

**“Management Trends of Regional Airports”**

**AAAE Conference, Athens, October 2008**



- 1. Overview of Airports International (AI)**
- 2. Comparison between Hubs and Regional Airports**
- 3. Challenges and Opportunities of Regional Airports**
- 4. AI's Management Concept for Regional Airports**
- 5. Conclusions**



## Overview of Airports International

## **Airports International** (previously Meinl Airports International)

**Dedicated airport investor with the vision to become one of the leading players in the European airport market.**

### **Common Mission**

**Create the highest possible value for investors and partners by taking a unique approach to each airport project.**

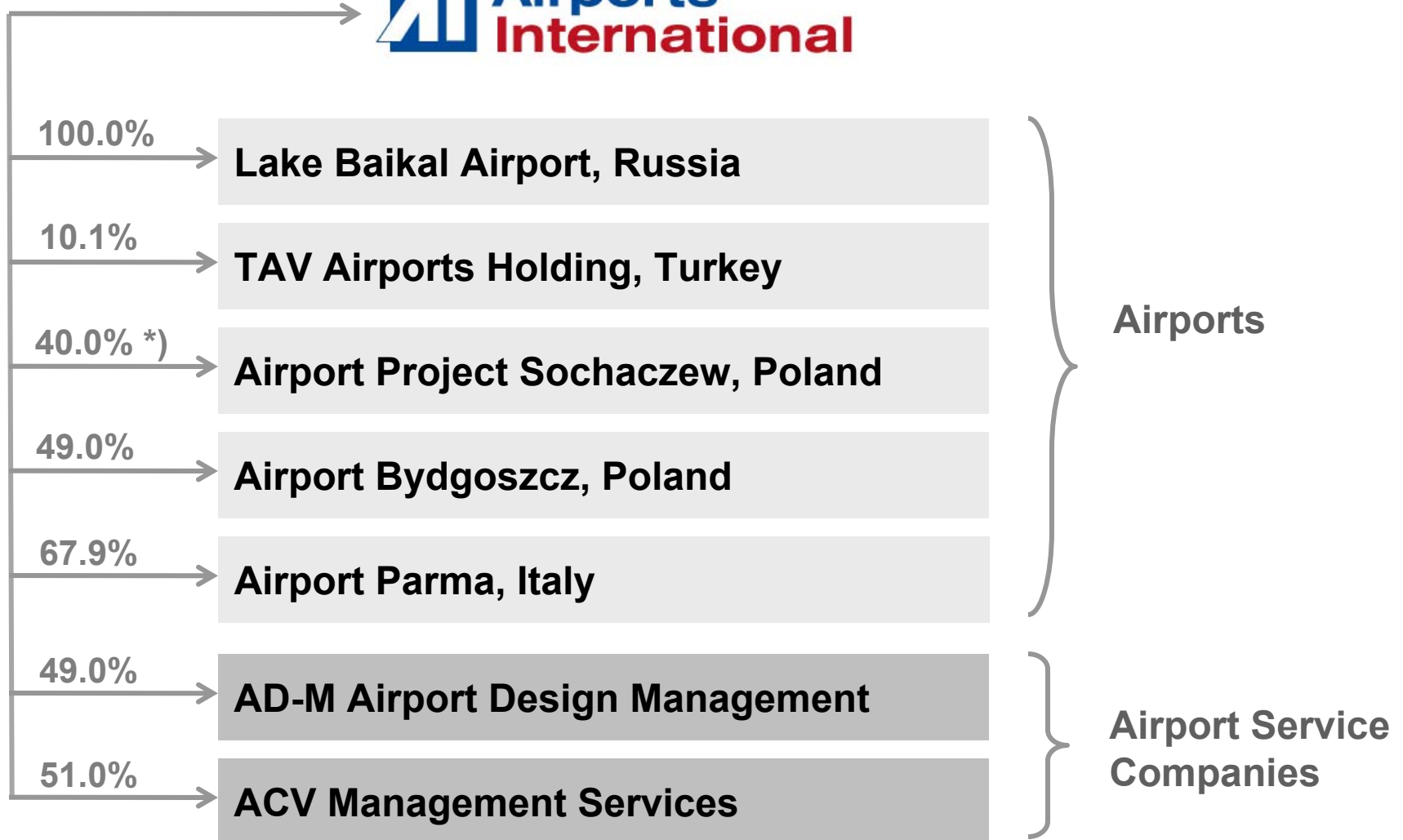
**Optimise the development of each individual airport within its geographical and market context.**

**Provide not only strong financial support but, more importantly, proven industrial skills and know-how transfers.**

- **Group benefits from the long-term experience of its key management and experts in the aviation market, particularly in Central and Eastern Europe**
- **Central and Eastern European region offers potential for fastest growth in demand for modern airport infrastructure**



