



Price structure of European Airports



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Outline



1. Basic concept: Two simple questions

- Why has the price structure changed?
- Has it become more efficient?

2. Six factors for changes of price structures

2.1 Regulation

2.2 Capacity problems

2.3 Ownership

2.4 Competition among airports

2.5 Low Cost Carrier

2.6 Legal Changes

3. Period of research and sample of European Airports

4. Organization

Basic concept:



→ Two simple questions

- Has the structure of airport charges changed over the period of liberalization and privatisation of the EU transport market?
 - Has the structure changed and if so has it become more efficient?
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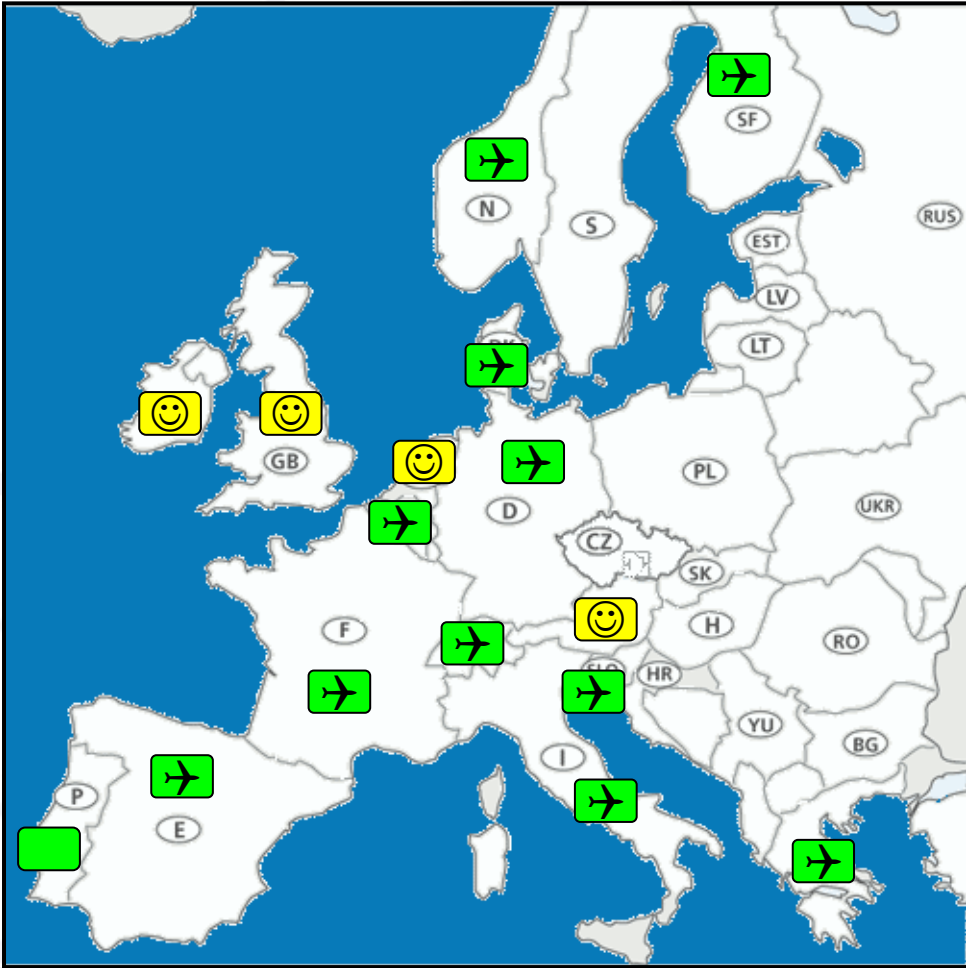
Six factors for change





→ Regulation

- Divers institutional structure
 - Cost based regulation is the typical form of regulation
 - Incentive regulation has been increasingly adopted for a number of airports (Gillen and Niemeier, 2008)
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Regulation of European Airports



