



# Public – Private Partnerships Implications for Air Service Development

Presented by: Nigel Mayes

Date: 16 September 2011

Caribbean Tourism Organization: State of the Industry Conference





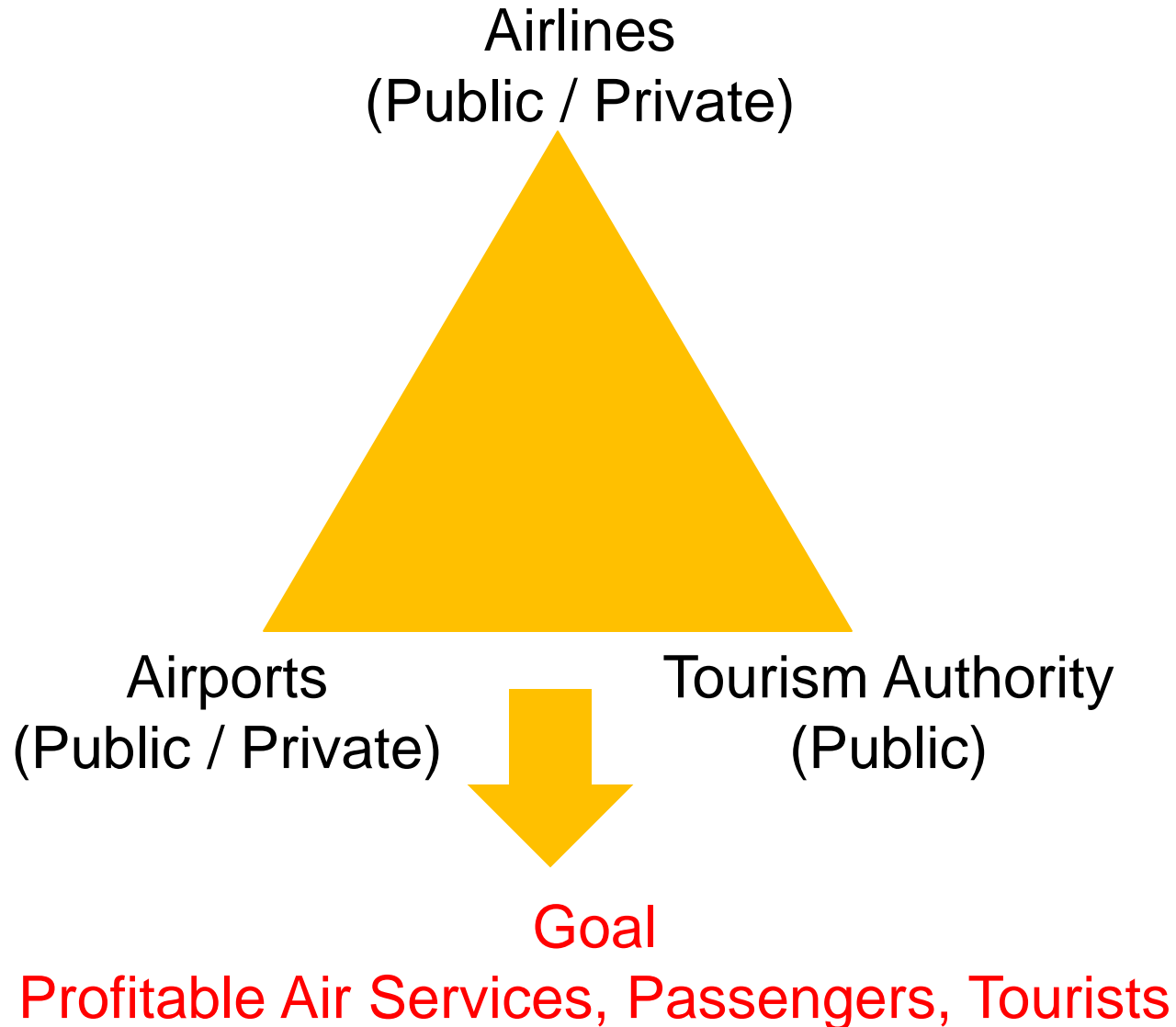
# UBM Aviation



- Innovative solutions for strategic partnerships
- Dedicated and focused team of aviation experts
- Unrivalled aviation workflow data & analytics
- Internationally renowned exhibitions, conferences & networking forums
- Inspiration for your business



