

International Terminal Opening

Brisbane Airport

Wednesday November 26th 2008

Final draft

Powerpoint file is at www.HaHaHa.com.au/scripts/BAC/BAC_powerpoint.pdf

Introduction

Ladies and gentlemen, as you know there is more to this BAC expansion than meets the eye. While there are some very obvious activities going on with construction workers and subcontractors putting the pieces together, behind the scenes there we are constantly looking the overall concept and how to anticipate the future.

We rely on many outside consultants from all over the world and today we are very fortunate to have with us a man who has been instrumental in helping the BAC board move in the right direction.

He is going to give us a peek into airport trends. Will you please welcome all the way from the United States Mr Frank Raudski.

[**SLIDE**] Thank you for that kind introduction Jim and thanks to y'all for having me back in Australia.

[**SLIDE**] Yes, my name is Frank Raudski and I am an [**SLIDE**] expert in pre flight customer experience and I am delighted to be here at the opening of the new facility at Brisbane Airport. [**SLIDE BAC logo**]

[**SLIDE Australia**] I don't get to Australia as often as I would like but I always get really excited when I am coming "down under" [**SLIDE FLIP MAP**] I just love that word "down under" not that I feel like my home town of Wichita, Kansas is "up over".

Australia is so exciting, it is like being one of the original pioneers and no matter where I am in the world I always try to act like a local so in Australia [**SLIDE**] "geeday".

[**SLIDE**] At Air Capital Consulting we specialize in working with airports on the pre flight customer experience. The company name came from my home town of [**SLIDE**] Wichita Kansas which is pretty much in the center of the United States and is known as the [**SLIDE**] "Air Capital of the World".

Wichita has a long association with flight because it is the original home of [**SLIDE**] Clyde Cessna, [**SLIDE**] Walter Beech and [**SLIDE**] Orson Boeing. They started their companies back in the early 1900s but they are still there in Wichita today. [**SLIDE CESSNA FACTORY**] Cessna and Hawker Beechcraft have their main factories in Wichita, so do Learjet and Spirit AeroSystems, and both Airbus and Boeing maintain a workforce in the city. How important is this to our economy and the industry? Well, in 2006 Wichita manufacturers Beechcraft, Learjet and Cessna [**SLIDE**] delivered 42 percent of all general aviation aircraft produced worldwide.

When Clyde, Walter or Orson were tinkering with the early versions of their aircraft I doubt they would have had any inkling that airports would [**SLIDE JACK**] become what my mentor and friend Professor Jack KASARDA has dubbed [**SLIDE**] an "aerotropolis". I think a number of you know Jack. He certainly told me good things about this place before I came out here the first time. [**SLIDE**] He's a wonderful man but I do find it disconcerting the way he looks off into the distance when he talks to you.

[**SLIDE sign**] Airports have traditionally and are often still viewed as places where aircraft operate and passengers and cargo come and go. The very reason we are here today is because this outdated [**SLIDE**] understanding is rapidly changing. It is giving way to a broader, more encompassing model which recognizes the fact that

along with their core aeronautical infrastructure and services, nowadays virtually all major airports have incorporated a wide variety of facilities and services that have nothing to do with the aeronautical industry. I am sure that most of you don't regard yourself as part of that industry despite being closely tied to it.

[**SLIDE logo**] Ladies and gentlemen the opening of this new facility at your wonderful Brisbane airport along with the massive infrastructure being undertaken in the area has made this airport into one of the potentially leading aerotropolises of the world.

You are part of a future in which airports will shape business location and urban development in the 21st century as [**SLIDE**] much as highways did in the 20th century, [**SLIDE**] railroads in the 19th and [**SLIDE**] seaports in the 18th.

[**SLIDE**] Aerotropolises are powerful engines of local economic development, attracting air-commerce-linked businesses to the land surrounding major airports, not unlike the function of the central business district in the downtown area of major cities.

[**SLIDE**] Let me use Los Angeles airport as an example [**SLIDE**] During 2006 an average transoceanic flight travelling round-trip from LAX every day for a year [**SLIDE**] added \$623 million in economic output and sustained [**SLIDE**] 3120 direct and indirect jobs in Southern California with [**SLIDE**] \$136 million in wages. The economic output, jobs and wages come from four sources that I am sure are represented here by all of you: [**SLIDE**] the production and transportation of freight exports carried in the plane, the transportation of imports, [**SLIDE**] the operation of the airport itself, [**SLIDE**] and the purchases made by international visitors on the flights.

[**SLIDE**]. These figures are a couple of years old but even so they are impressive. LAX is responsible for 400,000 jobs in the 5 county Los Angeles region. This means that [**SLIDE**] 5% of jobs in LA country are tied to the airport. So, how much economic activity would that generate? [**SLIDE**] only \$US82billion a year [**SLIDE**] which equates to \$9.3 million per hour.

[**SLIDE big business**] All this translates into airports being big business and vital parts of the local economy. This is great news because it means that there will be steady growth in infrastructure as the corporate world attempts to capitalize on a growth sector that has only been identified recently.

I'll bet that if I took survey tonight I would find people from a wide range of interconnected industries. The one thing you have in common, apart from wanting a free drink, is that you have the [**SLIDE**] foresight to tie yourselves to the future of the Brisbane Airport Aerotropolis. The same sort of thing is happening all over the

word where industries that rely on proximity to airports are benefiting from this new strategy. [SLIDE] Generally we find that the mix of businesses includes time-sensitive manufacturing, e-commerce fulfillment, telecommunications and logistics; hotels, retail outlets, entertainment complexes and exhibition centers; and offices for business people who travel frequently by air or engage in global commerce – [SLIDE **computer on knees**] these people don't want to do business in the lounge with a computer on their knees, they want decent facilities and this is a huge untapped market. The bottom line is that are all part of this aerotropolis and for that I congratulate you.

