

Headline: Economics of Airport Development

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*“Some likely benefits of the new international airport”*

Most objective persons would agree that the Argyle International Airport would lead to an economic transformation of our small country. These economic benefits are likely to be both of a direct and indirect nature. I do not pretend here to be able to foresee all the benefits from the airport, but merely attempt to highlight some of the most obvious and significant ones.

When one thinks about the international airport, as well as the Jet-capable airport on Canouan, the first thing that probably comes to mind is the enhanced air access to this country. Direct flights to St. Vincent and the Grenadines will doubtless lessen the hassle visitors, residents and returning residents face in getting here.

The issue transcends the discomfort and inconvenience of lying about for hours at regional connecting airports, whether in Barbados, St Lucia or Puerto Rico. It also relates to the time lost, in terms of money, when connecting, and the actual expenditure incurred when over nighting at one of these connecting points. For business people, in particular, who would naturally like to get to their destinations in the shortest possible time and with the minimum inconvenience, this cost could be quite high. Improved air access must therefore be seen as one of the most important policy decisions to promote the growth of the tourism sector, which is now emerging as one of the leading economic sectors in this country.

We could also expect the new international airport, over time, to bring enhanced jet freight service at lower cost. One may recall that the large aircrafts operating at E. T. Joshua Airport have to do so with reduced payload, because of the restrictions placed on their takeoff weight. When airport operations are moved to Argyle, these same aircrafts would be able to double their payload, since there would be no restriction on their maximum takeoff weight. With this improved efficiency, we could expect a concomitant reduction in air freight charges. Also, since typically 80 percent of freight is carried in the belly of passenger aircraft, an increase in passenger jet operation would provide more economical means of air freight for local firms and exporters.

By investing in this infrastructure, government is facilitating competition by our firms with the rest of the world. The rapid rate of globalisation means that domestic firms have now to compete, not just with firms within their immediate borders, but also, it seems, with every other firm across the globe. For instance, Vincentians are no longer restricted to the selection of products carried by local firms. Internet shopping makes it possible to acquire any product from any firm across the globe in a cost efficient and timely manner.

Local firms need not view the competitive global market place in a negative light. Rather, higher global competition should signal the need to raise our levels of productivity to reap the rewards of the expanded market.

Firms that are competitive globally did not just happen to be so. They would have spent many years developing processes and fine tuning their operations to provide their

customers with a competitively priced quality product. There is no reason why our firms cannot rise to this challenge.

Economies that grow fast achieve high rates of growth because their firms learn from those in countries that have succeeded. The opportunities for learning are therefore all around us. By investing in the airport infrastructure, our government is creating an enabling environment for local firms to do well. However, government's investment in new airports, while necessary, is certainly not sufficient by itself to guarantee the success of local firms. Our firms have to seize the opportunities created.

There are a myriad of indirect benefits to the country from the building of the international airport as well as a consequence of the government's decision to sell land to finance its equity stake in the Argyle airport project. In two earlier articles, I discussed at length the increased value of the lands owned by the government at the E. T. Joshua Airport site at Arnos Vale and how government may pursue the development of a new city at that site, with the result that these lands appreciate in value to such an extent that the incremental value exceeds the cost of the new Argyle International Airport.

The decision to build the Argyle International Airport has also spurred interest in business development in many other areas across St Vincent and the Grenadines. For many years, government has seen many potential investors, but few projects have apparently materialised. It is little wonder that only now we seem able to attract serious investors in hotel development to this country. The investment at Buccama, for example, is only one of what is likely to be a continuing series of developments in the hospitality industry in St Vincent and the Grenadines, all of which are directly linked to the enhanced air access promised by the international airport.

Indeed, it is fair to say that St Vincent and the Grenadines is now attracting its fair share of investor interests that our neighbours across the Caribbean sea have taken for granted over many years and which have helped them to develop and grow, leaving us to fall towards the lower end of the table in terms of economic wealth per capita. Were our earlier governments more far sighted and prepared to deal with the larger economic issues, we may have achieved faster rates of growth and improved our social and economic standing in the region.

Some may wonder whether the benefits that I have attributed to the International Airport are real or contrived. Well in recent times, I have been wondering why St Kitts, with less than half the population of St Vincent and the Grenadines, could stage World Cup cricket matches, while St Vincent could get only warm up games. I have sometimes also wondered why the economic wealth per capita of some of the smaller Caribbean economies with international airports and vibrant tourism sectors, but no other obvious significant sector, could continually exceed that of St Vincent and the Grenadines. I am just wondering aloud.