# The Golden Triangle in Air Service Development



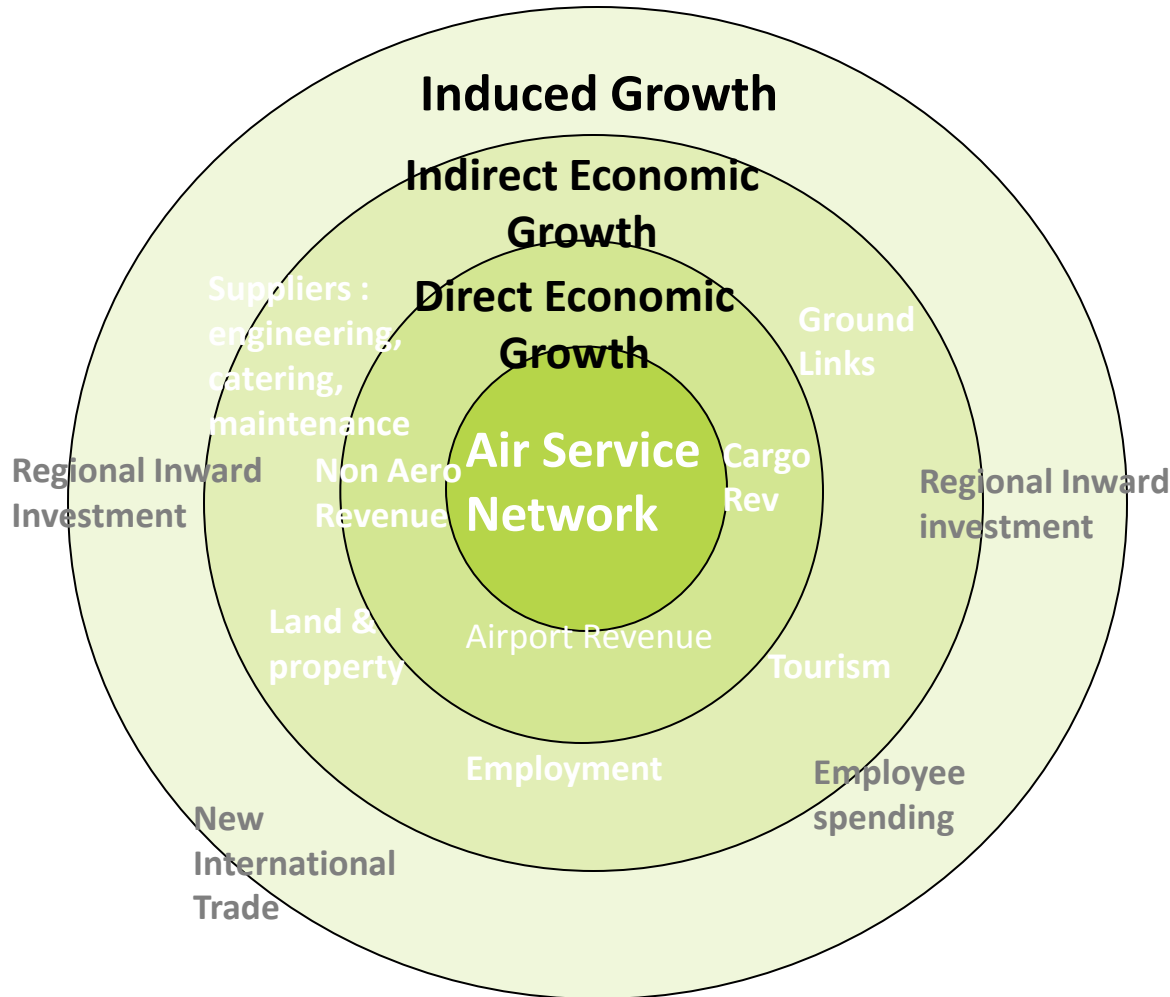
# Air Service Development – Our Philosophy

