



Airline competition at airports

A study of differences between Europe and the US



What factors do influence airline competition at an airport?

How are those factors different in Europe and the United States?

How do these differences affect airline competition at respective airports?



Airports

- ▶ operate to gain profit, succeed in competition
- ▶ generate income in aviation-sector and non-aviation-sector



correlates with number of flights and passengers

Competition

- ▶ scope: at large hubs
- ▶ no dependency
- ▶ more income (higher fees, expansion)
- ▶ address new markets with new airlines
- ▶ lower fares for passengers

Factors influencing competition



- ▶ Ownership/Funding/Financing
 - ▶ do airlines have a say

- ▶ Access to the airport
 - ▶ terminals
 - ▶ slots

- ▶ Market power of existing airlines
 - ▶ market share
 - ▶ alliances

Ownership



Europe

- ▶ Private legal form
 - ▶ land public
 - ▶ operations private

- ▶ Free market
 - ▶ flexible, efficient
 - ▶ no subsidies

United States

- ▶ Publicly owned

- ▶ FAA regulated market

- ▶ Airlines *own* parts of airport



Europe

- ▶ No public funding
 - ▶ except for regional projects
 - ▶ self (aviation, nonaviation)
 - ▶ private investments

United States

- ▶ Public bonds, grants

- ▶ Airlines
 - ▶ terminal use
 - ▶ special fares
 - ▶ MII clauses



Europe

- ▶ Clearer cut funding - financing

- ▶ Based basically on
 - ▶ landing fees (MTOW)
 - ▶ passenger facilities charges

United States

- ▶ Overlaps strongly with funding
 - ▶ residual approach
 - ▶ compensatory approach
 - ▶ hybrid approach

Access to terminals



Europe

- ▶ Terminals owned by airport

- ▶ Deregulated ground handling

United States

- ▶ Airlines can own terminals
 - ▶ deny access
 - ▶ too high rents

- ▶ Airlines can offer *packages*
 - ▶ way too expensive

Access to slots



Europe

- ▶ Slots trading not allowed
 - ▶ swap possible

- ▶ Slot allocation
 - ▶ grandfather rights
 - ▶ use-it-or-lose-it
 - ▶ 50% of free/new slots → newcomer airline

United States

- ▶ First-come-first-serve
 - ▶ free trade

- ▶ Slot allocation
 - ▶ first-come-first-serve
 - ▶ 25% of free/new slots → newcomer airlines

How factors affect competition



Factor	Europe			Unites States		
	+	-	o	+	-	o
Access	x				x	
...						
...						
Financing			x		x	
...						
...						
Slot trading		x		x		

Ø LC	49.6%	56.6%
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► Discussion