

Study on the Economic Impacts of the New International Airport Construction on the Regional Development in Laos

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1. Introduction

Laos is Land-Locked country with total population of 5, 6 million (2003 Census). The average annual growth rate is (between 1985 and 1995) 2.5 per cent per year. Vientiane capital is the capital of the country with 650,000 inhabitants. The population density ranks from 10.5 to 166 people per kilometer.

As the fact that Laos is preparing to shift from the Least Developed Country to the Developing and Modernized Country by the year 2020; and now Lao Government is calling for all economic sectors to improve and expand their products to international markets. The key factor that distributes local products to the markets is transportation. However, since the markets are not only in the same region, but also in other regions. Therefore, transportation will play an important role towards economic achievements. Considering to this context, recently Laos Government has proposed the idea to construct the new International Airport which will be in the Vientiane Capital, 25 km from city center where is accessible from the national high which runs from the North to South.

This project is a huge project which will use enormous capital; however, now, the benefits apart from having the capacity to connect directly with other third countries haven't been studied. What is the real impact from this project towards the local and regional economic development? Who will benefit from it? How it distributes to the society and other economic activities? Is it really reasonable to invest? Considering to these issues, the study on the impact of the New International Airport on Regional Development in Laos will be conducted as my master thesis.

2. Purpose of the study

The purpose of the study is to determine and express the contribution which this enormous piece of infrastructure will bring to the local, regional and national economy in terms of employment generation, income generation, and industry and related business generation. This study will also present the range of the airport's impacts, and propose some measurements and strategies towards the operating process in order to encourage more positive impacts. Supplementary, the study will touch upon the impacts on the social affairs and environment). The result of the study will be proposed to the Lao Government (ministry of Communication, Transportation, Post and Construction; State Planning

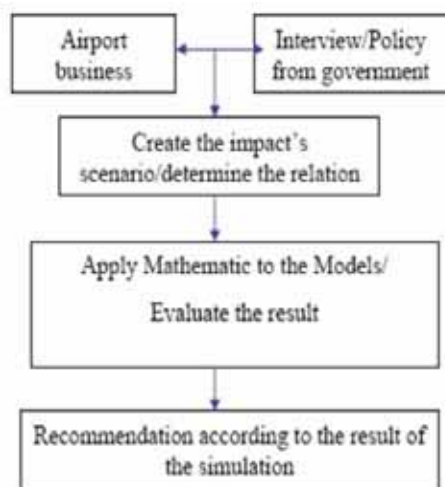


Fig.1 Study Process

Committee; Lao Aviation; and other organization who will response directly to the project) in order to confirm about the advantages and disadvantages of the project in economic development.

3. Study methodology and steps

In order to approach the achievements, the study will focus on 4 impacts: direct impacts, indirect impacts, induced impacts, and attached impacts; and in each impact, employment generation, income generation and industry and related business generation will be emphasized. As it is the new and it is conceptual project, the impacts are unclear and as well as inadequate information; therefore, in order to achieve the targets, the study will be preceded in 5 main steps.

(1) First Step:

Key words : job creation, income creation, and industry and related business creation

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As the result of fact that it is the new project and it is still in the conceptual condition, therefore, to study its impact effectively and realizably, at first stage, broad census of the existing airport industry and related business will be completely determined the extend types of industry and related industry and related business activity and employment, which have close relations with the airport. In addition, their future plans and strategies of those activities will be taken into account and combined with the second steps in order to build up the scenario in the third step.

(2) Second Step:

At this stage, the various policies of the government towards the regional and national economic development will be studied in order to extract the future trends of economic activities which relate directly and indirectly to the airport (international relations, agriculture, industry, tourism, service, communication, transportation and so on).

(3) Third Step:

After we have the concrete fundamental information about the existing related industry and related industry and related business activities and the future economic trends from the first and second steps, the next step is to create the scenario for the future impacts and arrange them in to four types of impacts: direct impacts, indirect impacts, induced impacts and attached impacts. After we have arranged the levels of impact according, the next step is to determine the interrelations among the activities (impacts) together with creation of simulation model.

(4) Fourth Step:

Determine mathematics model according to their relations to simulate each impact and the final impact. We also will check whether the models correspond to the scenario and the relation from the third step. After we have the responded models, the next stage is to calculate the impacts. The final

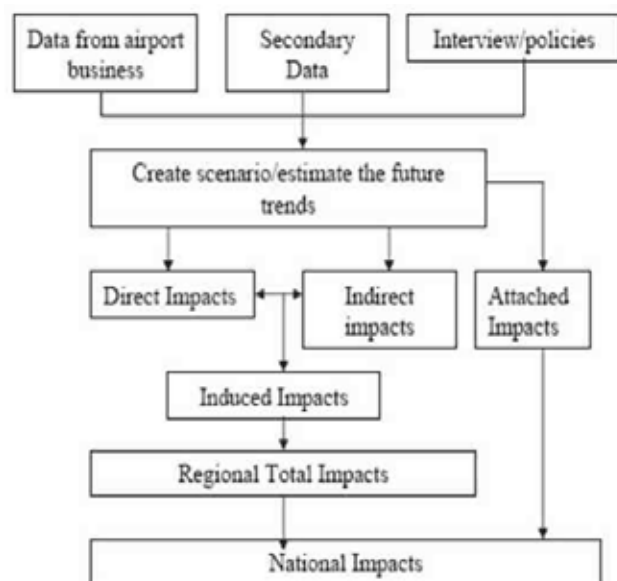


Fig.2 Fundamental Concept Impact of Airport

impact will be determined by summation of all impacts. Each impact will be emphasized on job generation, income from wages, and, industry and related industry and related business from sales.

The total impact = Direct Impact + Indirect Impact + Induced Impact + Attached Impact

- a) *Direct impact = Airport + State Government + Local government + Transportation + Service*
- b) *Indirect impact = Hotel + Eating and Drinking + Entertainment + Retail + Service + Transport*
- c) *Induced impacts = Airport Public Revenue + Sale Tax + Property Tax + Personal Income Tax*
- d) *Attached impact*

(5) Fifth Step:

The findings of this study will indicate the extent and magnitude of the economic impact of Vientiane International Airport at the regional, state and national levels. A well-functioning airport, with the support of government and solid long-term planning, has and will continue to provide enormous benefits to all stakeholders in terms of employment generation and production.

4. Conclusion

To ensure that the airport will distribute only the positive impacts as well as all related economic activities will run smoothly, some measurements and actions will be proposed to Regional and National Government in order to make sure that the airport will distribute sustainable development to the related economic activities. Monitoring measures on the development around the airport, in the other hand, will be proposed to ensure that urban growth in the area remains sympathetic to the airport's long term interests. Finally, supporting measure will be proposed to ensure that it will contribute benefits to other domestic airports in the country. This planning analysis for the economic impact study discussed here is being implemented and the result of analysis will be announced in the congress.