

## Project Outline:

### Impact of charges regulation on regional airports: A comparative analysis between Germany and Austria

- (1) **Responsible:** Peter Schröder, Marius Barbu, Tolga Ulku
- (2) **Objective:** Highlight the importance of regulation for regional airports profitability, using a comparative analysis between two similar clusters of airports from two different countries: Austria and Germany.
- (3) **Design/Methodology/Approach:** Empirical financial data, from 1997 to 2005, was provided by ADV (German Airports Association). Traffic and physical capital data was taken from public sources. The airports were benchmarked using partial productivity indicators and profitability ratios. Information regarding the applicable regulation scheme was obtained directly from airports.
- (4) **Findings:** First, the research illustrates the higher profitability and better financial performance of Austrian airports. Next, it shows that the reason for higher revenues lies neither in better management nor in increased productivity of labor or capital; the airports from the two countries perform relatively the same regarding these measurements. Taking a further look, to the differences in regulation, we discover that Austrian airports benefit from a specific price cap regulation that allows them to increase the level of charges annually; thus having an incremental increase in revenues. A comparison between the processes of setting charges in the two countries will be also explored.
- (5) **Limitations/Implications:** The role of vertical integration and outsourcing was not considered, so far. Public authorities, using regulation as instrument, can contribute decisively to regional airports profitability. Market forces or internal factors, are not sufficient to alleviate the problems that regional airports face, by their nature.
- (6) **Status and further research:** At present, we are comparing the differences in regulation between the two countries and depict the possible implications. We shall try also to evaluate the different competitive environments, from Germany and Austria, regarding regional airports.

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