Public – Private Partnerships
Implications for Air Service Development

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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

Airlines
(Public / Private)

Airports
(Public / Private)

Tourism Authority
(Public)

Goal
Profitable Air Services, Passengers, Tourists
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.

- **Induced Growth**
- **Indirect Economic Growth**
- **Direct Economic Growth**
- **Air Service Network**
  - Airport Revenue
  - Tourism
  - Employment
  - Employee spending
  - Regional Inward investment
  - New International Trade
  - Land & property
  - Non Aero Revenue
  - Cargo Rev
  - Ground Links
  - Suppliers: engineering, catering, maintenance

**Economic Contributions**
- **Direct Economic Growth**
- **Indirect Economic Growth**
- **Induced Growth**

**Suppliers**
- engineering
- catering
- maintenance

**Ground Links**
- Regional Inward investment
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!

UK Caribbean Passenger Traffic by Flight Type
Source: UK CAA Year to Date June 2011
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

- Airline Board
- Tourism Board
- Civil Aviation Authority
- Destination Airport
- Destination Agency
- Investment Agency
- Hotel/Tourism Association
- Route Financiers
- Airline Suppliers
- Ministry of Transport
- Airline Partners
- Destination Trade Agency
- Air Service Development Team
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!

Aviation

- Airlines
  - IATA
  - AGM, slots
- Airports
  - ACI
  - Airport Exchange
- Governments
  - ICAO
  - ICAN etc

Tourism

- Tourism Authorities
  - Trade Shows

Route Development Community
“World Route Development Forum”
Future World Routes Events

Berlin 2011
17th World Route Development Forum
Date: 2-5 October 2011

Abu Dhabi 2012
18th World Route Development Forum
Date: 30-2 October 2012

Las Vegas 2013
19th 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.
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

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<th>Advantages</th>
<th>Disadvantages</th>
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<td>• Persuades airlines to take risks in starting up new routes by providing investment support</td>
<td>• Risk of market becoming overly reliant on subsidisation</td>
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<td>• Routes will be operated that may not have been operated without support. Investment in air services will be brought forward</td>
<td>• Accountability to public sector funds, environment and social concerns</td>
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<td>• Encourages private sector investment providing new financial resources</td>
<td>• Creates market distortion, some routes may have started without funding</td>
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<td>• Ensures coordinated approach between airport and stakeholders in supporting new route development</td>
<td>• Airlines may cancel services and switch investment to chase funding</td>
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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

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<td>• Can raise large sums of money for specific development projects</td>
<td>• Adverse passenger perceptions among local community and inbound visitors</td>
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<td>• Takes the airport cost out of the airline negotiation (hence offer kick backs)</td>
<td>• Cost of collection (at point of sale / at airport)</td>
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<td>• Allows airport product to be differentiated and the airport may appear less expensive</td>
<td>• Passengers will still account for the cost in the choice of airport</td>
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