

***The where, how and
why of stress in
ground handling
relationships***



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Contents of presentation

- SH&E's factual review
- Ground handling relationships:
three models
- Stress relief
- Conclusions



Factual review

SH&E's factual review for the European Commission

- **Visits to 33 airports and postal survey**
- **Consultation with stakeholders and their associations:**
 - **ACI Europe, AEA, EEA, ERA, IATA, IACA, IAHA and ETF**
- **Final report delivered on 7 October after discussion with stakeholders in Brussels**
- **European Commission to draw policy conclusions**

Objective and goals

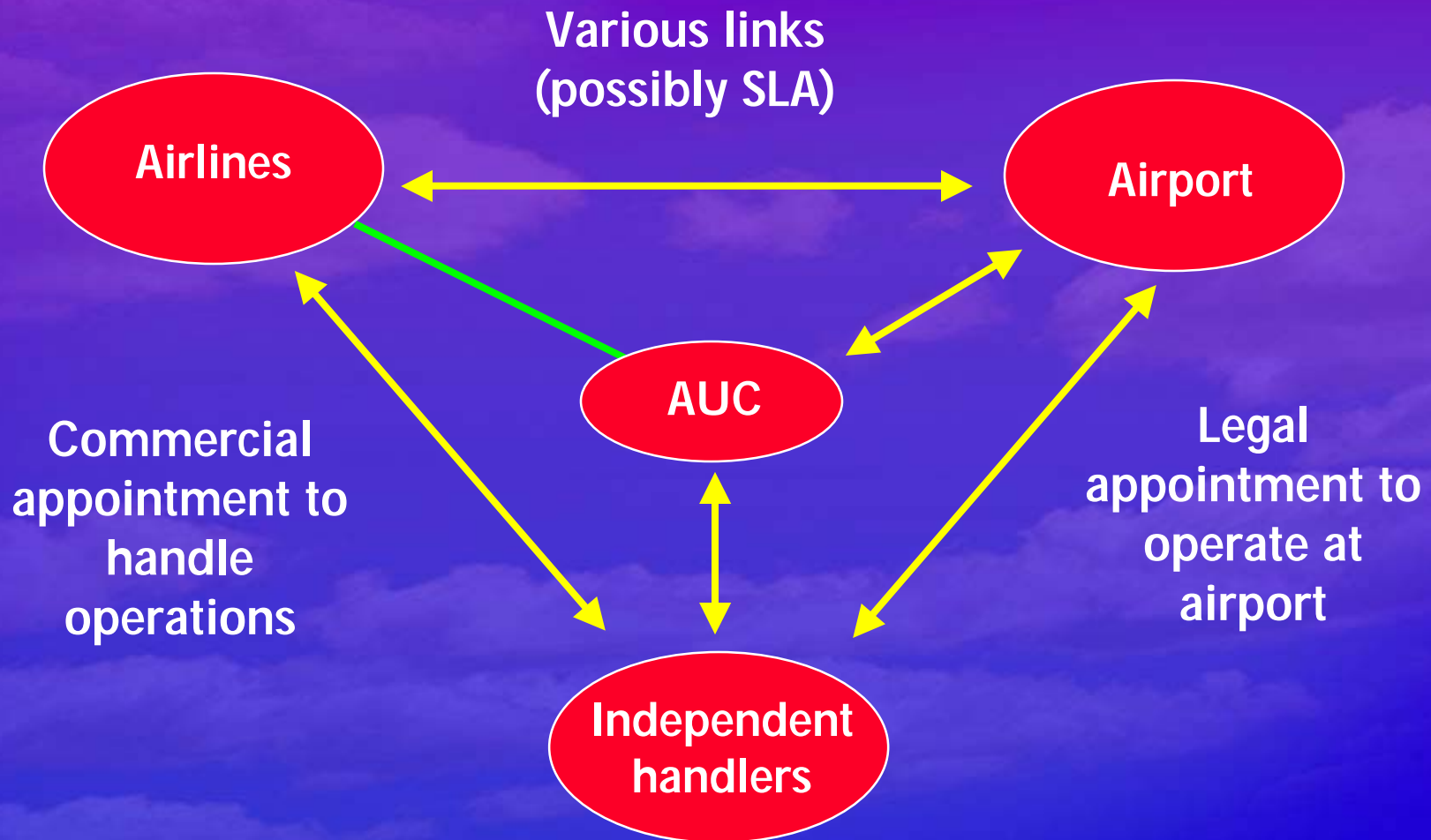
- **Objective of Council Directive 96/67/EC :**
“eliminate restrictions on freedom to provide ground handling services in the Community, thereby open up and encourage competition”
- **Reduce operating costs of airlines**
- **Improve quality of service provided to airport users**



