

# **Institutional Obstacles to an Efficient Airport Infrastructure Policy**

by

Hartmut Wolf

The Kiel Institute for World Economics

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# „Why is it so hard to realize major airport infrastructure projects?“

- Frankfurt Airport:
  - Planning and approval process for 3rd runway: 17 years
  - Ongoing political disputes about the realization of 4th runway: 10 years
- Munich Airport:
  - Legal disputes about building the new airport: 13 years
- Kiel Airport:
  - Political disputes about the extension of the single runway: 7 years (resulted in stopping the planning and approval process)

# „Why is it so easy to realize major airport infrastructure projects?“

- Leipzig Airport:
  - The building of the new terminal and runway resulted in idle capacity
- Berlin Airport:
  - Many observers judge the plans for the new Berlin (Schoenefeld) Airport to be oversized
- Multi-Airport System in Northrhine-Westphalia (Cologne, Dusseldorf, Dortmund, Moenchengladbach, Munster, Paderborn, Siegerland, Weeze)
  - Do we need so many airports so closely located to each other?

# „Why is it so hard / easy to realize major infrastructure projects?“

- Regularly doubts about the efficiency of planning and approval decisions on airport infrastructure projects



- **Doubts about the efficiency of the institutional framework within which planning and approval of airport expansion takes place**

# Agenda

- I. The fundamental reason of the conflicts and the role of institutions
- II. The institutional framework for airport infrastructure policy in Germany
- III. Elements of institutional reform

# The fundamental reason of the conflicts

- The operation of new airport infrastructure capacity generates a multitude of welfare effects:
  - New profit opportunities for those directly involved into the aviation industry
  - External social benefits for those living, working, and/or producing in the airport region
  - External social costs as a result of environmental damage and risks for those living in the neighbourhood of the airport



**Unequal distribution of social welfare benefits  
and costs between those that are affected**

# The „Coasian Solution“

- Redistribution of social costs and benefits
  - Full compensation of those negatively affected by the operation of new airport capacity would avoid conflicts
  - Full compensation would prove that adding airport capacity is socially efficient



**„Define and allocate property rights“ (?)**

# Fundamental Contractual Problems

- Numerous individuals are affected by airport expansion plans
- Overall social benefits and costs are unknown at time of approval decision
- Private information about individual benefits and costs
- Airport expansion needs investment into long-lived immobile infrastructure facilities

# The role of the institutional framework

- Aim:
  - Reduce transaction costs of planning and approval processes
- Transaction costs:
  - of running the institutional system
  - of inefficient planning and approval decisions

# The institutional framework in Germany: The legal procedure

- 3-stage procedure:
  - **Spatial Planning and Environmental Assessment („Raumordnungsverfahren“)**
    - Does the planned airport project fit into the airport region's spatial development plans ?
  - **Approval for the type of airport operation („luftrechtliches Genehmigungsverfahren)**
    - Airport may either be allowed to handle commercial traffic or may be restricted to serve general aviation and special air services
  - **Planning and approval of realizing an airport project and of the conditions to use the new capacity („Planfeststellungsverfahren“)**
    - E.g. approval might be bound to night flight restrictions

# The institutional framework in Germany: The lack of credible commitments

- Only major airport infrastructure projects are subject to formal planning and approval procedure
  - Future (minor) airport infrastructure projects may alter social benefits and costs without being subject to formal planning and approval procedure
- Formal and planning approval decisions only refer to present airport projects
  - Political commitments about future decisions are not credible

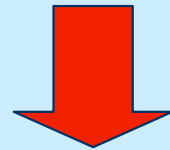
# The institutional framework in Germany: The lack of commitments

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- Lack of credible commitments
  - Present planning and approval processes are burdened with possible future conflicts

# The actors

- Airports are in (full or partial) public ownership
- Planning and approval authority is part of the government



- Conflicts of interests
- Pressure groups may exert political pressure

# The compensation rules

- Planning and approval authority has discretion about the kind and level of compensation for environmental damages and risks



**No guarantee that airport neighbours are fully compensated**



**Incentives for neighbours to exert political pressure in order to get as much compensation as possible**

# The compensation rules

- Lack of clear compensation rules



- Airport neighbours regularly challenge compensation decisions of the planning and approval authority before court

# Legal Procedures and Practical Processes

- Legal Planning and Approval Procedures

- shall aim at taking all social costs and benefits of planned airport expansion projects into account



- Practical Planning and Approval Processes

- are shaped by the politicisation of planning and approval processes by interest groups
- legal disputes about the outcomes of planning and approval procedures

# Result

- The institutional framework generates huge transaction costs
  - Danger of inefficient decisions is high
  - Planning and Approval Process is extremely time consuming

# Elements of Reform

- Depoliticization of planning and approval processes
  - Independent planning and approval authority
  - Full privatisation of airports
- Limit the role of courts
  - Clear compensation rules
- Take the sting out of present conflicts about possible future developments
  - Flexible ex post-governance structure



**Thank you**