Relationship between Airlines and Airports

presented by

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What is an Airline to the Airport?

- A Business entity?
- A Client?
- A Customer?
- A Consumer of Airport Services?
- A Service Provider?
- An Operator?
- A Problem?
Can Airlines be……

- Partners
- Team Players
- Allies

Airport Operators’ Approach

- Seek to understand the airline business
- Recognize the airlines’ needs
- Help airlines in good times and in bad
- Work with airlines to make their business viable
- Mediate between airlines and other government agencies or regulators
Airport Operators’ Approach

- Involve airlines in the development of the airport and air transportation
- Keep airlines informed of the airport business:
  - Help them understand the airport business and strategy
  - Forge synergies with the airlines
  - Develop a symbiotic relationship and seek a win-win formula

Engaging the Airlines

- Regularly engage airlines in dialogue on airport operations, plans and even problems
  - Airport Facilitation Committee
  - Airport Operations Committee
  - Ramp Operations Committee
  - Air Cargo Facilitation Committee
  - Airport-Airline Meetings
  - Airline Operators’ Committee
  - Board of Airline Representatives
  - Regular dialogue with airlines one-on-one
Common Interests

➔ Efficient Services
  ➔ Quality service delivery, on-time departure

➔ Facilities
  ➔ proper information and signage for airlines, airport operators and pax
  ➔ Sufficient pax facilities

➔ Costs
  ➔ Competitive costs and value for money services

Beneficiaries

➔ Transport Ministry and civil aviation authorities
➔ Airlines
➔ Other airport companies
➔ Promote traffic
➔ Ultimately, passengers
Changi’s Successes

- 83 airlines, connected to 57 countries in 182 cities, over 4,100 weekly scheduled international flights
- Changi as a hub with full spectrum of airlines operations
  - physical services, joint services, code-share
  - alliance operations (STAR, oneworld, Skyteam)
  - freighters
- Over 90 bilateral air services agreements
- Record 26 awards from aviation industry (including airlines)

Perennial Challenges

- Even handed relationship between national and foreign airlines
- The place of national carrier and home-based carrier
  - Managing perceptions with reality
- Changing state of passenger expectations and passenger needs
- Rising competition from other airports
Airline-Airport Partnership

→ A partnership that can pass the test of time and difficult issues
  - Kept landing and parking charges unchanged for the past 20 years
  - Incorporated pax service charge in air ticket
  - Incorporate new airport security charge
  - Relocation of airlines in different terminals
  - Bearing through the airport infrastructure upgrading works
  - Authority taking the role as mediator, arbitrator when airlines have problems among themselves or with other agencies

Weathering Crisis Together

→ 1997 Asian Economic Crisis
  - 1 year 10% rebate on landing and parking charges
  - Rebate on rental charges
  - Airlines maintained their services and connectivities

→ 2001 Economic Recession and Post 9/11
  - 1 year 10% rebate on landing and parking charges
  - 15% rebate on rental charges
  - 4.2% rebate on property taxes (passed on from govt)
  - Most airlines maintained their services while stronger airlines increased services
Weathering Crisis Together

- 2003 SARS Crisis (May-Dec 2003)
  - 30% rebate on landing fees
  - 10% rental rebate for all airport tenants
  - Waiver of Minimum Monthly Guarantee (MMG) for landside shops and restaurants
  - Automatic reduction in MMG payment (pegged to pax traffic) for airside tenants
  - Most airlines able to tide over difficult times of declined in traffic

Facing the Future Together

- Enhancing airport-airline relationship
- Deepen dialogues and partnerships
- Enhancing mutual understanding of each other’s challenges, problems and needs
- Increasing competition amongst airports/airlines
- Dawn of airline alliances
- Rise of low cost carriers
- Threats from global terrorism
Route Development

- Airport take a proactive role in route development
- Provide appropriate data, information and analysis specific and targeted at airlines
  - Establish the origin and destination traffic
  - Determine connectivity waves
  - Information on fundamentals of economy and opportunities of growth

Market Forces

Leisure travelers are going more places, more frequently, for shorter trips

The Expansion Of Leisure Travel Market Drives LCC Growth, Not a Switch From Full Service Carriers

- Premium / Full Service Travel
- Untapped Aspirational Travellers
- Switch From Premium Rail

Market Source

- Organic Growth
- Low Cost Leisure Travel
Strategic Airport Management Programme
9-13 April 2007

Competitive Analysis

Analyse route structures
- Country demographic and economic trends
- Air Traffic Growth and Trends
- Current and historic airline services
- Country’s competitive position

Identify routes for further expansion
- Routes with growth potential
- Weighed against region’s average
- Diversify routes
  - Explore potential new routes to develop
  - Mitigate dependence on any one market

SWOT Analysis

Strengths  Weaknesses

- Market
  - Physical
  - Operational
  - Commercial

Opportunities  Threats
### Gap Analysis

<table>
<thead>
<tr>
<th>Critical Success Factors</th>
<th>Existing Weakness</th>
<th>Future Strength</th>
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<tbody>
<tr>
<td><strong>Capacity</strong></td>
<td></td>
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<tr>
<td>Terminal constraints</td>
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<tr>
<td><strong>Financial Performance</strong></td>
<td>Profitability of Hato Airport</td>
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<tr>
<td><strong>Operations</strong></td>
<td></td>
<td></td>
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<tr>
<td>Improve efficiency, reduce Opex</td>
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<tr>
<td><strong>Commercialisation</strong></td>
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<tr>
<td>Optimise non-aviation revenue</td>
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<tr>
<td>Logistics and Distribution Centre</td>
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<tr>
<td><strong>Network</strong></td>
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<tr>
<td>Improve economics of route network</td>
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<tr>
<td>Air Hub development</td>
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### Route Analysis

**Number of routes served compared to competitors**

- Average
- Corsica
- Crete
- Sicily
- Sardinia
- Southern Italy
- Cyprus
- Airport X
- Balearics

![Route Analysis Chart](chart.png)
**Route Analysis**

**No Service**

**Under Supply**

**Good Supply**

![Bar chart showing strategic airport management](image)

**Quantifying Opportunities for Additional Flights**

<table>
<thead>
<tr>
<th>Region</th>
<th>Potential Future Flights</th>
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<tbody>
<tr>
<td>Orly</td>
<td>5</td>
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<tr>
<td>Marseilles</td>
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<td>de Gaulle</td>
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<td>Turin</td>
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<tr>
<td>Nice</td>
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<td>Stuttgart</td>
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<td>Hanover</td>
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<tr>
<td>Madrid</td>
<td>5</td>
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<tr>
<td>Cologne</td>
<td>2</td>
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Route Opportunities

- **Opportunities**
  - Potential New Direct Service
  - Expanding Existing Routes
  - Other Key Service Expansion

Route Development

- Conduct cost-benefit analysis vis-à-vis other routes to market the routes
- Package incentives for airlines together with other government agencies