**Ground handling
relationships:
three models**

Simple model

- Airport and airlines not involved in handling

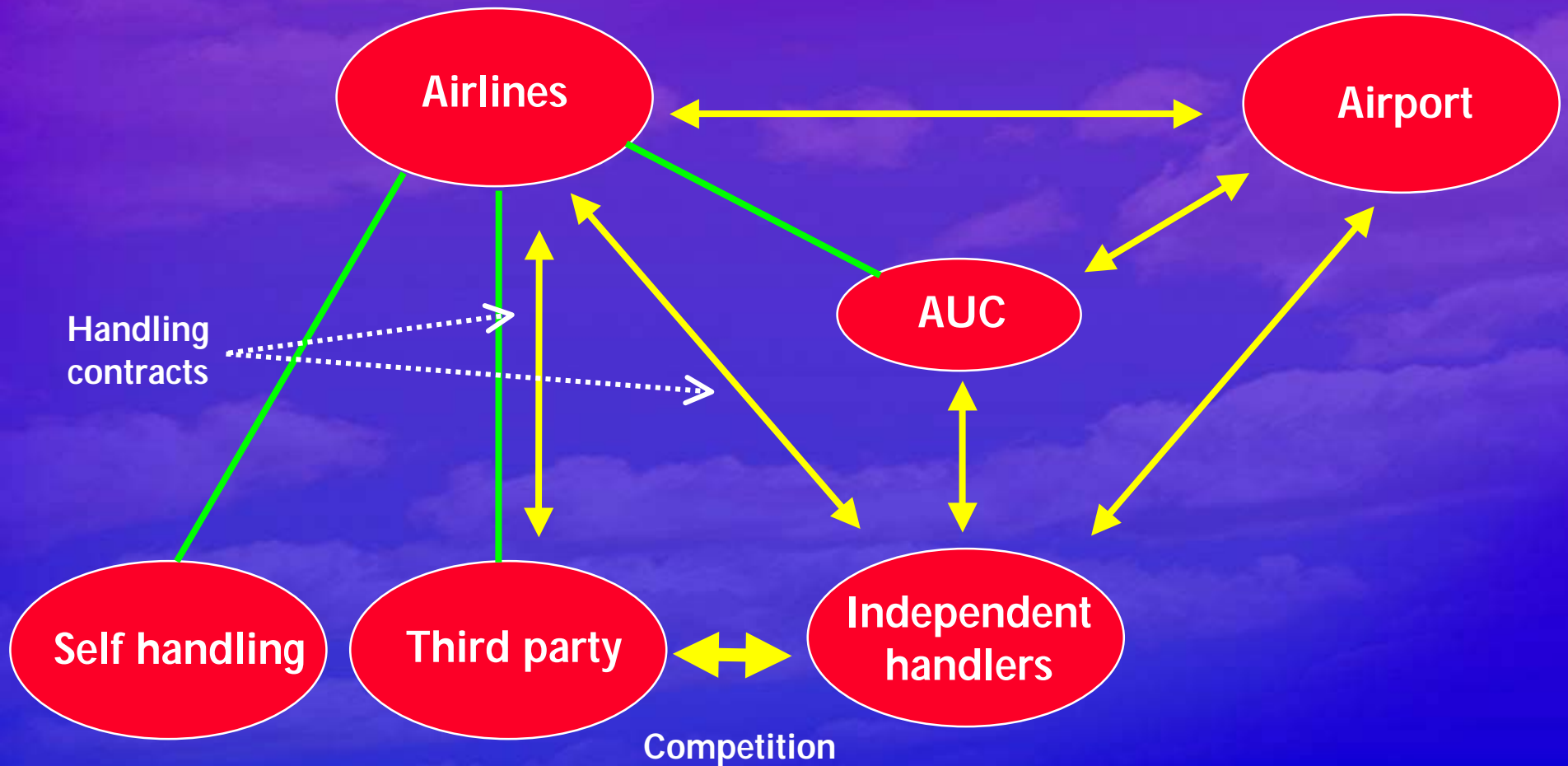


Stresses: Simple Model

- Selection/legal appointment by the airport operator, but commercial handling appointment by airlines (contract)
- Determination of relevant and objective selection criteria is difficult
- The formal role of the AUC is purely advisory
- Depending on voting mechanism the advice of the AUC can be dominated by a large carrier
- Airports may have limited control over quality levels, since airlines set handler standards, unless Service Level Agreements with airport are in place

