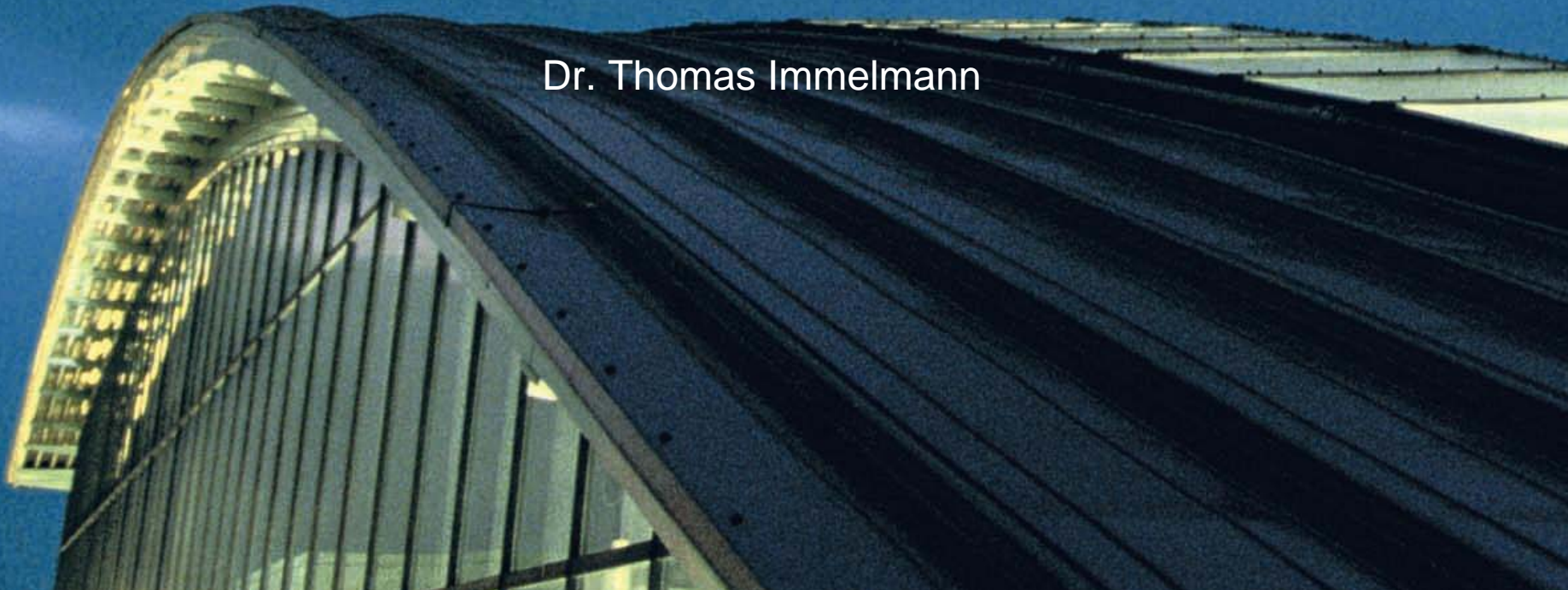


G.A.R.S. 2005



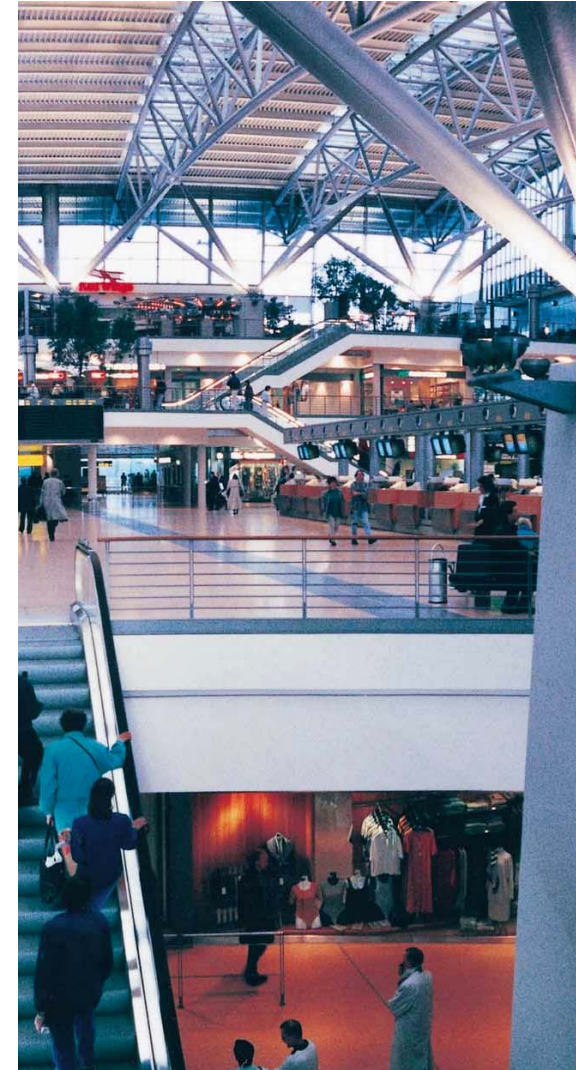
The Future Role of Airports in Aviation Economy - A Non-Aviation Approach