- Air services are an airports / tourism authorities most important asset
- Economic impact of air service development is vast
- The most important customer is the airline (not passenger)
- B2B marketing to airlines is the most efficient form of air service development
- Air service development is about changing airline perceptions
- Air service development is the responsibility of all stakeholders, both Public and Private



# Importance of your Air Service Network

Air services are an airport / destinations most important asset



## Economic Impact

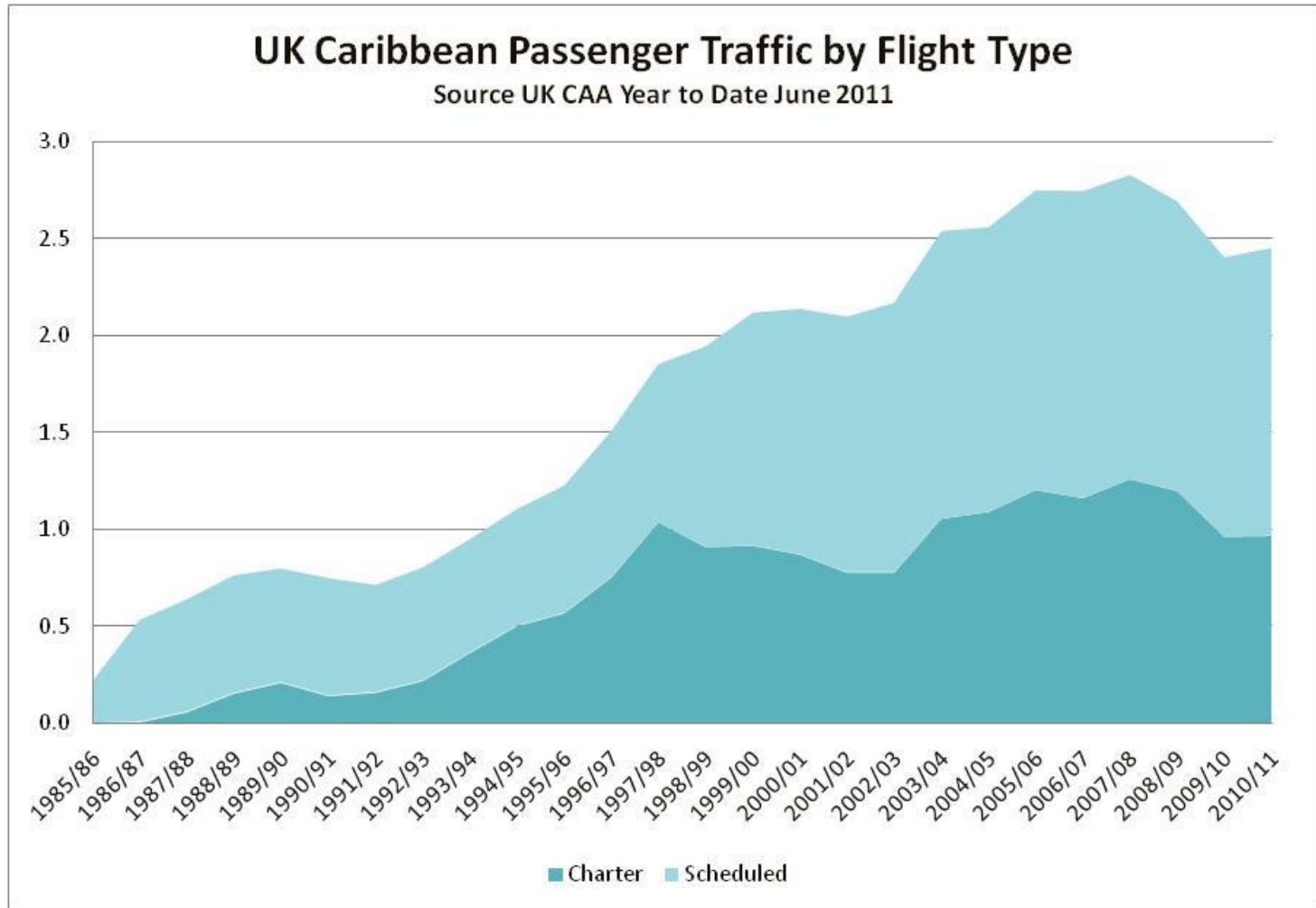
The economic impact of air service development is vast:

"The non-gaming economic impact of one British Airways flight from London to Las Vegas is currently **\$91 million** annually," said Cathy Tull, Senior Vice President of Marketing for the Las Vegas Convention and Visitors Authority (LVCVA). "This flight was the result of opportunities realised at previous Routes forums...."