[SLIDE] You have taken the leap so let's look at the future of the aerotropolis in these uncertain financial times and I also want to share with you some of the ideas I have implemented in airports around the world, and which I also proposed for this new facility, some of which were included, some not due to budgets [BITTER] and other practicalities...

Don't get me wrong.... I'm not bitter that these concepts were omitted, however I do believe that in the future, history will show that my vision was on target and leaving out my ideas will be regretted.

[SLIDE **graph**] Brisbane Airport Corporation has had a fantastic year with a 23% rise in profits to \$91.6 million dollars – I assume that is Australian dollars...\$91.6 million dollars ? Right now it is worth about US two dollars fifty. [SLIDE \$\$] On the other hand it is great bringing the greenback here right now. [SLIDE **terminal**] BAC's growth has enabled projects such as this three hundred and fifty million dollar expansion to take place.

On the other hand some decisions need to be made/ Like any corporation looking to finance a big project right now the cost of funding has become major issue. Part of why I am out here is to help make a decision on whether the proposed expansion of the domestic terminal and construction of the new parallel runway are still feasible.

As well as credit drying up [SLIDE] the next year is looking bleak with a projected fall in passenger numbers on the back of recent figures which show a [SLIDE] fall in Asia and the Southwest Pacific region of almost 18% in September.

[SLIDE] Yes, you can blame it all on the GFCMDEC – that's the [SLIDE] Global [SLIDE] Financial [SLIDE] Calamity [SLIDE] Meltdown [SLIDE] Disaster [SLIDE] Emergency [SLIDE] Crisis.

[SLIDE **china air**] I say to heck the statistics. With air traffic slowing and the economy in crisis this is even more reason to expand the aerotropolis , its like buying at the bottom of the market – It's time to make this place a retail destination as well as a holiday destination.

[**SLIDE shops**] I have been a long time advocate of this trend – instead of this being an airport with some shopping, the shift has to be made so that it is perceived as one of the best shopping centres that also has excellent security - though the parking is a bit expensive.

To their credit, BAC has listened to what I have to say (and why wouldn't they) and have incorporated all the latest aerotropolis trends with an expanded retail sector. But here's where opportunities still exist to elevate this airport to truly international standards. I would like to show you what could have been and to do this I'll use some real world examples.

Let's be honest..... We all know that we are here tonight because we are part of an industry that appreciates that with [**SLIDE**] departing passengers we effectively have a captive audience. That's why we create a retail environment that encourages them to [**SLIDE duty free**] spend the last of their local currency on what they believe is a good duty free deal.

[**SLIDE**] But now we have a problem in that the spread of wireless internet on either a computer or a phone, enables the people we are relying on to part with their cash, to do comparison shopping on the internet to see if they can do better on ebay or their local retailer. They are even brazen enough to do it in the stores and then try to haggle a deal. [**SLIDE sheep**] Where do they think they are? Bagdad?

[**SLIDE**] I suggested to the BAC that they consider blocking internet and cell phone access but it was felt that the publicity backlash would have been embarrassing. What a soft attitude, if the USA can make it through [**SLIDE**] George W Bush with our credibility intact you can get through a little negative publicity at an airport..

[**SLIDE logo**] Since my contract with BAC was still in place I thought I had better come up with an idea to justify my exorbitant fees and here's my brilliant idea.

[**SLIDE**] Brisbane airport must shift its retail focus and start to provide services that are time sensitive and appeal to the [**SLIDE**] impulse buyer more than stuffed koala bears and chocolate covered macadamias.

[**SLIDE narita**] You can base it on what I suggested and was implemented recently at Narita International Airport in Japan. I was at Narita recently and I dropped a tray with \$150 of food on it, two donuts and a coke. Since Japan has the highest mobile internet penetration in the world, airport management took my advice and rethought the retail model. With my help have introduced some truly innovative and I might add typically Japanese, services.

What is one of the biggest frustrations of air travellers nowadays? **[SLIDE checkin]** I think we all know it is the need to arrive at the airport so early when check-in proceeds quite quickly and they are left sitting on their butts waiting for their flight to leave. **[SLIDE waiting]** Given that their carry on luggage is already loaded up, not all of them are going to want to buy products so Narita airport has introduced some cutting edge services instead.

[SLIDE massage] What better way to unwind and relax before a long and stressful flight than by dropping into the Venus Massage parlour. They originally wanted to name it after another planet, the Uranus massage parlour but I explained that it didn't quite work in English. **[SLIDE]** Conveniently located adjacent to gate 69 this unique service can truly say that they ensure that customers are coming and going at the same time.

And for the ladies? **[SLIDE]** There is the Hello Kitty cosmetic surgery clinic where they can do a full facial botox treatment duty free. We have encountered one problem. **[SLIDE before]** People who arrive at the airport and have this done no longer **[SLIDE after]** look like their passport photos.

[SLIDE] These are innovative ideas that will create new spending opportunities for international travellers.

[SLIDE Koen] As you may know, Koen Rooijmans the CEO of Brisbane Airport Corporation is from the Netherlands, and Amsterdam Airport is a key shareholder.

In our design workshops, the Dutch actually offered a very good suggestion. Given how anxious a lot of people are before they fly, **[SLIDE]** it was proposed that BAC set up an Amsterdam style coffee shop precinct in the airport. Unfortunately it was vetoed by CASA, apparently there is a limit to how high you can fly.

[SLIDE] That's it folks, I'm Frank Raudski, that's the best I can offer. Brisbane it's up to you whether you go for it. Thank you.