Dr. Thomas Immelmann



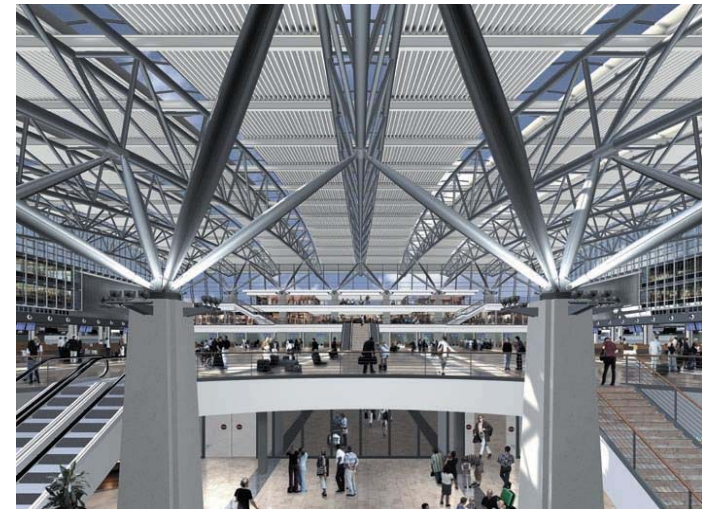
Content

- General framework of the airport industry
- Four major latest trends
- Conclusion



General conditions for the Airport Industry in 2005

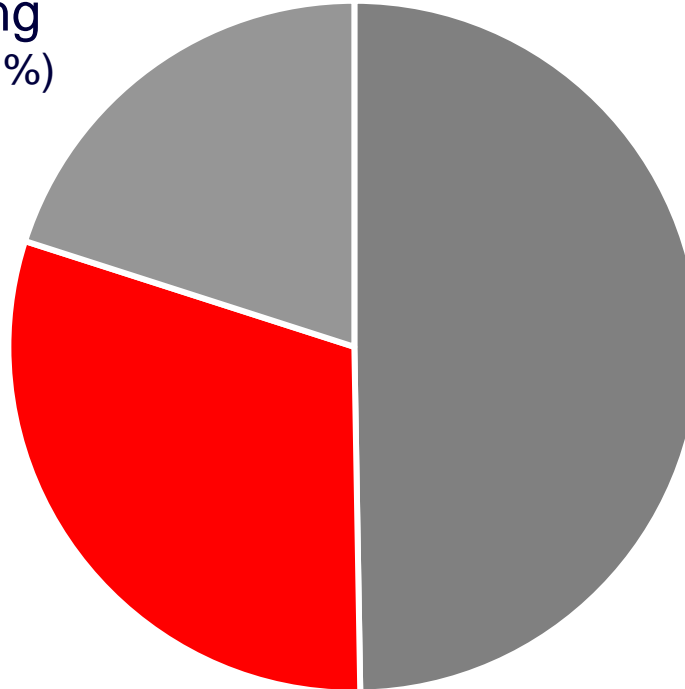
- traffic growth and new regulations (i.e. environment, safety...) require massive investment/ capital for infrastructure and expansion programs
- cost pressure and competition especially for O&D-airports increases (“low cost”)
- passenger volume growth and further traffic development (at least) uncertain
- traditional “airport use” of infrastructure decreases (influenced by internet, less demand for counter and offices etc.)
- private capital and high public budget deficits require higher ROI-rates
- airport funding/ income sources change dramatically



Revenues in Business Fields at Hamburg Airport

18,9 %

Ground Handling
(previous year 20,1%)



47 % Aviation
(previous year 47,8%)

Price Cap !!!

34,1% Non-Aviation*
(previous year 31,1%)

