

NEWSLETTER **EAP** SEPTEMBER 2008

SUBSIDIES IN AVIATION ENCOURAGE BAD BUSINESS PRACTICES

Many see in such behaviors a form of protecting national interests. The airline and military sectors are perceived as part of the national security in countries such as the US or France.

The European Commission is trying to ban any kind of protectionism in civil aviation, yet with mixed results as is the case with Alitalia. In Germany financial support for small airports by city and state governments (Bundesländer) is the latest of a series in which local authorities prepare aid packages with the sole purpose of reviving economically weak areas.

A research paper by Deutsche Bank says that the federal government's airport policies are highly unproductive and flawed. It delegates the authority of planning, building or expanding existing or new airports to federal states, instead of co-ordinating measures to safeguard the proper use of taxpayer monies. Also, the closure of many military airbases and their conversion to civilian use leading to an over-crowded airport market is largely held responsible for the bad course the German (airport) landscape has been taking.

Today Germany takes reference to four airport categories classifying all airports according to their functions and attractiveness of their catchment areas.

Primary airports have a hub function (Munich and Frankfurt).

Secondary airports boast an attractive catchment area (Berlin, Cologne, Dusseldorf, Hamburg, Stuttgart) integrated into route networks of scheduled airlines with a wide range of flights to European destinations.

Tertiary airports include all other international gateways (Bremen, Dresden, Hanover, Leipzig, Munster, Nuremberg). In most cases they are integrated into the international air transport system.

Quartary airports are former military bases which are served by low-cost carriers.

Pace Airlines with the New York Rangers on board just seconds from touch-down.

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For one, a critical mass is absent at most regional airports. As a result, operators are cannibalizing each other for needed business through incentives largely paid for by the public treasury which in some instances is subsidizing airline operations. Deutsche Bank now calls for a coherent strategy on the hand of the federal government which ought to endorse a stop of misallocating public funds. Furthermore, it argues in favor of a policy defining the number of airports necessary to fulfill the purpose of connecting the country with Europe and worldwide.

Profitability is a top criterion which requires the critical mass of traffic between one and two million passengers annually at the least. Here again, only a few regional airports are able to generate this kind of volume. So, instead of pouring money into infrastructures at quartary airfields, public coffers ought to invest into highway or rail projects which enable people to get to those remaining airports fast. The paper sees in public-private financing models more efficient ways in supporting infrastructure works.

GERMAN TRAFFIC AT TERTIARY AIRPORTS (2007)

Airports Dep.	Arr.	Total	2006	in %	
Hannover	2,790	2,797	5,587	5,609	- 0
Basel EAP	n/a	n/a	4,237	3,985	+ 6
Nuremberg	2,110	2,120	4,230	4,001	+ 6
Frankfurt-Hahn	1,965	1,988	3,953	3,509	+ 13
Bremen	1,110	1,026	2,136	1,677	+ 27
Dortmund	0,988	0,991	1,979	1,958	+ 1
Leipzig	1,187	,0,908	1,811	2,128	- 15
Dresden	0,903	0,901	1,804	1,790	+ 1
Münster	0,783	0,772	1,555	1,502	+ 4
Paderborn	0,506	0,602	1,108	1,226	- 10
Karlsruhe-Baden	0,482	0,479	0,961	0,814	+ 18

(in million source BFS, Deutsche Statistik)

FRANCE has its own airport classification. 112 airports with commercial traffic are under the supervision of the DGAC Paris airports with (85), Nice (10), Marseille (7), Lyon (6), Toulouse (5), EAP (4) are passenger millionaires. The system is based on operating hours, runway length and width and capacities to provide emergency assistance (SSLIA: EAP Class A, SSLIA-category 9, Strasbourg Class B, SSLIA-category 8). Withdrawals from bases it no longer needs is on the agenda of the French military. Vatry and Chateauroux were the most prominent conversion projects in the 1990's.

Financing future airport projects is now in the hands of regional authorities. Following this decision the central state's role is that of a regulator. Public-private finance models with the support from Departements, municipalities and funds provided by airports, banks and consortiums of companies will be needed to ensure any airport's future. Thus, the critical mass is in any case dictating the ability to operate profitably. Strasbourg focuses on France and the EU-parliament whereas the EAP finds business in three countries. Both need a critical mass of at least two (Strasbourg) and 2.5 million passengers (EAP) per year. TGV-lines throughout France and into neighboring countries erode markets at airports which might force them to call for financial help from authorities. The EAP could reduce its financial debt sheet in the past and decided that its debts must be pushed below the 100 million € mark in order to finance the day-to-day operation and to remain in a position to invest into vital areas such as airfreight, facility up-keeping or runways and taxiways.

