



Opportunities and limitations to vertical alliance partnerships between airports and airlines

6th Conference on Applied Infrastructure Research
("INFRADAY")

Berlin, October 6th, 2007

Dr. Benjamin Koch

Agenda

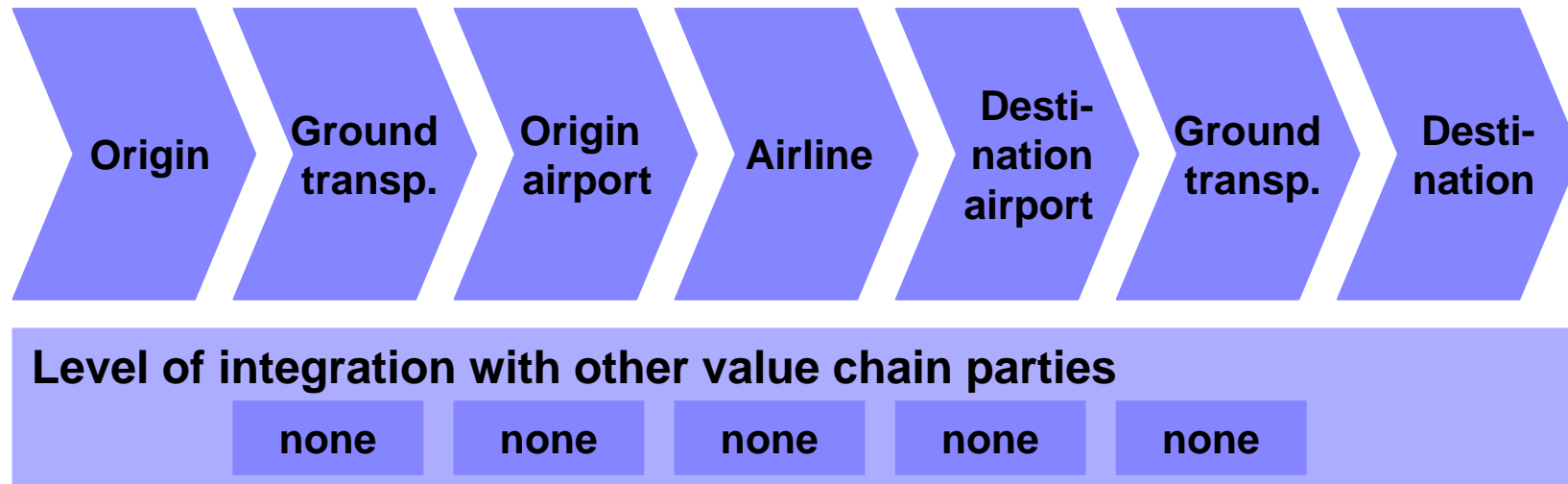


-
- I. Introduction**
 - II. Airport-Airline-Alliance partnerships from different viewpoints**
 - I. Resources and environment
 - II. Political aspects
 - III. Technological aspects
 - III. Conclusion**

Airline-Airport-Partnerships – Where do we come from?



The traditional air travel chain



- Traditional perspective on the airline-airport-relation
 - Traditional value chain perspective: customer / supplier
 - No integration throughout the value chain between any partners