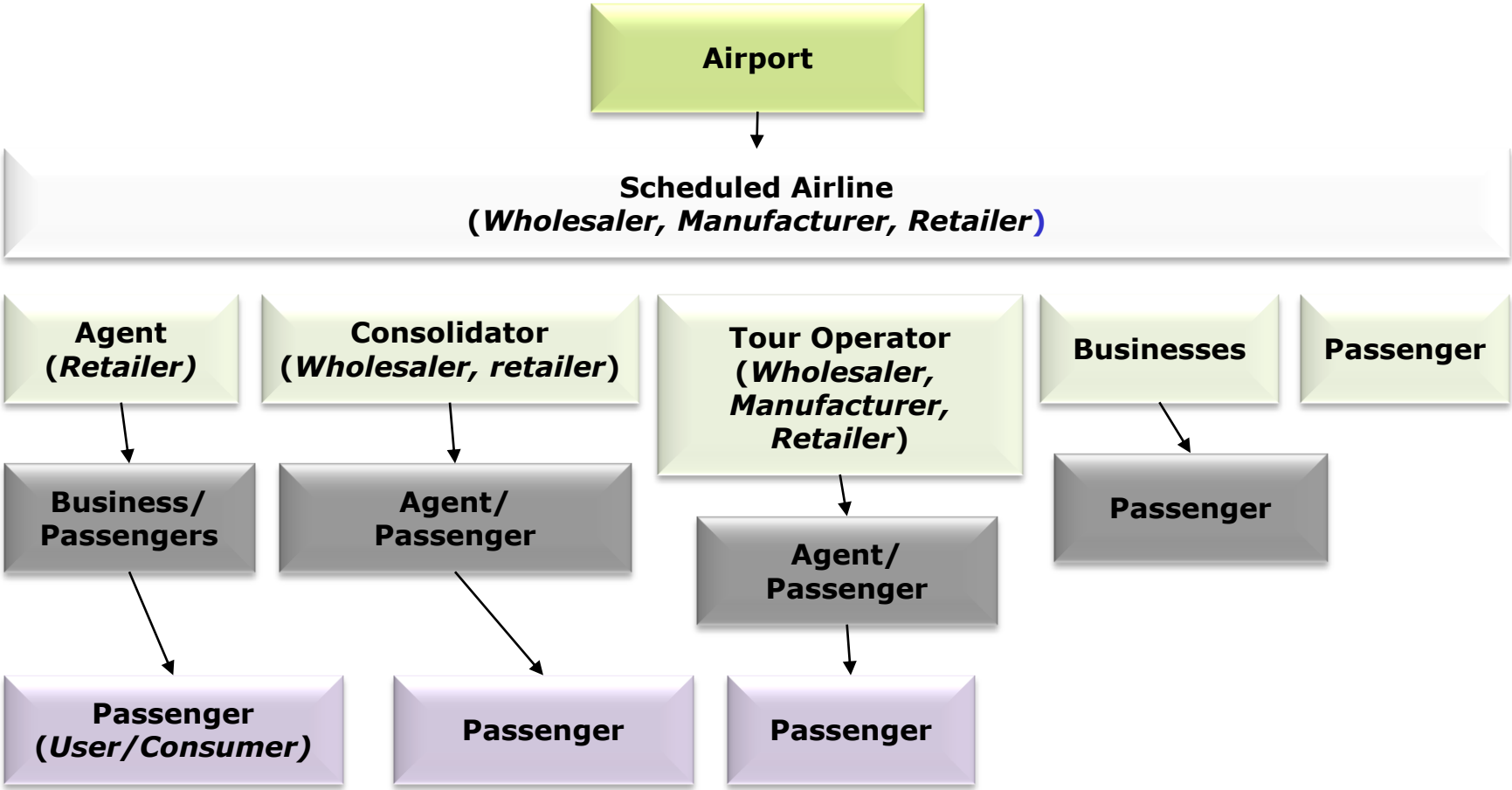
# Why Air Service Development is Important?