SWITZERLAND classifies Basel, Geneva and Zurich as Landesflughäfen (national airports), Lugano, St. Gallen-Altenrhein, and Berne as regional airports and others like Grenchen and Sion as Flugplatz (airfield).

New projects have to be fully financed by the local level. Recent expansion programs at Basel, Geneva and Zurich were funded with a combination of state subsidies, bank loans and funds from private sources as well as finances from the airport (public-private partnerships). Zone 6 investments at the EAP are a show case for such a model.

Zurich is the only airport listed as company at the stock exchange. **National airports** live off catchment areas which include France and Germany whereas St. Gallen, Berne and Lugano tend to cater to a smaller area.

EASYJET CHANGES FOCUS AT THE EAP

The carrier recently announced plans to focus on city-pairs which have a potential to increase its share of business passengers holding higher-end tickets as their itineraries are on a short notice compared to those of leisure travelers. The present EasyJet network offers two classic business destinations with morning and evening flights to Hamburg twice a day and to Berlin Schönefeld four times a day. This will change with the winter schedule. Frequencies to Berlin and Hamburg remain at the present level. Additional services to Amsterdam (twice a day) and to London-Gatwick (twice daily) as a new destination from the EAP will put the number of business services to four. The airline thinks that the targeted 200,000 passengers in the first year of operation between EuroAirport and Gatwick is feasible. London-Luton is going to be suspended from EuroAirport and reduced to nine weekly flights from Zurich airport.

The expected number of passengers on the Gatwick route will represent a higher mix of travelers and better average fares. Full year results to Luton (2006: 175,155 & 2005: 177,471) were lower than what the carrier hopes to target. EasyJet was told at several occasions what the market apparently prefers; morning and evening services to Gatwick over those to the remote Luton and Stansted airports. Thus, the suspension of Stansted services are of no surprise. Economic data of residential areas to the South of London indicate a higher share of purchasing power and a broader business base at Gatwick.

What the network from Swiss airports to the North of the UK will look like remains an open question for now. A new base at Manchester could bring a switch of services from Liverpool to Manchester which is about 100 km to the East of Liverpool. The carrier will fly from Geneva to the new base end of October and could also stop serving the Beatles mecca soon. Swiss is flying four times a week from the EAP to Manchester during the winter. This route may be eyed by EasyJet as well.

An EasyJet street car is circulating on Basel City's tram network marking the carrier's presence in the Greater Basel Area. A larger campaign in the Upper Rhine Valley also includes Strasbourg which Turkish Airlines wants to cancel from its network. EasyJet hopes to win new markets to Istanbul and Marrakech as well as to Southern Europe. At the onset of high-speed trains new markets are crucial for airlines and airports. Pictures and copyright by Guido Studer



MESSE SCHWEIZ PLANS

to expand the convention and exhibition facilities were approved by voters of Basel-Stadt and Baselland. In 2012, the company will then offer state-of-the-art infrastructures to its customers who are using the place as launch pad for their world presentation of products at such renowned fairs as **BASELWORLD** or **ART BASEL**. EuroAirport benefits from such activities as visitors prefer to land basically at the doorsteps of Messe Basel in the heart of the city. Passenger throughput is high and revenues from retailing businesses represent a large portion of its annual income.



A potpourri of traffic that landed on Runway 15 on September 29, 2008.

Pictures taken by Philippe H. @ eapforum.ch



TRAFFIC REPORT JANUARY – AUGUST

Year	2008	2007	
Scheduled Passengers	2,616,296	2,522,761	+ 4%
Charter Passengers	309,473	382,374	- 19%
Total Passengers	2,933,659	2,912,549	+ 1%
General Airfreight in tons	7,201	11,055	- 35%
Express Airfreight in tons	19,050	18,732	+ 2%
Total Airfreight flown	26,250	29,787	-12%
Total Airfreight trucked	44,656	41,240	+8%
Total Airfreight handled	70,907	71,027	- 0%
Scheduled Movements	33,011	32,239	+2%
Charter Movements	3,023	3,560	-15%
Freighter Movements	2,641	2,408	+10%
Total Aircraft Movements	56,215	55,421	+1%

