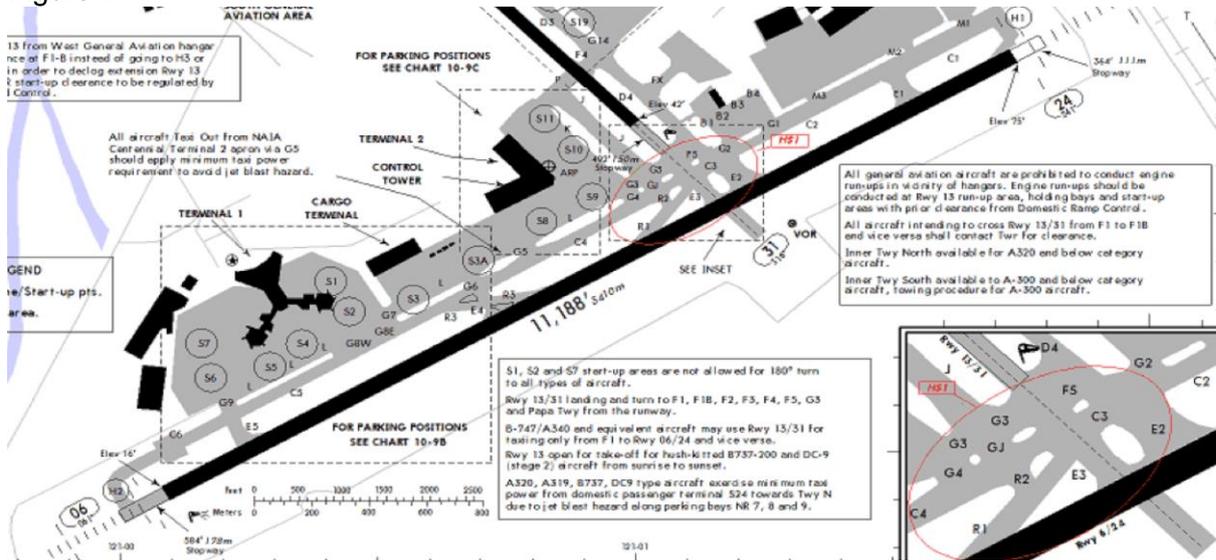
This Operational Notice alerts airlines to the on-going risk to aircraft operations at MNL arising from unaddressed deficiencies in airside ground movement aids.

Since 2012, IATA has received an increasing number of airline safety reports highlighting deficiencies in airport signage, markings, lighting and charting, particularly at the intersection of RWY 31 /13 and RWY 06/ 24. This intersection is a known ‘hot-spot’ area as shown in Figure 1 below. Flight crews have described this hotspot area as:

- Poorly lit
- Featuring markings and signage that are non-standard and poorly maintained
- Confusing due to the complex configuration of taxiways

IATA has received three reports of runway incursion events in this area since November 2014.

Figure 1:



MIAA management reported the installation of temporary signage and new markings, and a plan to install stop bar lighting and permanent signage, in late 2012. The continuing airline safety reports indicate any short-term attempts to mitigate the incursion risk have been less than adequate. Stop bar lighting and permanent signage have yet to be installed.

Airline concerns related to airside ground safety hazards and needed improvements in ground movement aids have been elevated to Manila International Airport Authority (MIAA) directly via airline safety reports and regularly through the NAIA Operational Safety and Capacity and Enhancement Team (OSCET).

IATA has recommended the following immediate actions to improve airside safety:



- Reduction in airside ground safety risks, particularly at the 'hotspot' area of RWY 13/31 and RWY 6/24
 - Ground movement aids installed and maintained to at least ICAO Annex 14 Standards
 - ATC procedures in place to provide further mitigation
 - Airfield charts updated and accurate with adequate notation for ground hazards
- Airport Safety Management System (SMS) that enables proper hazard identification and risk management processes
 - Including a system to collect, investigate and provide feedback to airline safety reports
- Up-to-date aeronautical charts that accurately depict the existing airfield layout, dimensions and markings

Member airlines are invited to note the following recommendations:

- Alert flight crews to the existing hazards related to the deficiencies of ground movement aids and the potential of runway incursion at MNL, and apply appropriate operating procedures to mitigate the associated risks
- Airlines are strongly encouraged to continue to report all airside ground deficiencies and related safety events to MIAA and the Civil Aviation Authority of the Philippines (CAAP) via the email addresses below:
 - TO: Alvin Candelaria – MIAA Operations Manager (candelariasr.alvin@yahoo.com)
 - CC: Gen. Jose Honrado – MIAA General Manager (josea7paf2003@yahoo.com)
 - CC: LT GEN William K. Hotchkiss III AFP (Ret) – CAAP Director General (williamhotchkiss3rd@odg.caap.gov.ph)
 - CC: Steven Hotchkiss – CAAP Executive Assistant to the Director General (stevenhotchkiss@odg.caap.gov.ph)
- Airlines also requested to copy IATA (aspacsfo@iata.org) when any safety reports are submitted to MNL and/or inform IATA when feedback is not received from MIAA or CAAP

This Notice should be used for information only and is based on data available at the time of issuance. Airport users remain responsible for their operations and any decisions related to this notice.

This Notice will remain in effect until member airlines have confirmed that all noted hazards have been sufficiently addressed.

(signed)
Blair Cowles
IATA Regional Director – Safety and Flight Operations
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