Simple model plus airlines

- Airlines involved in handling, the airport is not

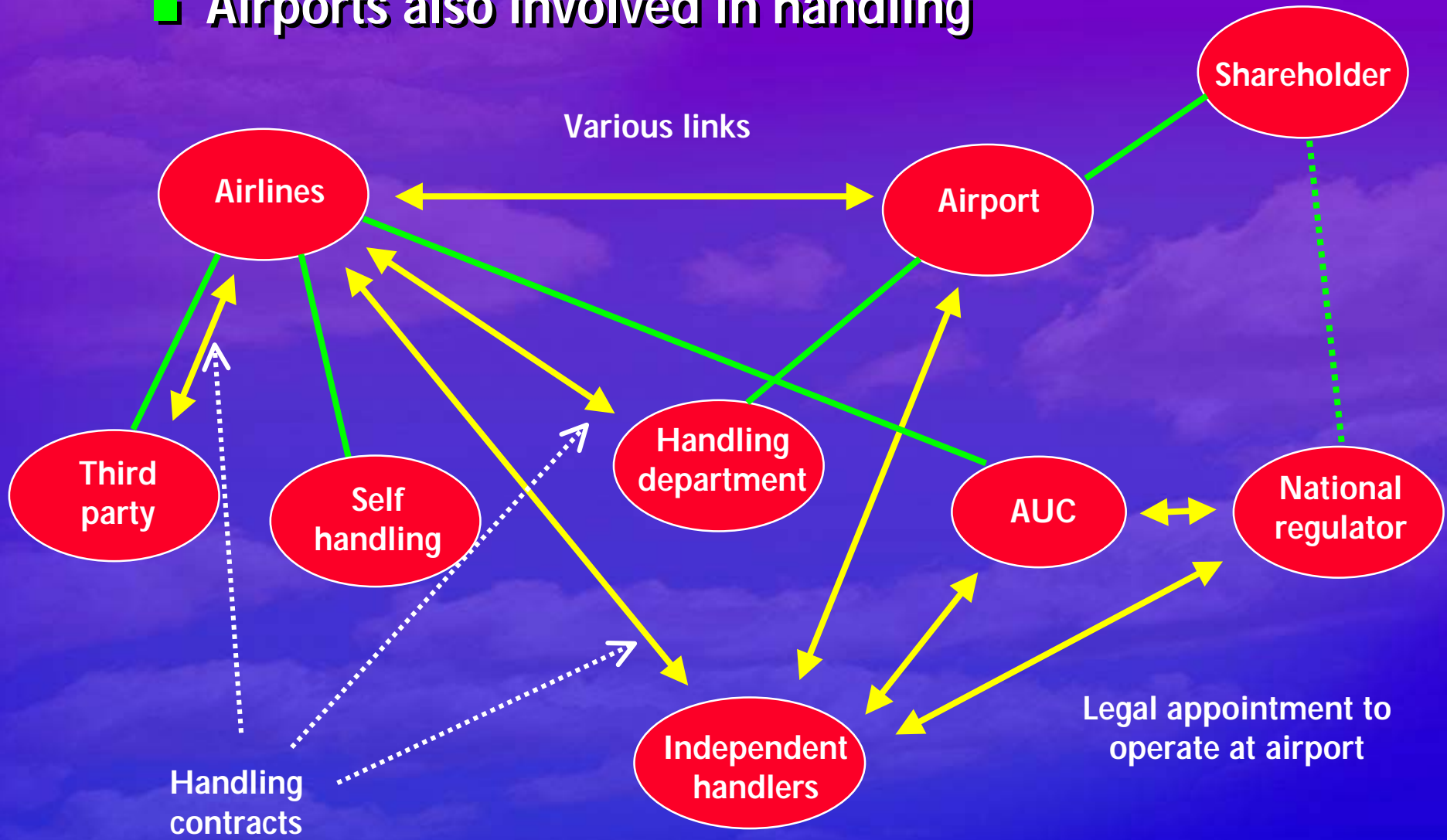


More stress: simple model plus airlines

- Role and neutrality of the AUC
- Size of the market available for independent handlers reduced
- Duopolies can suppress competition if one of the third party handlers is an airline
- Basis of access fee
- What is self handling?
- Express carriers operating at night: technically third party handling