Passenger traffic doesn't always grow!



# Airport Customers - Supply Chain

Airline marketing is the most efficient form of air service development



# Air Service Development... Who's Responsibility...



Government ... Airport ... Tourism Authority... More



## Global Examples:

### Public - Private Partnership Driving Air Service Development

#### Scotland:

Private ownership of the airports, BAA

Government provided Route Development Fund

#### Cyprus:

Public – Private Ownership of the airport – Hermes Airports

Government provided Route Development Fund

#### Greece (Corfu):

Public ownership of the airport

Private hotel association providing route support



## Global Examples:

### Public - Private Partnership Driving Air Service Development

#### Malaysia Airports – Sabah Tourism:

Private – Public Airport ownership Kota Kinabalu, MAHB

Tourism Authority provides route support

#### Newcastle, UK:

Public - Private ownership of the airports, Copenhagen Airports

Local inward investment agency One North East provided route support

Note: Numerous examples of US Carriers entering revenue guarantees for air services. A form of public and private partnership



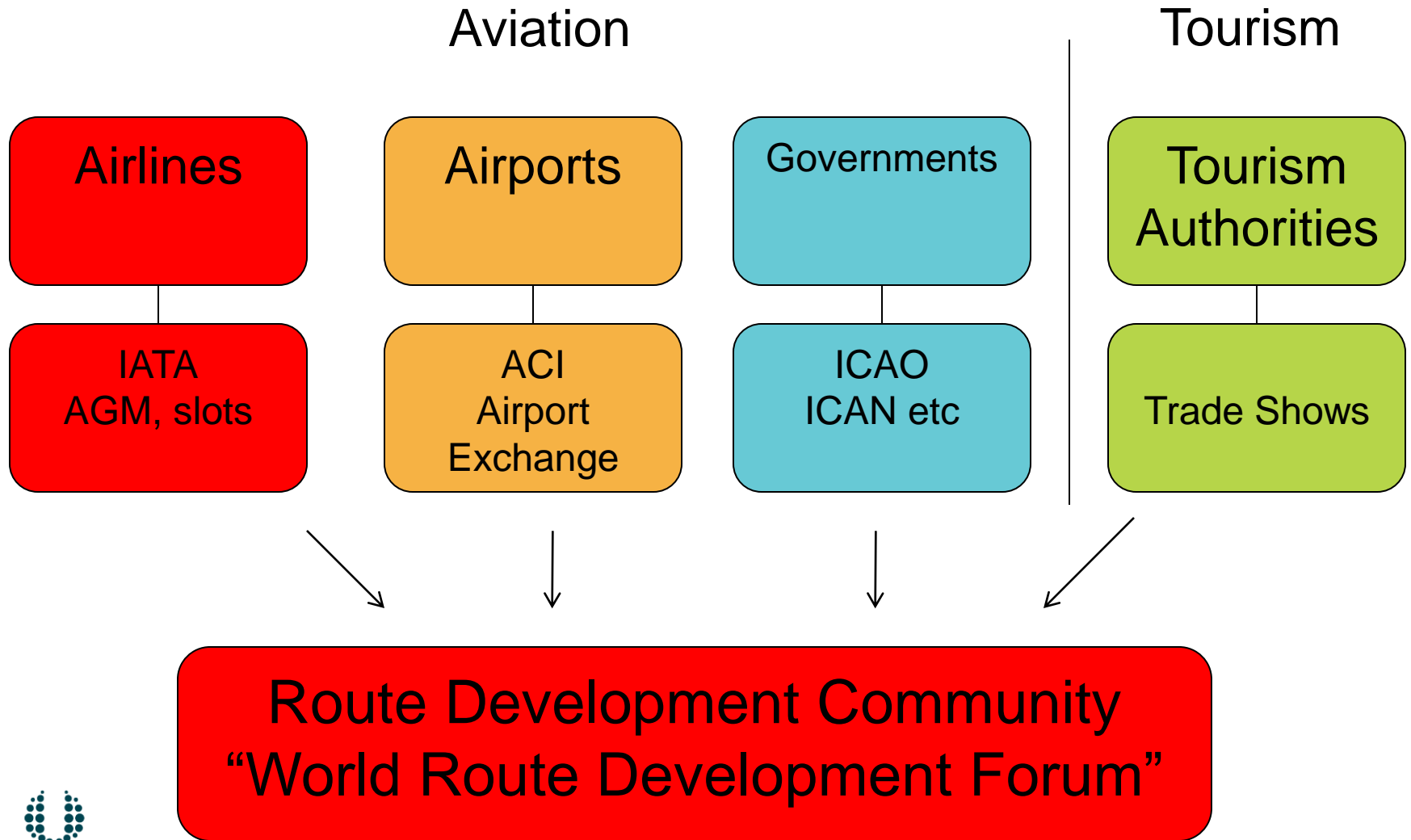
# What's Important in Public – Private Partnerships?

