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"Are fears about airport maintenance justified?"

By now, most persons would have seen some hard evidence that the Argyle International Airport is being built and will become a reality, but perhaps now an equal number of persons might be harbouring fears that we may not be able to maintain this airport when it is completed.

In terms of progress to date, the IADC has so far paid for 92 of the 131 built properties (mainly homes) on the site and are in a position to pay for the others while also putting measures in place to pay for the vacant land parcels. Recently, government announced another US$5 million grant from the Republic of China on Taiwan and also the commitment by the Government of Venezuela to send the equipment needed to begin earthworks in November 2007. All of this is in keeping with the plans and progress of the airport project.

But the cost of maintaining the airport appears to be a bother for some people. Indeed, in a previous article, I wrote that only a few persons might know that airport operations in St. Vincent and the Grenadines are generating for the government a surplus of revenue over operating expenditure. Even so, many persons still seem to think that the revenues that are likely to be generated by the new Argyle International Airport may not be enough to cover its cost of operations.

Perhaps the first point to make is that the data from the *Estimates of Revenue and Expenditure* for several years to 2007 show that the revenue and cost streams of operations of the four state-controlled airports—E. T. Joshua, Bequia, Canouan and Union Island—over the five year period 2002 to 2006 show a surplus totalling EC$15.9 million. This is, on average, a surplus of $3.1 million per annum, growing at an annual average rate of 10 percent. Another surplus of $3.5 million is also forecast for Fiscal Year 2007.

The main sources of these revenues are aircraft landing and navigation fees, airport service charge, direct entry tax to the Grenadines, and rental of shop space. The operating expenses for the airports are similar to those incurred by most commercial concerns: staffing expenses, utilities, communication, insurance, supplies, material and maintenance. The recurrent revenue and cost relate to 275,000 international passengers, on average, that passed through the airports between 2002 and 2006. Over this time, international passenger volume grew by 5 percent per annum.

Naturally, while most revenue streams vary in direct proportion to passenger volume, this is not the case for most of the airport cost items, many of which, as we know, remain fixed over a defined period. Furthermore, while revenues have been growing by 10 percent per annum, costs have been growing at the much slower rate of 7.1 percent over this same period.

These are important pointers; they suggest that as passenger volume grows to a certain limit, revenue will also grow without any substantial increase in operational cost. As a result, over the period 2002 to 2006, the surplus grew by an average annual rate of 16

percent per annum. Assuming prices and cost factors remain in stable proportion to each other, and assuming also that passenger volume continues to grow at the normal rate of 5 percent per annum, we can expect a surplus of revenue over expenditure of EC$7.5 million by December 2011, the year the international airport is expected to begin operations.

This scenario is the projection of a trend borne out by actual numbers. In all likelihood, the surplus from airport operations would exceed EC$7.5 million, as developments in Canouan heighten and activity at the airport takes off, new hotels at Buccament and Orange Hill begin operations, and planned investments at Mount Wynne and Bequia materialize. All these developments will generate traffic at the airports, as more visitors arrive on our shores.

The point of all of this is that, by the time the Argyle International Airport begins operation, the number of passengers passing through the airports would have risen to a level to generate a substantial amount of revenue, which could be applied to meeting the higher cost of operation of all airports, including the new Argyle International Airport. There would also be higher income from operations of duty free shops and restaurants in the airport, parking in the car parks, and from sale of Jet fuel, which constitutes a large income stream for most airports.

There are also other likely sources of new revenues. Government may bolster the airport revenue stream by raising airport fees and charges. At present, St Vincent and the Grenadines is collecting only US$8.50 per passenger at our airports. It is widely accepted that a competitive fee is US$20 per passenger. In fact, our fee structure is somewhere at the lower end of the fee chart in the Eastern and Southern Caribbean, where most of the airports charge fees in excess of US$20 per passenger. But this situation is good; it presents St Vincent and the Grenadines with some room to raise fees and still remain competitive in the region.

Furthermore, government's policy decision to attract an experienced airport operator, which is expected to take a small equity stake in the Argyle International Airport, will also undoubtedly add to the likelihood of success of the airports' operations and their maintenance.

Finally, since the government's revenue base is likely to be larger in future as a result of new investments in the hospitality industry and an expansion of business activity all of which are spin offs from the new airport government could justifiably divert some of its new tax revenues to support airport operations, if that need ever arises.

We should not fear the future. We need only plan to deal with it creatively.