Complex model

■ Airports also involved in handling

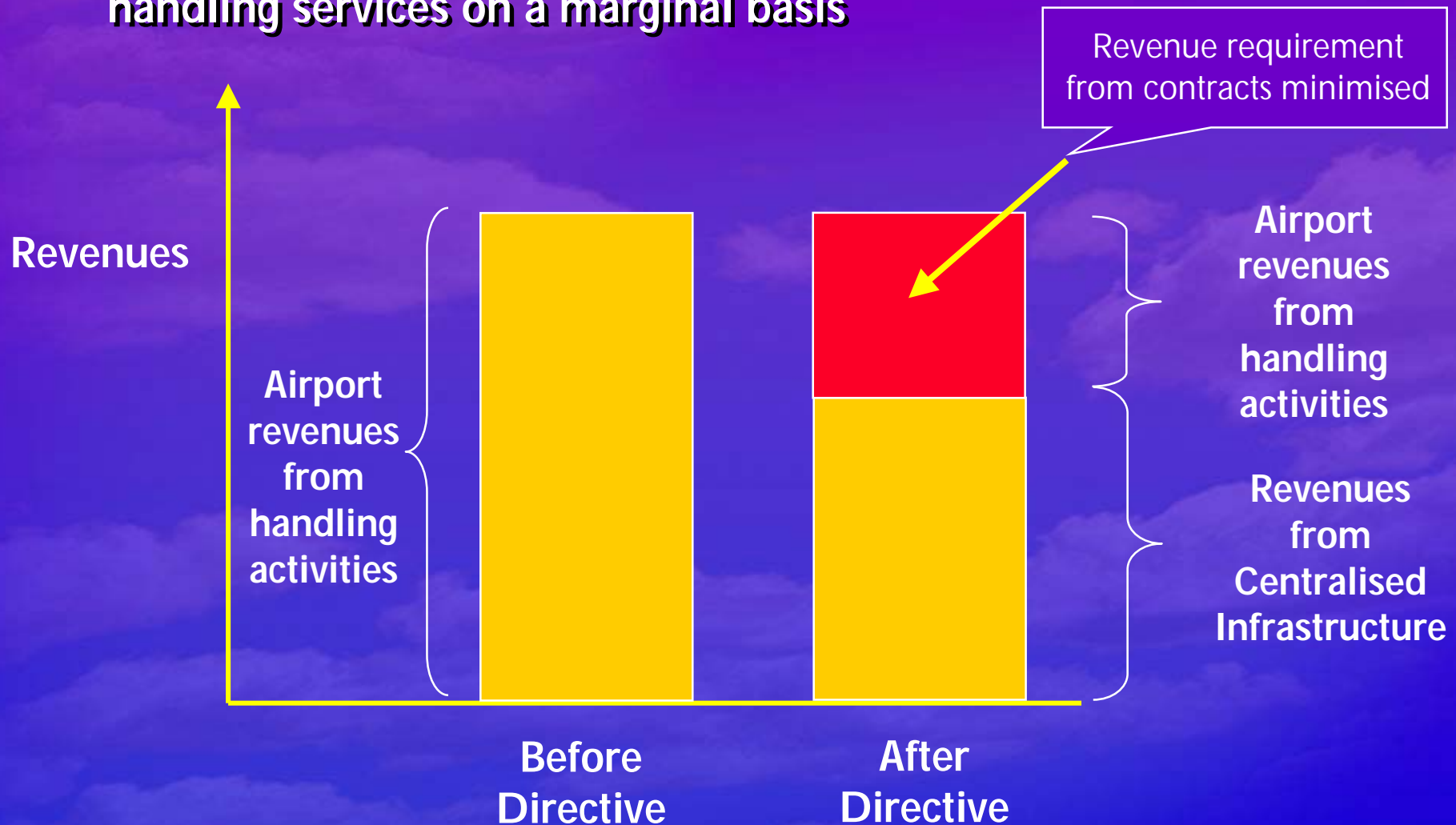


Most stress: complex model

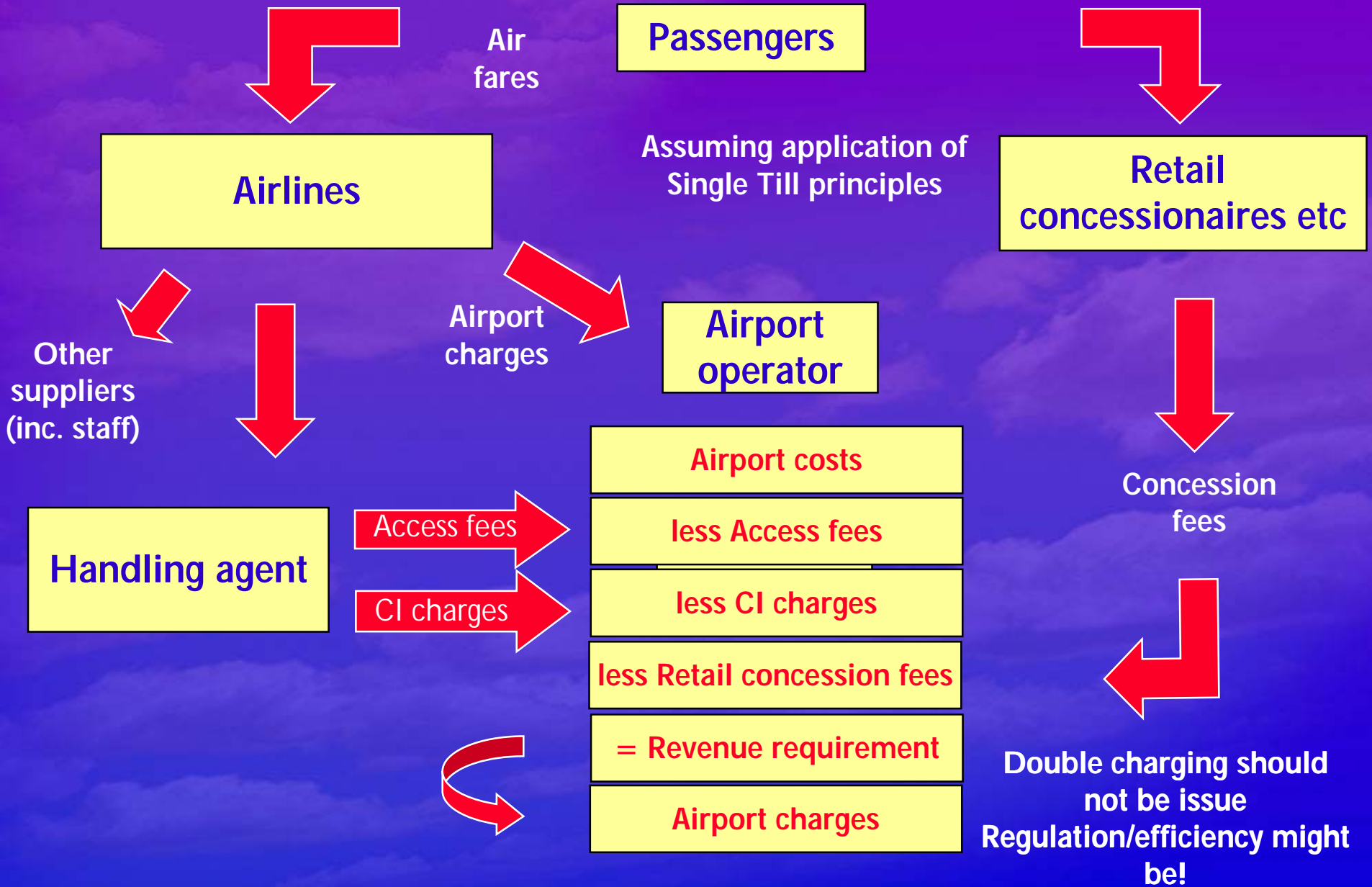
- Perception of conflict of interest of selecting body (shareholder of airport company)
- Perceived dominant position of airport operator:
 - combine products for customers (e.g. discount on CI, marketing support, preferential treatment etc) and cross subsidisation?
 - but, independent handlers operate at a number of airports
- Access fees
 - stakeholders become convinced that they are being double charged!
- Centralised Infrastructure fees
 - stakeholders feel they are being triple charged!!
 - high CI fees reduce competitiveness of independent handler