- Common goals
- Clear shared strategy and targets
- Equality amongst the partners
- Longevity of the partnership
- Joint approach to airlines and tour operators
- A true understanding your market and more importantly your airline / tour operator customer needs



# To Finish....Why is Partnership Difficult?

Perhaps it's not helped because the Travel Industry operates in Silos!



# Future World Routes Events



## **Berlin 2011**

17<sup>th</sup> World Route Development Forum

**Date:** 2-5 October 2011



## **Abu Dhabi 2012**

18<sup>th</sup> World Route Development Forum

**Date:** 30-2 October 2012



## **Las Vegas 2013**

19<sup>th</sup> World Route Development Forum

**Date:** 2013





# Regional Events 2012



## Routes Americas 2012

Nassau & Paradise Island, The Bahamas  
19-21 February 2012

The route development forum for all the Americas.  
**Uniting the Americas in One Event.**



## Routes Asia 2012

Chengdu, China  
15-17 April 2012

The route development forum for Asia



## Routes Europe 2012

Tallinn, Estonia  
20-22 May 2012

The route development forum  
for the European region



## Routes CIS 2012

Ekaterinburg, Russia  
24-26 June 2012

The route development forum for the CIS



## In summary...

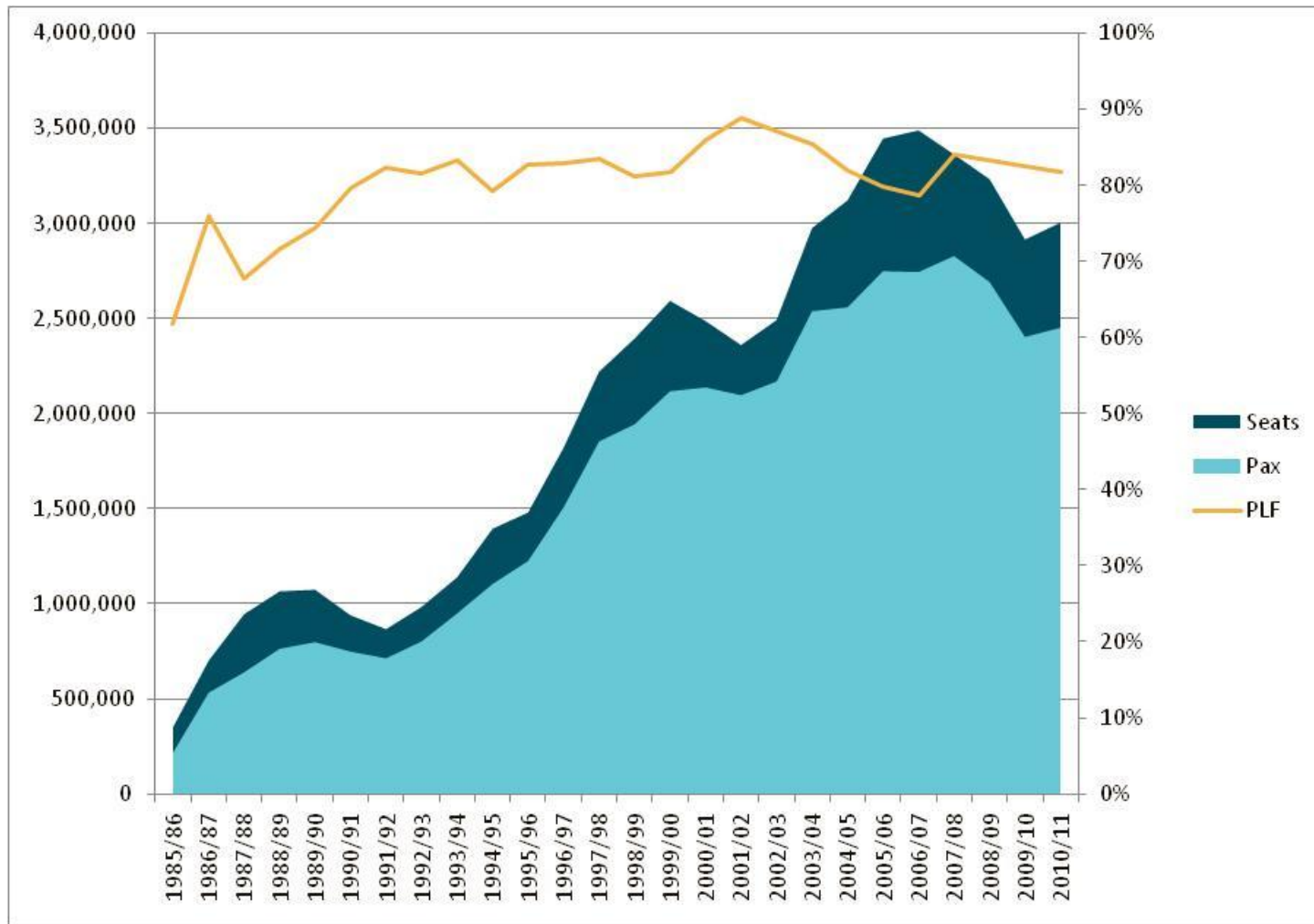
- The “Golden Triangle”
- Air Service Development is your most important activity
- Air Service Development is the responsibility of many stakeholders
- These stakeholders are both public and private entities
- Joint strategy ,targets and support are important

