Brazilian Airport Infrastructure: analysis using the Monte Carlo Simulation and Multiple Regressions

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Abstract:

The airport infrastructure is a polemic and controversial theme with innumerable opportunities to be explored. The study between the GDP, demands growth and costs is a Brazilian national interest. Studies about the airport infrastructure have been conducted worldly, as well as qualitative and quantitative methods. After a literature review it is possible to determine an inexistence texts correlation airport infrastructure with Monte Carlo Simulation and Multiple Regressions, the stimulus for this text. The methodology presented is quantitative, using data and the respective treatment with Monte Carlo simulation, Multiple Regressions and specialized systems. Brazilian airport infrastructure are the focus of this paper, with a generate results for the long term simulation, considering the period of 2010-2017, the same as the strategic Brazilian government plan to the airport sector.

Key-words: Brazilian Airport infrastructure. Monte Carlo Simulation. Multiple Regressions.

1. Introduction

The airport infrastructure is a polemic and controversial theme, with serious functional bottlenecks and with innumerable opportunities to be explored, TADEU (2009). The study that is being analyzed is of national interest, when the demand’s growth is observed, in consonance with the restriction of terminals and air traffic supervision. At the same time, there is a growing interest for the operations within the Brazilian territory, which is one of the markets with the highest expansion rates in all of the world (10% per year), according to the IATA (2010).

Studies about the airport infrastructure have been conducted worldly, with analysis involving new distinct operational and metric conceptions, being possible to quote an isolated performance or in partnership by private companies and government, in the management of passengers’ terminals, according to TADEU, TASSO et. al (2010), as well as the studies of qualitative nature that were elaborate by GILLEN (2009 and 2006) and BUTTON (2003) and also the quantitative studies of specific aspects, quoting CHARNES, COOPER and RHOEDES (2007), PRODIFILLIDIS (2000) and VREEKER, NIJKAMP and WELLE (2002). The technical elegance of these studies is quite evident, which use recent data, being a combination of estimates and advanced modeling.

Due to the importance of the theme, it is possible to notice the growing relevance of modern management, as basic functions for the airport sector’s growth. However, to reach excellence in airport management, the special interest of this study is in the analysis of data that involves economical and infrastructure data. In a recent paper, TADEU (2009) presents a strategic analysis of the sector, focusing the International Airport Tancredo Neves, with the basic requirements to explore this knowledge in national scale.

Therefore, this study has as objectives to present and analyze references about (1) economic performance, (2) airport infrastructure, (3) Monte Carlo Simulation, (4) Multiple Regressions and (5) mathematical modeling to adopt a quantitative methodology, viewing the development of a long term scenario and identifying the critical knowledge for airport management.
2. Methodology

The research method adopted is bibliographic in nature, using quantitative tools to analysis the using data. To begin with databases were use to retrieve articles on the “Brazilian airport infrastructure”, “Monte Carlo Simulation” and “Multiple Regressions”. Search results showed different papers and applications. So it was necessary to expand the research to retrieve more papers discussing the concepts of the proposal paper. The strategy each included theses sources was:

- University of British Columbia digital library resources;
- Sauder School of Business digital library resources;
- Fundação Dom Cabral digital library resources;
- Centro Universitário UNA digital library resources;
- e-journals containing “airport infrastructure”, “brazilian airport infrastructure”, “Monte Carlo Simulation” and “Multiple Regressions” in their titles;
- Google Academic – searching for material not previously published in the form of journal papers.

This expanded search strategy resulted in a corpus of papers, dissertations and books that constituted the study’s database. The time-span covers papers published from 1989 to 2010 and the authors were academics and practitioners from many different countries in the world.

PATTON (2002) suggested that quantitative data analyses should occur in three activities: data search, data analyses and conclusion. All the data analyses were created using RiskSim, a software to construct and analyses complex problems.

3. Literature Review

TADEU (2010) proposed a quantitative and integrated mapping about the airport infrastructure, based on studies that were concluded about the economical development and the transport matrix, involving passengers and cargo, using long term scenarios through the Monte Carlo simulation and Multiple Regressions. This mathematical modeling has been improved through studies that are directed to the airport sector, as an open and comprehensive mathematical form, starting from the data collection, its interpretation and solution proposals. Hence it is a dynamic model, for a unifying action between the economical performance and the transport sector.

As quoted before, the proposed mathematical modeling is “integrated” and it is formed by the following phases: (i) the economical performance’s analysis, as a strategic conception about the national performance; (ii) analysis of the airport infrastructure’s, as a capacitating condition; (iii) the use of mathematical modeling, expressed by the Monte Carlo simulation and (iv) multiple regressions to identify the most important criteria decision. All the phases are described below:

3.1. Analysis of the Economical Performance

For MANKIW (1999), the GDP is a value generated in a geo-economic space, due to a time interval. This is the most important economical data to evaluate the growth or not of a country. Consequently, estimating the participation of several different segments in
the GDP will determine their contribution in generating wealth, like the infrastructure airport. To measure its performance, there is the need to take into consideration the wealth generated by all of the economical agents and participants in the productive process, or evaluate the general population’s consumption, in search of goods and services that are offered by the market.

