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DAVID DAPICE
NGUYEN XUAN THANH

LONG THANH OR TAN SON NHAT AIRPORT: BUILD NEW OR EXPAND?

Study Questions

1. How accurately can one predict future demand for airport use? What are likely upper and lower bounds for these estimates? Does one's margin of error increase or decrease as the year to be estimated moves from 2010 to 2020 or later? Is extrapolation a good method to predict? If not that, what other methods could you suggest?
2. Assume that TSN could build two more terminals like the one that will open in 2006 for \$500 million, and that these three new terminals would serve 25-30 million passengers. How long would this solution last? Should demand beyond 30 million (or some other level) be moved to a new airport in Dong Nai or should a Changi-size terminal be considered in any expansion? For example, the new Changi terminal to open in 2008 will cost \$900 million but cover 350,000 square meters and handle 20 million passengers a year. Is that feasible for TSN?
3. How does one analyze the costs of having a major airport so close to the city center? There are many such airports (National in Washington DC, Logan in Boston, and Haneda in Tokyo). How should issues of noise, land use, and urban land values be weighed against the use of land for new roads to Dong Nai, the increased traffic and pollution with two airports, and the cost of infrastructure to bring millions of visitors in from a greater distance. (Assume a subway will be built to TSN, as is already planned. Road improvements to TSN have also already been made.)
4. In an ideal world, WHO should decide if a new airport should be built? Should it be the airlines? The national government? The Southern Airport Authority? The provinces concerned? What incentives do each of these groups have to make the best decision? Who will ultimately be responsible for repaying the debt, and will those same people be the ones making the investment decision or not?
5. Is your analysis or answer to the question of what to do different if there is financing of 8-10% a year from commercial borrowing vs. 1-3% a year from soft ODA loans?