# PORTFOLIO OVERVIEW



\*) intended to increase to 49%



## Comparison between Hubs and Regional Airports

# AIRPORTS “TYPES” AND CHARACTERISTICA

	Key Characteristics	Airline situation
<b>Intercontinental Hubs</b>	<ul style="list-style-type: none"> <li>High share of transfer traffic</li> <li>Large catchment area</li> <li>PAX in excess of 40M</li> </ul>	<ul style="list-style-type: none"> <li>Main hub of major international airline</li> <li>Strategic role in alliance</li> </ul>
<b>International Hubs</b>	<ul style="list-style-type: none"> <li>Lower share of transfer traffic</li> <li>Large catchment area</li> <li>PAX in excess of 20M</li> </ul>	<ul style="list-style-type: none"> <li>Main hub of long-distance airline or secondary hub of major airline</li> <li>Subordinate/niche player in alliance</li> </ul>
<b>Regional Hubs</b>	<ul style="list-style-type: none"> <li>Low share of transfer traffic</li> <li>Sizeable catchment area, but often overlapping</li> <li>PAX around 10M</li> </ul>	<ul style="list-style-type: none"> <li>Main hub of regional airline or secondary hub of major airline</li> <li>Subordinate role in alliance</li> </ul>
<b>Regional Airports</b>	<ul style="list-style-type: none"> <li>No transfer traffic</li> <li>Smaller/remote catchment area</li> <li>Thin trunks</li> <li>Final Destination</li> </ul>	<ul style="list-style-type: none"> <li>Regional Airlines</li> <li>Low Cost Carrier</li> <li>Point to point</li> </ul>

## Different Airport types – Traffic growth (1999-2006)

Airport type	Passengers	Average growth p.a.
Intercont. hub	> 25m	+ 4.0%
Internat. hub	10-25m	+ 6.3%
Regional hub	5-10m	+ 6.4%
Regional a/p	< 5m	+ 13.3%

Regional airports grow faster than hubs

Regional airports benefit mainly from increasing interest of LLC

## Example Poland – Traffic growth (1999-2007)

Average passenger increase	Growth p.a. in %
Overall airports Poland (1999-'03)	+ 7.6%
Overall airports Poland (2004-'07)	+ 29.5%
Regional airports Poland (2004-'07)	+ 54.0%
Warsaw Airport (2004-'07)	+ 17.6%

Above average traffic growth in Poland

Strongest growth in regional airports



## Challenges & Opportunities of Regional Airports

# TYPICAL CHALLENGES FOR REGIONAL AIRPORTS

- **Financing requirements:**
  - Limited financial resources
  - Request for (public) subsidies, grants and soft loans
  
- **Economic Situation**
  - Limited population / Catchment area
  - Macroeconomic drivers of the region
  - Public shareholder support
  
- **Airline**
  - Missing or weak home-carrier
  - Low cost carrier – good or bad?
  - Importance of airline marketing
  
- **Human resources:**
  - Broader and more general skills
  - Quality vs. Quantity



- **Increasing importance of regional airports in the aviation market**
  - Capacity overload at main hubs
  - Growing demand for air transportation - especially in fast developing economies (destinations with thin trunks)
  - High development of LCCs who often prefer (smaller/cheaper) regional airports
  
- **Regional airports' main functions in this system**
  - Feeders of hub-and-spoke services
  - Point-to-point services
  - Satellite airports
  - Acceleration of the economic development



## **AI's Management Concept for Regional Airports**

# EXPLOIT THE AIRPORTS' POTENTIAL

## - MAIN FIELDS OF ATTENTION

- **Understand the market potential**
  - Existing services
  - Point-to-point demand
  - Traffic market segments
  - Unserved markets: point-to-point or to feeding a hub?
  - Inbound or outbound traffic?
  - Corporate or leisure traffic?
  
- **Understand the region's objectives and priorities**
  - Alignment of airport and regional objectives
    - Incoming tourism (joint tourism marketing)
    - Connection with business areas (joint marketing with CoC)
  
- **Define the targets**
  - Define the airport targets based on market potential
  - Define required investment needs and fund raising

- **Financial situation**
  - **Consider involvement of private investor as a partner**
  - **Possibilities to increase level of public subsidies**
  - **Increase revenues through implementation of non-aviation business (use land reserves, non-used capacities)**
  
- **Optimal human resources as a key component of success**
  - **Use own staff primarily for core airport services**
  - **Multifunctional task concept: e.g. combination of fire-fighting and security or ground handling**
  - **Outsourcing and external expert strategy(-ies) - with focus on quality**

- **Passenger growth**
  - Focus on home carrier strategy (facilities, services, incentives, ...)
  - Tailor-made airline marketing
  - Joint marketing with tourism agencies and tour operators
  - “Right-Sizing” of airport capacities
  
- **Management tools (AI Group and each airport)**
  - Corporate Governance
  - Airport planning (Strategy, Master Plan, Financial Planning)
  - Strategic Development Concept (= “Bible” for Airport Management)
  - Controlling and reporting system
  - PR and lobbying activities
  - Portfolio strategy and AI business plan



## Conclusions

**“The universal airport” does not exist !**

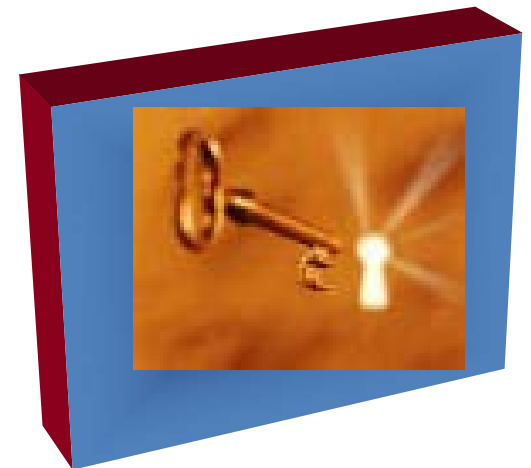
Airports have a completely different set of business and therefore every airport has to be analyzed individually.

**Every regional airport is a unique local business that requires individual tailor-made solutions !**

**Regional Airports need a different focus than hubs.**

**The challenge to develop and run regional airports already exists and it will grow exponentially in the future.**

**The realisation of this potential requires a multifunctional expertise and a deep insight in the market !**



**Thank you for your attention !**