The place where true partnership manifests itself is at Routes.....



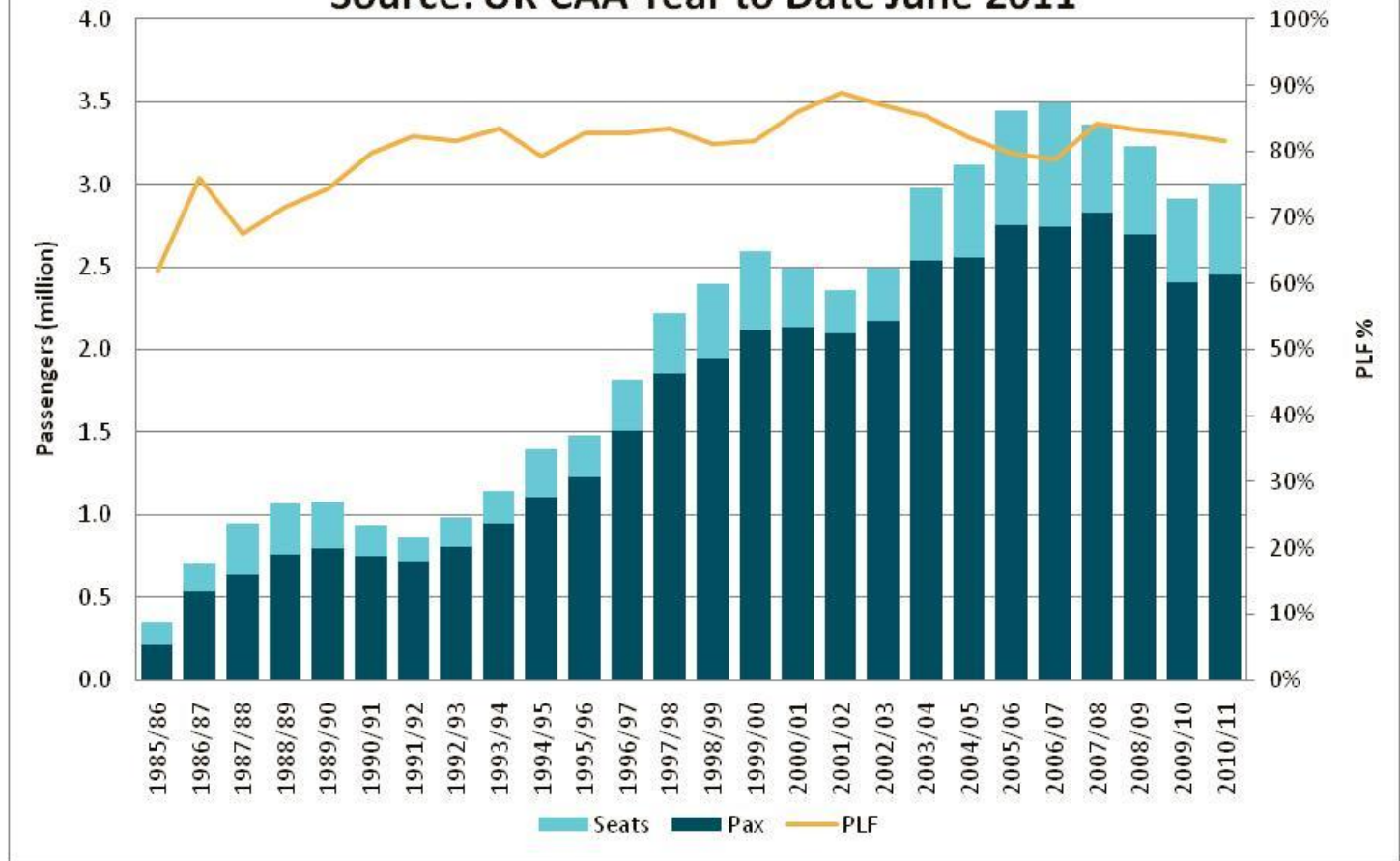
Thank you  
for your attention and your time