 **Independent regulator** (all with user consultation)

 **User consultation** (but no independent regulator)

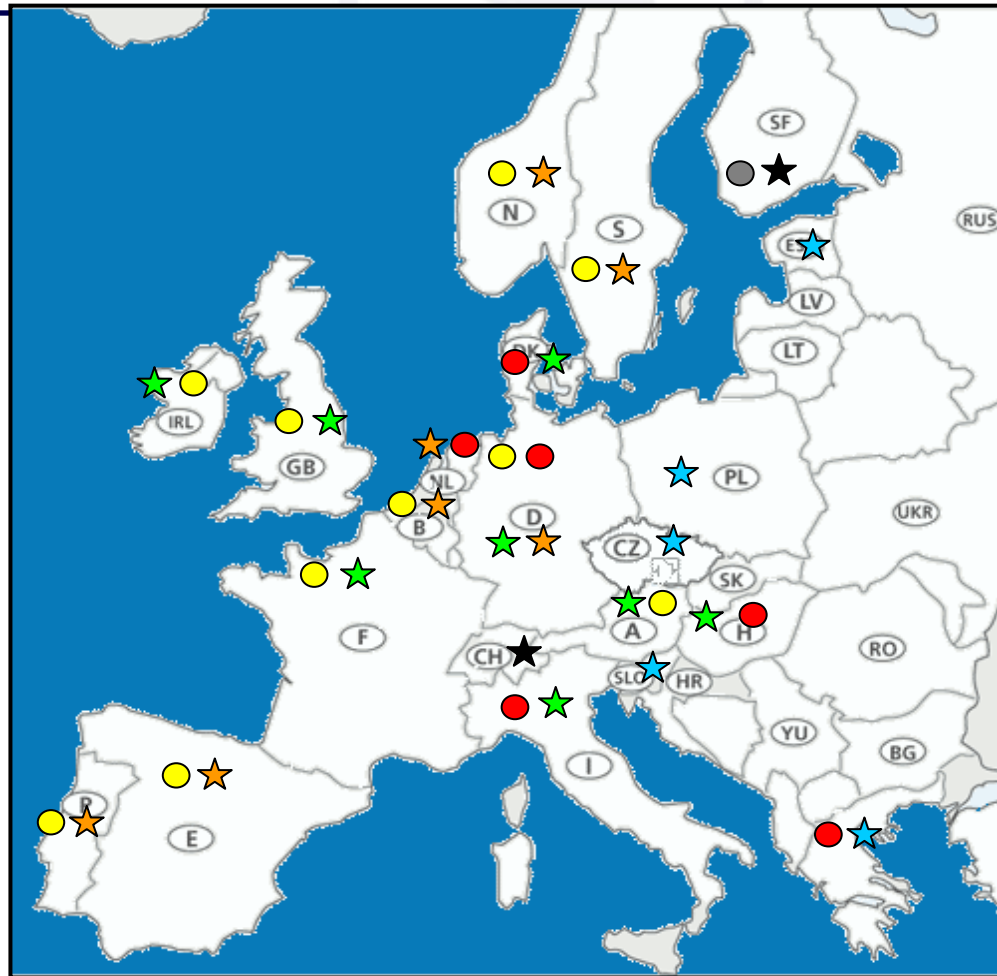
* User consultation at Malta International Airport

Airport Regulation



- Are airports regulated by institutions which guarantee a fair process?
 - Improved consultation, but in the vast majority of countries no independent regulator exists
 - Examples for lack of information:
 - 9.1 % share of Lufthansa in FRAPORT
 - Regulated asset base and rate of return not published for ADP
 - How low or high powered are the regulatory systems?
-

Type of Regulation at European Airports



- ★ Type of price cap
- ★ Charges set by airport
- ★ Cost plus regulation
- ★ No regulation

Single or dual till system

- Single till
- Dual till
- No till system

* Malta International Airport has a price cap and a dual till system in place.

Six factors for change



→ Regulation

- Cost based regulation: price structure based on historic costs
- Incentive regulation
 - does not regulate the structure of charges
 - sets incentives for a profit maximizing airport to change its price structure to increase traffic and revenues.

Six factors for change



→ Regulation

- Cost based regulation: price structure based on historic costs
 - Incentive regulation
 - does not regulate the structure of charges
 - profit maximizing airport changes its price structure to increase traffic and revenues
 - Airports
 - with cost recovery problem → Ramsey pricing structure,
 - airports with peak problems → adopt peak pricing and or a fixed movement charge
 - with excess demand → adopt fixed movement charges plus slot rationing
-

Six factors for change



→ Capacity problems.

- Welfare maximizing public airports and incentive regulated airports should change their pricing structure with higher utilization of capacity.
 - Cost-based regulated and traditional public airport will not change price structure.
 - Strong growth of demand → changes in the structure of charges
-

Six factors for change



→ Capacity problems.