For the IPEA (2010), the form that is used to evaluate the GDP, is the result of the real GDP concept, being an evaluation of current prices, deflated from the economy’s price index, in order to find ideal values. However, other than the GDP’s data, it is recommended to evaluate for this study, the data from the airport infrastructure. It is through the inter-relation between the economic performance and the airport infrastructure that the mathematical modeling proposed previously emerges.

Graphic 1 presents the GDP’s evolution as an economical activity in the last years, which will be the first entry data for the modeling.

![Graphic 1 – Variation of the Gross Domestic Product (US$)](source: IPEA (2010))

It is possible to understand that historically, the national GDP had a vigorous behavior starting at the 90s, observing 1994, the year that Real Plan was implemented. So, with the GDP raise, more airport infrastructure will be usage, ANAC (2010). But how is the correlation between the GDP and airport infrastructure sector?

As a inducer of investments that were done in the last years, the government and private sectors have been allocating resources in infrastructure, according to Graphic 2, but with low rates of investment in transport, and especially for airports, BNDES (2010).
3.2. Analysis of Airport Infrastructure

The airport infrastructure’s evaluation takes into consideration the national, international demand and operational costs, according to LACERDA (2003). It is possible to verify the increase demand and that the cost related to the airport modal are the largest in the Brazilian transport matrix, due to the expenditure with fuel, airport charges and the availability of cubature for the outflow of cargo, having also to take into account, the speed, consistency, availability and frequency.

However, the choice for a transport modal should be related to the infrastructure’s availability, observing the aggregated value to the national economy, BARAT (2007). In this case, FIGUEREIRO (2003) observes that:

“...the transport activity, the most important among the several logistic components, has increased its participation in the GDP, having grown from 3.7%, to 4.3% between 1985 and 1999. In 30 years, or in other words, between 1970 and 2000, the transport sector has grown about 400%, while the GDP growth was of 250%. This growth was strongly influenced by the Brazilian economy’s geographic decentralization in the last decades, especially in the direction of the Center-West, North and Northeast of the country.” (pg. 29).

In this case, the growth of the airport transport was not followed by the necessary investments to maintain the infrastructure, being possible to verify stagnation, especially in the Graphic 2.

For the WORLD BANK (2010), Brazil is in a worrying situation, taking into account the operational conditions of its airports, comparatively to countries like Holland, Germany, China and the United States, especially due to the inefficiency of the government expenditure. A solution would be to adopt a Government-Private Partnership and the concession model, according to the law 8,987/95 and 11,079/04, considering a technical and prioritized evaluation for short and long term investments.
Graphic 3 shows larger demand passenger traffic considering national and international routes for 2001 to 2009.

Graphic 3 – National and International Demand  
Source: ANAC (2010)

Graphic 4 presents the airport sector’s costs with a larger participation of expenditure with fuel, reaching a level of 30% of the sector’s companies’ revenue.

Graphic 4 – Costs of the Airport Companies  
Source: Coppead (2010)

*** Refers to Payment of Installments, Tax Expenses, and Public Services.

The data series that are now presented in the items 3.1 and 3.2 are used in item 4, being composed by the Mathematical Modeling and quantitative analysis associated in complementation.

3.3. Monte Carlo Simulation

After the economical performance and airport infrastructure data presentation it is important to evidence how to develop the scenario analyses with Monte Carlo Simulation. According to CHWIF (2006), a simulation is a process by means of
another, being a test, an experience and a rehearsal. In particular, the adopted simulation is classified as computational, with the help of specialized systems.

The objective of the simulation that is being studied is to find out which will be the airport infrastructure’s behavior in the long term, working with discreet events, that is, with a series of finite histories, but taking into consideration its mutation in the long term.

It is important to elucidate that the simulation has as its objective to foresee the system’s behavior and its variables, respecting the possibilities of error, possible adaptations, which should not be mistaken with the term “optimization”, for its focus is not in a single response, but in the analysis of scenarios and hypothesizes.

Especially the Monte Carlo Simulation, which is originated from the operational research, corresponding to the execution of numerical and experimental analysis, with the realization of the first studies that originate from the Second World War, to create the atomic bomb, according to SALIBY (1989).

For this study, the Monte Carlo Simulation is executed with the use of the RiskSim computational system, according with what was proposed by HILLER and LIEBERMAN (1995), helping in the construction and decision making of the statistic models to elaborate the scenarios.