* concessions, rents,
parking, advertising

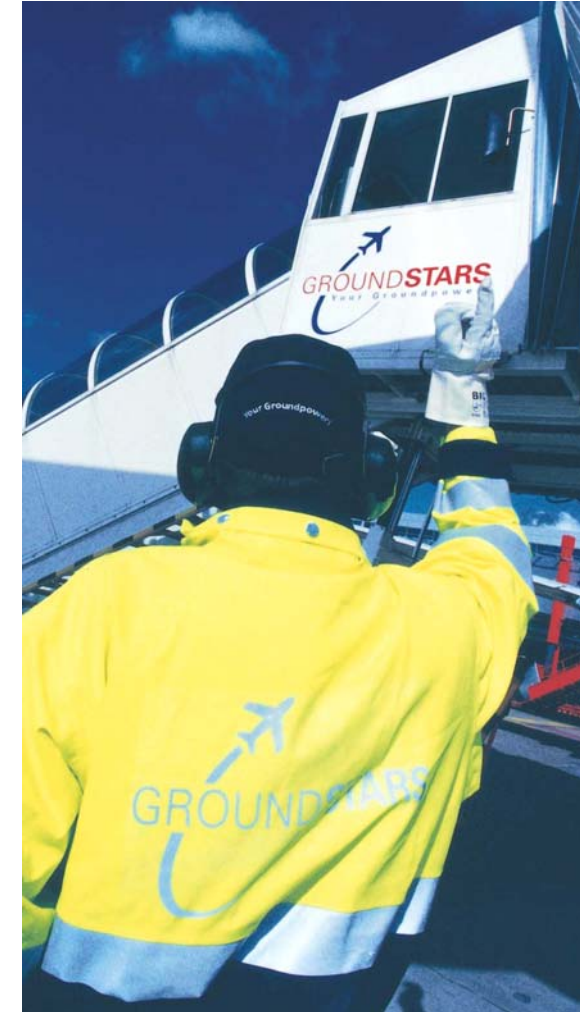


Trend 1) Aviation Growth and Airport Funding

...

- IATA: 1.8 billion passengers 2004 , pax volume growth expected by 8% worldwide in 2005*
- IATA member airlines: 4.5 billion US\$ losses in 2004, 6 billion US\$ losses expected in 2005*
- IATA-Airlines pay 12 per cent of total cost to airports and traffic control institutions (40 bill. US\$)*
- “false traffic statistics” at hub airports: pax double count, but no double pax fee

* source IATA World Council May 2005



Trend 2) : Product diversification (evolution of airport species)

Four species

- **Hub Airports:** built and managed for high international/ network traffic volume throughput and optimized AC-/ Pax-handling
- **Classic O&D-airports:** a mix of leisure and scheduled traffic, with little flexibility for low cost, cargo
- **Cargo Airports:** out on the meadow, with no or little noise and night flight restrictions, good landside traffic structure and space for industrial use/ warehousing (3 out of 10 biggest cargo airports in EU have low pax traffic!)
- **Low cost airports,** out on the meadow, using existing infrastructure with either no / low investment requirements or long-term subsidies

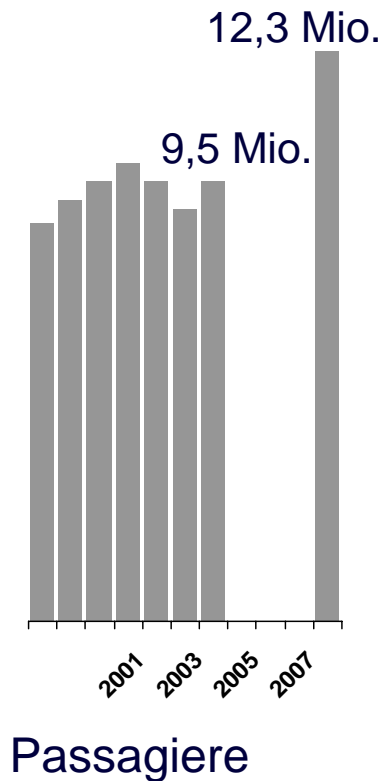


Trend 3) The “Low cost” impact



- **extremely rapid growth of low cost traffic in US and Europe**
- **up to 30 percent of lower cost are induced by lower spendings at airports (handling, lounges, offices and counters, check-in procedures etc.)**
- **requires similar (airside) infrastructure**
- **pax spending at airport at least uncertain, massive decrease in parking and retail spendings to be expected**
- **In Europe: LCC receive cross-subsidies and fundings by communities and NG-institutions**

Trend 4) Non-Aviation: Expectations at Hamburg Airport



Revenue increase out of Non-Aviation-business clearly overproportional to pax volume growth; total increase of NA-revenues of nearly 50 % over 4 years, spent-per-capita-rate nominal of almost 30 %:

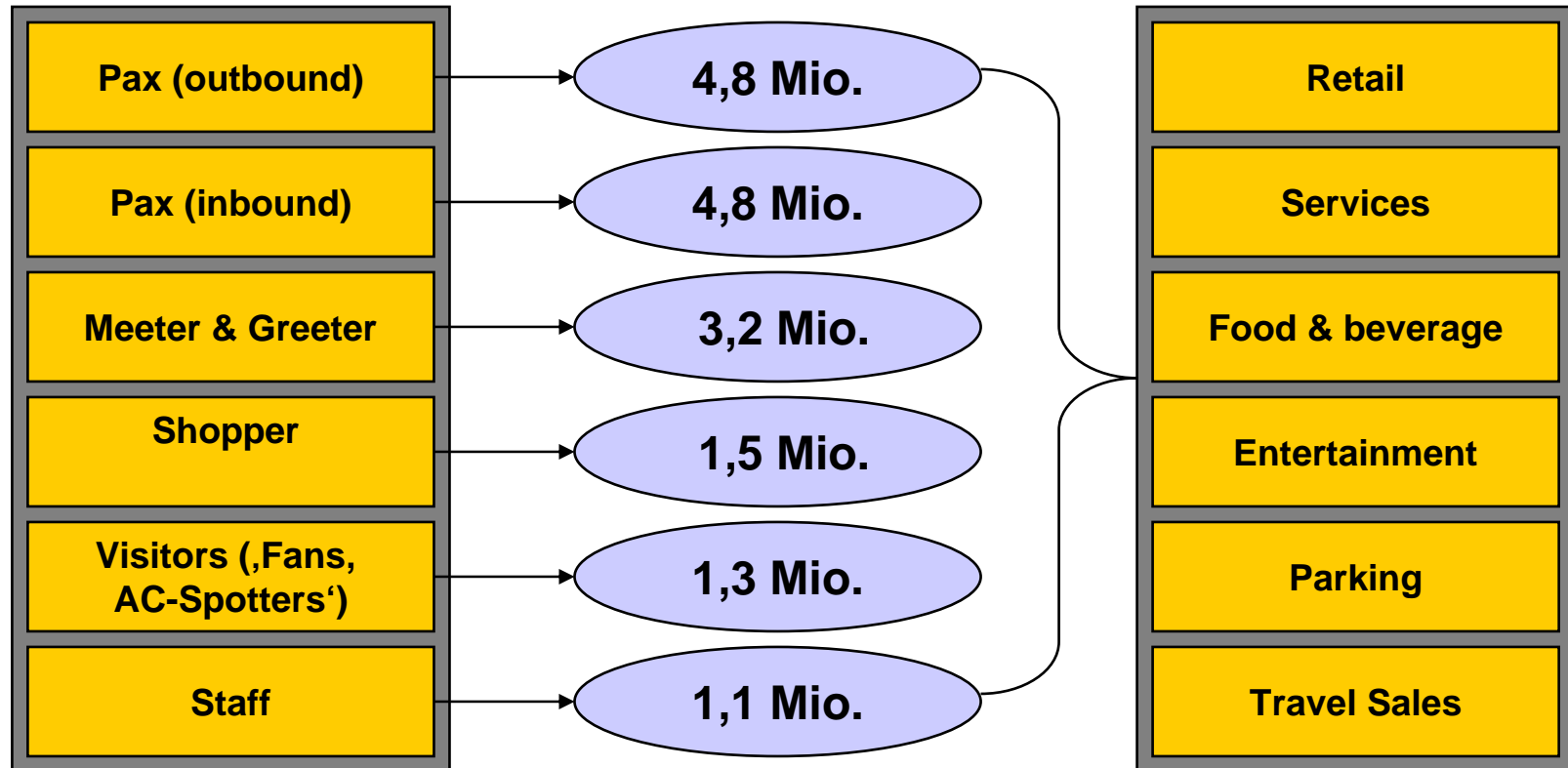
Rev. 2003: ca. 29 Mio. €
Rev. 2007: ca. 46 Mio. €

€ per Pax 2003: 2,93 €
€ per Pax 2007: 3,46 €*

* real price/ cpi = 2% p.a.



Non-Aviation: Additional „catchment area“ and customer volume



Airport visitors in total (consumers) 2004: ca. 18,7 Mio.

→ create a branding for consumer marketing:
SkyWorld

→ Use marketing tools for to steer concessionaires and renters

→ consumer-focused communication of services and retail facilities

→ uses database- and promotion tools (i.e. Customer Loyalty etc.)



Conclusion 1

- **Airports will have to improve ROI-/ EBIT-rates**
- **the role of an airport in the aviation food chain will change to a more commercial driven role instead of a public traffic infrastructure supplier**
- **Airports can not (or very limited) influence the development of traffic growth or specific low cost traffic**
- **Airports may diversify their product, but are in most cases not in the economic/ geographic position to do so**
- **the only business field not exploited yet is Non-Aviation**



Conclusion 2:

- Airports will change their economic attitude:
- remain traffic nodes, but have to concentrate on their “species” role
- Hubs and O&D-airports will have to substantially substitute aviation-related financial sources by non-aviation funding
- consequently, airports will have to move their economic focus away from B2B-attitude towards B2C: marketing, planning of commercial spaces, etc.
- coming conflict: aviation vs. non-aviation use of expensive infrastructure
- “point of no return” for airlines and aviation customers



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Thank you !

