

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Montreal, 19 - 28 June 2000)

Agenda Item 1: Economic situation of airports, air navigation service providers and their financial relationships with air carriers and other users

Agenda Item 4: Determinants of the economic regulation of airports and air navigation services

OVERVIEW OF THE FINANCIAL SITUATION OF PROVIDERS OF AIRPORTS IN RELATION TO THAT OF AIR CARRIERS AND OTHER USERS

(Presented by the International Business Aviation Council)

SUMMARY

This paper characterises the financial relationships between the providers of airports, air carriers and other users. It recommends that ICAO undertake a study of measures which can be taken to ensure that business aviation can establish, maintain and preferably expand its access to airports.

1. Introduction

1.1 The purpose of this paper is to stimulate deliberations aimed at characterising the financial relationships that exist between the providers of airports and air carriers and other users. Of particular interest is the extent, if any, to which there may be differences in these relationships on the one hand for air carriers and, on the other hand, for other users.

2. Discussion

2.1 For those airports with a preponderance of air carrier movements aeronautical revenue from these movements will be dominant. A major portion of non-aeronautical revenues will also be indirectly attributable to passengers. Significant revenues may also derive from terminal space leased to air carriers. Consequently given this significant revenue base, such airports will understandably recognise air carriers as their major 'customer'. With increased emphasis on revenue generation, particularly with the advent of privatisation, other users such as business aviation whose contribution to aeronautical and non-aeronautical revenue is minor are vulnerable to economic disincentives as a de facto barrier to maintaining their access.

2.2 Airport runway capacity constraints can also have an impact on the relationships under consideration. Firstly, an air carrier can have resort to higher capacity aircraft. Secondly, air carrier alliances can offer relief. Thirdly, an air carrier's slots are a significant strategic, if not financial asset of that carrier. None of these three factors has relevance for other users e.g. business aviation.

2.3 Relations between airports and air carriers, directly and/or otherwise through air carrier trade associations, have been progressively established over many years and in some cases over several or more decades. Consultation on airport development, investment plans and user charges is the rule not the exception. Thus, the relations between airports and air carriers may be described as structured, mature and moreover characterised by a sound understanding that their respective businesses, financial interests and destiny are intrinsically related. This is particularly so in the case of the home base of an air carrier or when that carrier is the dominant operator.

2.4 In contrast, the relations between airports and other users e.g. business aviation is, with isolated exceptions, best described as embryonic rather than mature. This no doubt partly a reflection that business aviation is generally not regarded as a valued customer. Indeed, the genesis for business aviation collaboration and the subsequent perennial quest of business aviation organisations has related to preserving access to airports (as well as airspace). Such is not the hallmark of a valued customer!

2.5 Viewed from the perspective of an airport operator, the air carrier community is relatively homogenous, readily identifiable, including for the purposes of consultation, and has a tangible enterprise mission.

2.6 In contrast, business aviation as an other user can be perceived as non-homogenous, less readily identifiable and has yet to achieve recognition of the tangibility of its enterprise mission to the same extent as air carriers.

3. **Conclusions**

3.1 The financial relationships between airport providers and air carriers and other users differ in a number of significant respects.

3.2 The characteristics of these relationships manifest themselves directly and otherwise to an extent that other users i.e. business aviation will continue to press for equitable access to airports and for charges to be "assessed in a reasonable manner, having regard to the cost of the facilities needed and used and the goal of promoting the sound development of international civil aviation as a whole". (Ref ICAO Doc 9082/5)

3.3 The strength and depth of the financial relationships between airport providers and air carriers overwhelms that of other users e.g. business aviation. There is little prospect of economic and commercial market forces countervailing this situation. Indeed, they may further reinforce it.

4. **Action**

4.1 The Conference is invited to:

- a) note the above Conclusions; and
- b) recommend that ICAO undertake a study of the measures which can be taken to ensure that business aviation can establish, maintain and preferably expand its access to airports.

— END —