

feather consulting

Economics, research & strategy

iPothesis©: The Desktop Forecast Validation Tool

A new approach to reviewing airport forecasts



For further details contact
Frank Elder

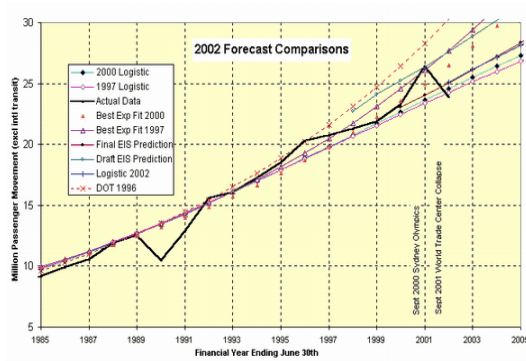
Tel: +44 161 718 5808



A new desk-top role modelling technique iPothesis© is now available at the heart of all our forecast methodologies. It brings a significant power to the benefit of our Clients. This innovative modelling framework presents a new way of validating traffic projections. The product developed in-house allows us to take a fresh look at our forecasts and assess their accuracy and comparability.

Most airport passenger forecasts are prepared as part of some form of periodic planning. (e.g. Budgeting, Financial Modelling or Master planning etc.). They can vary in complexity and degree of accuracy depending upon their final use. At the simplest level airports have to provide annual forecasts as part of the normal budgetary processes. These are often straightforward mathematical estimations of traffic based on the proposed schedule and aircraft frequencies.

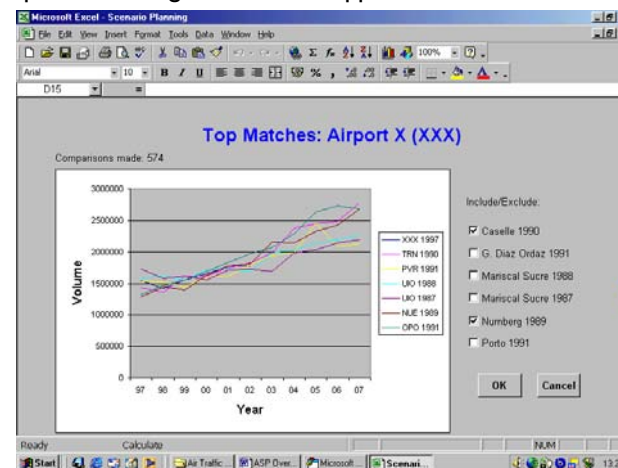
Longer-term planning however, particularly when applied to investment decisions or as part of a broader master planning exercise, requires a more involved approach because the range of



Typical Forecast Complexity

possible outcomes is greater. Providing solutions that are both reliable and accurate is acutely challenging when the evaluation period may be as much as 30-years into the future.

Often this can be addressed by taking a more scenario or option based approach allowing the risk of each alternative to be appraised. However the key problem presented, regardless of the approach is to test how



valid is a particular forecast option or scenario: how realistic is it to suggest that traffic will grow in such a way, so strongly or at a particular rate of growth.

One possible approach is to look at historical precedent for examples of similar traffic development. This is exactly what iPothesis© does to test the validity of a forecast.

Using historical data for over 600 airports around the

3 Step- Method:

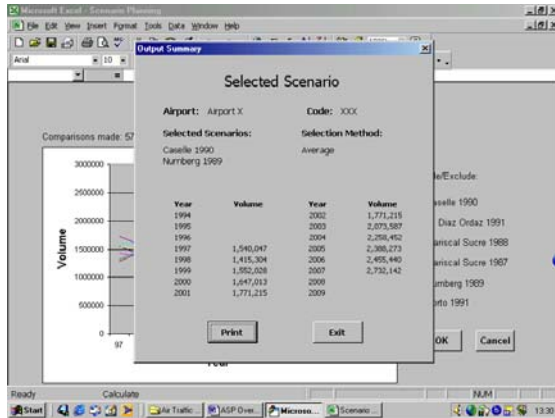
Step 1 - Enter historical passenger volumes

Step 2 Run iPothesis©

Step 3 - Select best match,

Output -

The user's selected airport(s) or combination thereof are used by iPothesis© to provide a screen showing the potential growth pattern.



world iPothesis© compares an airport's recent growth to the growth pattern of all the other airports. The model identifies other airports whose past growth (at some stage) mirrored that of the airport under consideration and examines how the "matching" airports' growth developed over time with the best matches are displayed on screen.

It is then decided which of the airports presented can be regarded as comparable, or could reasonably be adopted as a benchmark. Judgement and interpretation of a "good" matching result are then used to obtain growth patterns that occurred at these similar airports in history. iPothesis© generates an equivalent forecast from this data and this is used to compare with actual forecasts prepared.

As a result a validation of a new forecast is now possible. iPothesis© allows us compare the results with forecast traffic volumes and, importantly, helps identify airports of similar profile. This can be exceedingly useful at a key point in the development of a forecast.

It opens up a whole host of potential new applications allowing us to investigate where will an

A New Analytical Approach

airport be, in say traffic and development terms, in years to come. In this way it may be possible for example to identify airports as potential role models and investigate those airports' approaches to concession management, facilities development, peak-hour congestion solutions or even financial performance.

Importantly the use of iPothesis© can be seen as an instrument in process



Potential Consensus Approach to Forecasting

management with intervention modified by the results of the modelling. Using the tool as a developmental model it is possible to design a whole new consensus approach to traffic forecasting.

Contributions could be orchestrated against "what-if" sensitivities and ideas tested against potential scenarios as

iPothesis©

they are formulated. This fast track approach would compliment the rigorous analytical research of our usual forecasting methods offering the potential to derive much clearer perspectives for our clients. Importantly it allows a wide variety of stakeholders from airport management to investors to appreciate the potential of their airport and help formulate new analytical approaches to expansion

Using the iPothesis© tool, exclusive to Feather Consulting, it is possible to look more closely at traffic development and reinforce development scenarios in a way that previously would not have been possible without extensive time-consuming research. This offers potential to unlock real competitive advantage for our clients. It does not serve to circumvent the essential analytical methods at the heart of any forecast, but aims to reinforce perspectives and generate greater confidence in traffic projections.

feather consulting

For further details contact
Frank Elder

61, Sylvan Avenue
Timperley
Altrincham
Cheshire

Phone/Fax: +44 161 718 5808
Email: frank@featherconsulting.co.uk