Hence, the simulation is a structured process, with the intention of understanding the behavior of an experiment, according to the following steps: (i) describe the variables’ behavior that are being studied; (ii) build hypothesizes; (iii) use theories that have been published, especially, for the Monte Carlo Simulation and (iv) to do the necessary calculus, obtaining the distribution of probabilities and frequency graphics.


The inexistence texts between economic performance, airport infrastructure, Monte Carlo Simulation and Multiple Regression are the stimulus for this text.

Having discussed several applications, it is important to show the simplest model that deal with Monte Carlo Simulation and to use the RiskSim system. Equation 1 shows the arithmetic variables, to create correlations between data usage.
\[ \text{Var}(\bar{X}) = \text{Var}(X_1) + \text{Var}(X_2) + 2\text{Cov}(X_1, X_2) = \frac{\text{Var}(X)}{2}(1 + \rho) \]  \hspace{1cm} (01)

Equation 2 shows the control variables; evaluate the correlations in the analyses.

\[ \text{Var}(X - kY) = \text{Var}(x) + k^2\text{Var}(Y) - 2\text{Cov}(X, Y) \]  \hspace{1cm} (02)

Equation 3 consists in the probability distribution with the date usage, according to the random analyses.

\[ x_{h_i} = F^{-1}\left( \frac{1 - \text{Rand}_i}{n} \right) \]  \hspace{1cm} (03)

Finally, Equation 4, show the description values, focus on the scenario creation.

\[ x_{d_i} = F^{-1}\left( \frac{i - 0.5}{n} \right) \]  \hspace{1cm} (04)

All of these equations are usage with RiskSim system, available in the topic 3.3.1.

**3.3.1. RiskSim**

The analysis for the Monte Carlo Simulation should be generated by the RiskSim (available in a version for download in the site www.palidase.com), according to Figure 1 bellow, being a system that is easy to use and with the usage of the Excel, after its installation.
Figure 1 – RiskSim Example Working Window

Figure 2, explains the entrance procedures of the RiskSim’s data, with mathematical computational parameters shown in Table 1, by statistic calculus of the data that is being analyzed, including minimum, medium and maximum values, standard deviation and weights that were given by the decision maker, as a measure of central tendency.

Figure 2 – RiskSim Example Data Entrance

<table>
<thead>
<tr>
<th>Equation</th>
<th>Computational Parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>(01)</td>
<td>=Randnormal(MaxMin;Standdev)</td>
</tr>
<tr>
<td>(02)</td>
<td>=Randtriangular(Min;Medium;Max)</td>
</tr>
<tr>
<td>(03) and (04)</td>
<td>=Randdiscret(Min;Medium;Max) and Weights</td>
</tr>
</tbody>
</table>

Table 1 – RiskSim’s Computational Parameters

According to the Table 1, the equation (01) is introduced on the cell B4. Equation (02) on the cell B5 and equations (03) and (04) on the cell B6. After these steps it is important to use de RiskSim system to simulate the series in analyses.

All the components of this item are presented and discussed in details in the topic 4.
3.4. Multiple Regressions

To a complete Monte Carlo Simulation it is important to create correlations between the usage data. So, the proposal of this topic is to show the multiple regressions, as a simple model. Equation (05) shows the description of this model.

\[ Y_i = \beta_0 + \beta_1 X_{i1} + \beta_2 X_{i2} + \epsilon_i \]  

(05)

Assumes:

- \( Y_i \) is the problem answer;
- \( X_{i1} \) and \( X_{i2} \) are the studies variable;
- \( \beta_0, \beta_1, \beta_2 \) are the problem constants;
- \( \epsilon_i \) is the estimated error.

To create the multiple regressions it is possible to use Excel Software, HILLIER e LIEBERMAN (1995), to a better decision making process, like Figure 3.

Figure 3 – Excel Example Multiple Regressions

4. Mathematical Modeling

The applied simulation in the airport infrastructure is related to the nature of the data that were used, leading to a modeling process, with the necessity of expressed preferences in the distribution of the RiskSim probabilities, ADLER and GOLANY (2001).
For NELSON and YAMNITKY (1997), the entrance data are presented by an independent sequence, with the execution of approximations and possible estimations, in this case, represented by the economical behavior and by the series that are related to the airport transport.

As basic components to implement the Monte Carlo simulation, according to the topics 3.1, 3.2, 3.3 and 3.4, the most important are:

i) **Analysis to the Economic Performance**

The National GDP’s behavior is a basic variable to project scenarios for the airport infrastructure, having a relevant impact in the sector’s characteristics, which involve the aspects that are related to supply and demand.

Table 2 elucidates the result that was generated by the entrance data’s modeling, presented initially in Graphic 1, considering the maximum, minimum and measured risk values, according to item 3.3.1.