Centralised Infrastructure

Handlers believe that airports can offer handling services on a marginal basis

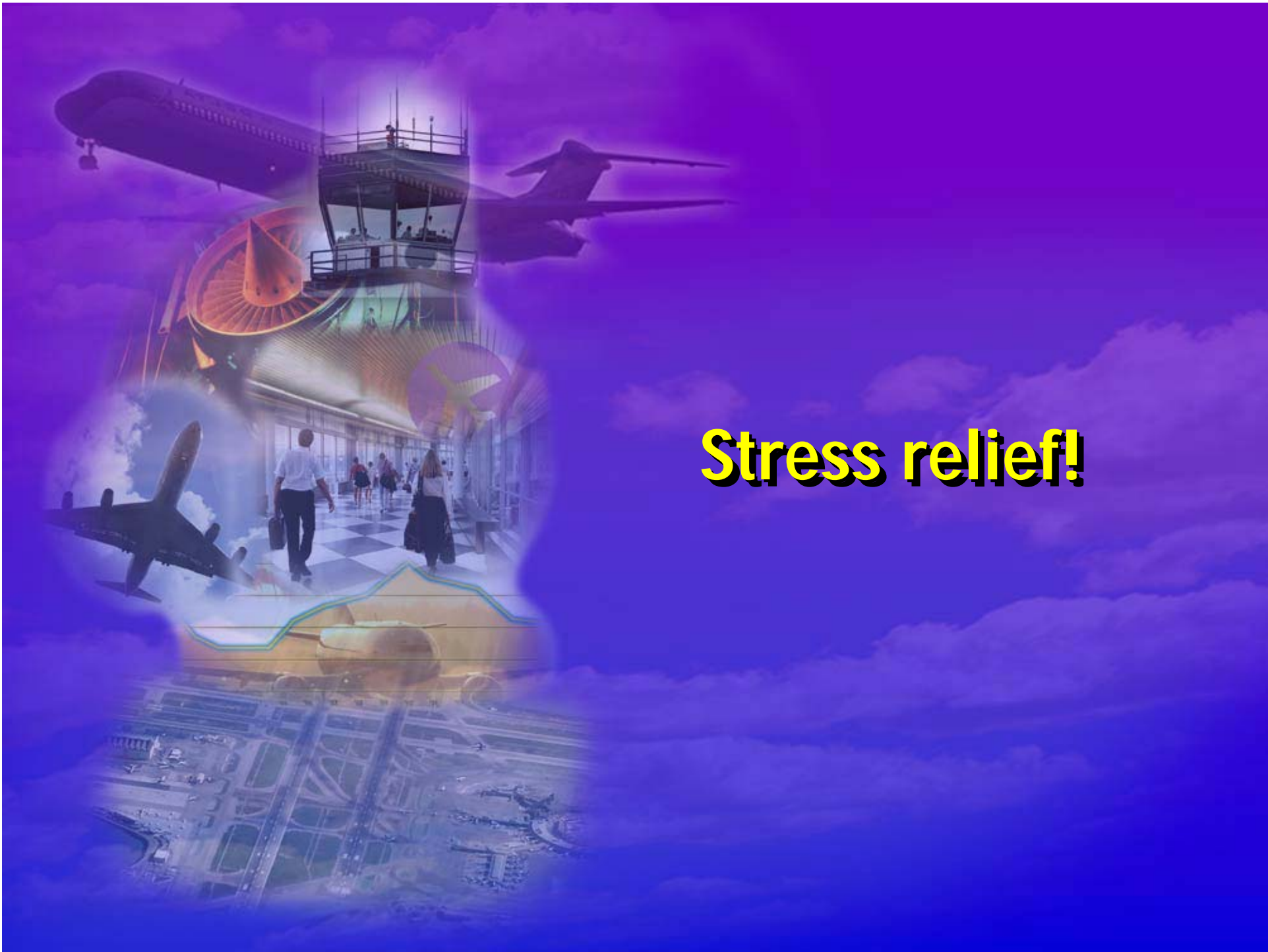


Airport revenue flows



The greatest stress?

- Competitive tensions work through to the labour force, notwithstanding national provisions for transfer of staff etc.
- These stresses can adversely affect service quality
- Some stakeholders have concerns over safety and security issues



Stress relief!

Stress relief

- **More airline involvement in selection process**
 - perhaps AUC sole decision maker
 - but linked to voting reform
- **Airports entitled to introduce minimum service standards**
- **Greater financial transparency by airports**
 - would ending of access fees ease matters?
- **Airports follow airlines and withdraw from handling activities....**



Conclusions

Conclusions

- Directive has opened up the market and has brought improvement, but there is still a long way to go
- Many issues stem from the complex ground handling relationship between airlines, self handlers, third party handlers, airport operator, airport handler, AUC and national regulator
- Double charging should not be an issue:
 - in the end it all comes from one pot
 - but regulation and efficiency might be
- Possible relief:
 - role of AUC, introduction minimum quality level and more transparency

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