## UK - Caribbean Passenger Traffic

Source: UK CAA Year to Date June 2011



# Route Development Fund

A route development fund (RDF) is a fund set up by private and public sectors parties to be offered to airlines and tour operators which establish new routes or additional capacity

## Examples

- Scottish Route Development Fund (£6.4 million)
- Northern Ireland (£4 million)
- Malta Government (start up costs and marketing)
- Guernsey Government (new route funding)
- Singapore Air Hub Fund (\$300 fund – also providing airport charges discounts)
- Grosseto Airport (Tender for air services with funding)



# RDF – Advantages and Disadvantages

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>Persuades airlines to take risks in starting up new routes by providing investment support</li> </ul>	<ul style="list-style-type: none"> <li>Risk of market becoming overly reliant on subsidisation</li> </ul>
<ul style="list-style-type: none"> <li>Routes will be operated that may not have been operated without support. Investment in air services will be brought forward</li> </ul>	<ul style="list-style-type: none"> <li>Accountability to public sector funds, environment and social concerns</li> </ul>
<ul style="list-style-type: none"> <li>Encourages private sector investment providing new financial resources</li> </ul>	<ul style="list-style-type: none"> <li>Creates market distortion, some routes may have started without funding</li> </ul>
<ul style="list-style-type: none"> <li>Ensures coordinated approach between airport and stakeholders in supporting new route development</li> </ul>	<ul style="list-style-type: none"> <li>Airlines may cancel services and switch investment to chase funding</li> </ul>



# Charging Passengers Directly

A number of airports have opted to charge the passengers directly and position the tax as a 'Security' or 'Development Fee'

•St. Lucia \$26.00

Montego Bay \$15.00

Aruba \$34.00

•Nassau \$20.00

Barbados \$27.50

Curacao \$22.00

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>Can raise large sums of money for specific development projects</li> </ul>	<ul style="list-style-type: none"> <li>Adverse passenger perceptions among local community and inbound visitors</li> </ul>
<ul style="list-style-type: none"> <li>Takes the airport cost out of the airline negotiation (hence offer kick backs)</li> </ul>	<ul style="list-style-type: none"> <li>Cost of collection (at point of sale / at airport)</li> </ul>
<ul style="list-style-type: none"> <li>Allows airport product to be differentiated and the airport may appear less expensive</li> </ul>	<ul style="list-style-type: none"> <li>Passengers will still account for the cost in the choice of airport</li> </ul>