All the graphics generate are the result for the long term simulation, considering the period of 2010 – 2017, the same as the strategic Brazilian government plan to the airport sector, ANAC (2010).

<table>
<thead>
<tr>
<th>Criteria</th>
<th>GDP Max</th>
<th>GDP Min</th>
</tr>
</thead>
<tbody>
<tr>
<td>National GDP</td>
<td>1,489.3</td>
<td>1,314.2</td>
</tr>
<tr>
<td>Risk</td>
<td>95.09</td>
<td>85.54</td>
</tr>
</tbody>
</table>

Table 2 – Maximum and Minimum for the National GDP (US$)

Graphic 5 – Maximum National GDP (US$)
ii) Analyses of the National and International Demand

The National and International Demand show the volume of passengers in Brazil and the aspects of supply and demand.

Table 3 elucidates the result that was generated by the entrance data’s modeling, presented initially in Graphic 3, considering the maximum, minimum and measured risk values, according to item 3.3.1.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Demand Max</th>
<th>Demand Min</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand</td>
<td>174,364,289.777</td>
<td>71,293,403.103</td>
</tr>
<tr>
<td>Risk</td>
<td>10,533,158.852</td>
<td>11,064,233.340</td>
</tr>
</tbody>
</table>

Table 3 – Maximum and Minimum for the National and International Demand
iii) Analysis of the Airport Infrastructure

The analysis of the airport infrastructure includes the following data:
Considering the costs with personnel, exchange rates, fuel, business and others.

** The fuel’s cost represents, in average, 32% of the total costs.

Table 4 – Maximum and Minimum Results for the Cost of National Traffic (US$)

<table>
<thead>
<tr>
<th>Data</th>
<th>Max Costs</th>
<th>Min Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>200.1</td>
<td>198.1</td>
</tr>
<tr>
<td>Risk</td>
<td>0.46</td>
<td>0.18</td>
</tr>
</tbody>
</table>

According to the generate Graphics it is possible to conclude that GPD, demand and costs will have the raise possibility with a considerable impact at the Brazilian airport infrastructure. The next step consists in the Multiple Regressions with all the results of Monte Carlo Simulation and to understand probabilities to the sector.
iv) Multiple Regressions

The first steps consists in the aggregation data, represents in the Table 5. After this procedure the Excel software is using to solve the problem, considering the demand as the variable Y. The GDP and Cost as the variable X, in respect to the Equation (05).

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand</th>
<th>GDP</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>135,000,000,000 1,300</td>
<td>199</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>140,000,000,000 1,350</td>
<td>199.2</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>145,000,000,000 1,400</td>
<td>199.4</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>150,000,000,000 1,450</td>
<td>199.6</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>155,000,000,000 1,500</td>
<td>199.8</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>160,000,000,000 1,550</td>
<td>199.8</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>165,000,000,000 1,600</td>
<td>199.8</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>170,000,000,000 1,650</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>Maximum</td>
<td>170,000,000,000 1,650</td>
<td>200</td>
<td></td>
</tr>
</tbody>
</table>

Table 5 – Multiple Regressions with Maximum Values Aggregate

Figure 4 consists in the Multiple Regression Results after the Excel programming.

Figure 4 – Multiple Regressions with Maximum Values Results
Figure 5 – Probability Results

Table 6 – Multiple Regressions with Minimum Values Aggregate

Figure 6 consists in the Multiple Regression Results after the Excel programming.
To the Figures 5 and 6 it is possible to determinate an absolutely dependence to the airport infrastructure with GDP behavior. Exist a high possibility to the demand growth in correlation with economic raise and airport costs.

The Figure 8 shows the final results, after all the simulations.

<table>
<thead>
<tr>
<th>Analyses</th>
<th>Maximum</th>
<th>Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand</td>
<td>165,000,000,000</td>
<td>105,000,000,000</td>
</tr>
<tr>
<td>GDP</td>
<td>Rise</td>
<td>Rise</td>
</tr>
<tr>
<td>Costs</td>
<td>Rise</td>
<td>Rise</td>
</tr>
</tbody>
</table>
5. Conclusions

The objective of this study is to present an integrated quantitative modeling for the airport infrastructure, in function of the available GDP, demands growth and costs historical series, searching for knowledge and to identify critical processes. After a literature review a new methodology is proposed with Monte Carlo Simulation and Multiple Regressions focus on quantitative analyses.

According to the generate Graphics it is possible to conclude that GPD, demand and costs will have the raise possibility with a considerable impact at the Brazilian airport infrastructure. The Multiple Regressions identify an absolutely dependence to the airport infrastructure with GDP behavior. Exists a high possibility to the demand growth in correlation with economic raise and airport costs.

The recommendation is that new studies about airport infrastructure should be correlated with mathematical models and new data, in order to have more estimative and for an optimum strategic direction in the sector, considering the private participation.

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