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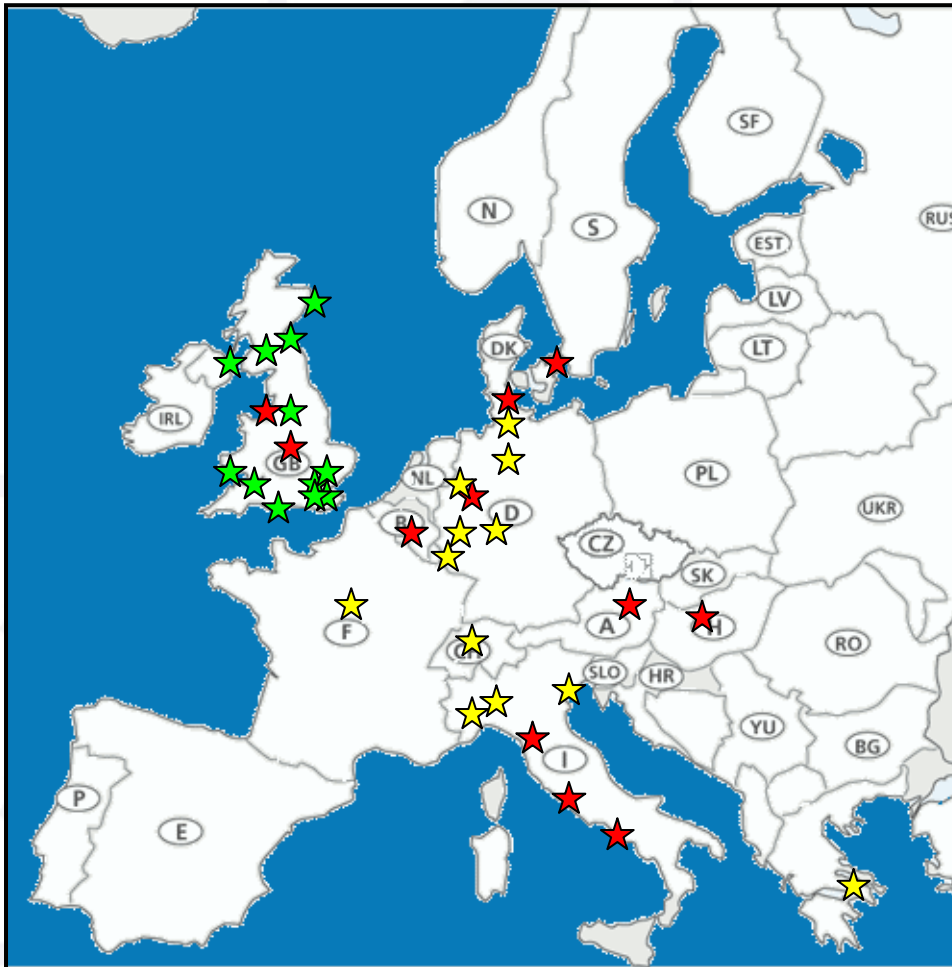
Six factors for change



→ Ownership.

- While in the UK most airports have been privatised in continental Europe most airports are still public or partially privatised often with a minority share (Gillen & Niemeier).
 - Airports are more commercialised than 20 years ago.
 - This factor should also lead to changes in the structure of airport charges
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Fully and partially privatized airports in Europe



- ★ Fully privatized airports
- ★ Partially privatized airports with a majority share
- ★ Partially privatized airports with a minority share

•Malta International Airport has been partially privatized as well (Minority share privatization)

Six factors for change



→ Ownership.

- The principal agent structure of airports has changed
 - Principals demand more revenue increasing behaviour of managers
 - Divers cause for changes in the structure of airport charges
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Six factors for change



- Competition among airports.
 - Increased competition among airports in Europe (Forsyth et.al, 2009)
 - Airports facing competition should have an incentive to secure market shares and profits by reshuffling their price structure.
 - Route development programmes
 - Long term contracts with airlines
 - Subsidies
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Six factors for change



→ Low Cost Carrier

- Changes of Airline-Airport relationship
 - Competition of primary and secondary airport
 - Long term contract with per passenger charge
 - Hahn airport has adopted a structure of charges that does not charge aircrafts of Ryan Air Competition among airports.
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Six factors for change



→ Legal Changes.

- EU-Law: starting and landing charges should not be differentiated between inland and other European countries.
- The liberalization of ground handling might have lead to changes in charges for example central infrastructure charge

Scope & period of research



- Period: 1990 to today.
- Sample of European Airports of GAP project data base on regulation and privatisation and technical data.
- Structure of airport charges:
 - Typical Aircrafts. Small medium and large aircrafts.
 - Has the German trend of variabilization happened in other European countries.
- Starting and landing charges.
 - Weight based or fixed
- Apron charges:
 - Time related or not
- Passenger charge:
 - Fixed charge or capped at certain load factor

Organisation



- GAB: Modul “product- and price differentiation” .. It is part of the
 - The Berlin and Bremen group should jointly collect the data.
 - Evaluate the data base of Boeing, TRL (now Jacobs) and RDC Aviation www.airportcharges.com
 - Cooperation with ADV and ACI?
 - Scientific partners:
 - Peter Forsyth, Monash University
 - David Gillen, UBC
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