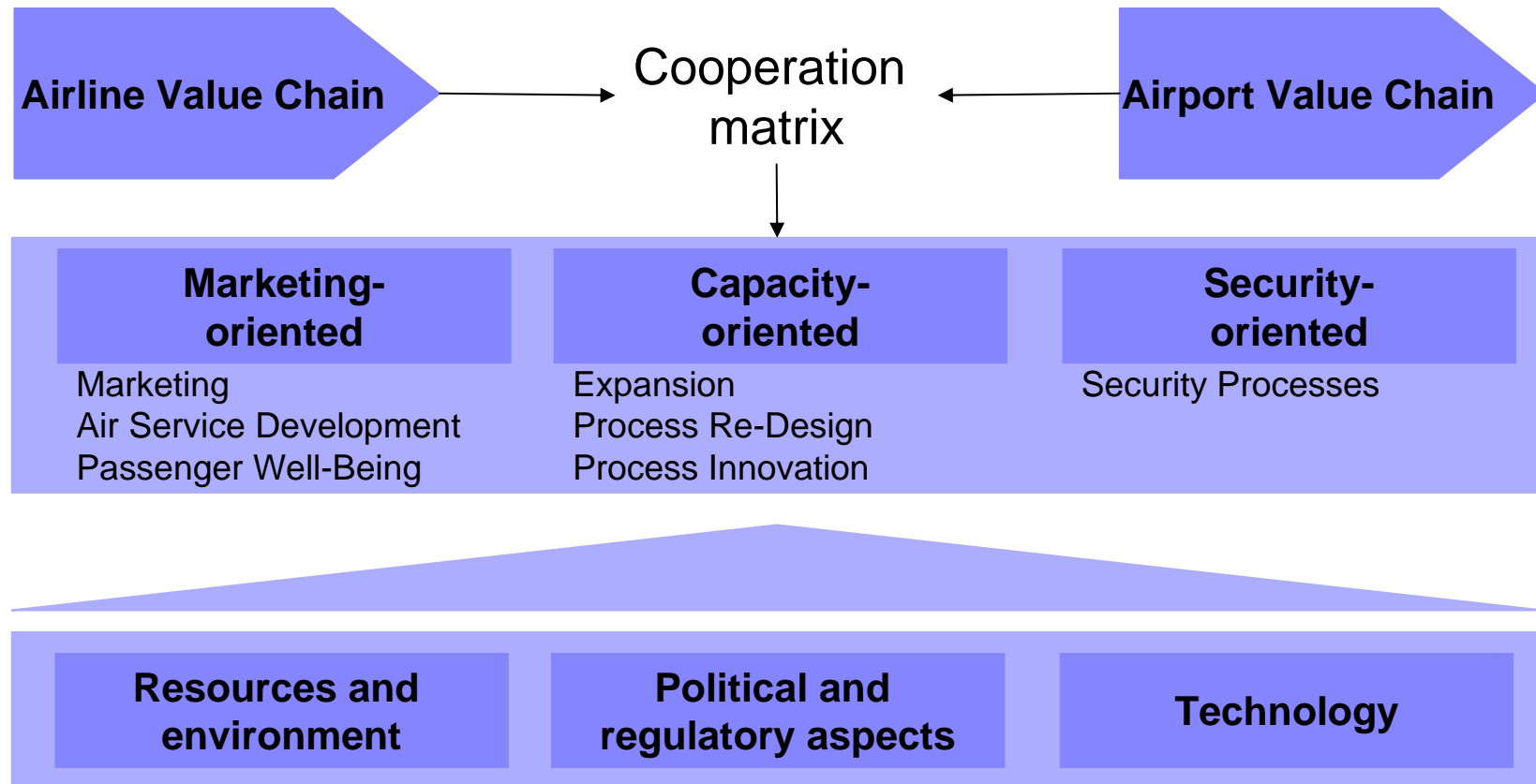
Alliances are only one possible approach for establishing partnerships



- Partnerships allow to (besides other factors)
 - Optimize the functioning and cooperation of the value chain
 - Reduce risks (increasing stability)
- The choice of the partnership approach depends on many factors, esp. including
 - the willingness to realize financial investments
 - the expectation on steadiness and duration

Partnership options	Alliances (Horizontal / Vertical / diagonal)	M & A	Joint ventures	Other cooperation agreements
Finance invest	none	high	medium to high	None to medium
Steadiness & duration	medium	high	high	low

Airport and airlines can choose between three potential models for partnerships



Agenda



-
- I. Introduction
 - II. Airport-Airline-Alliance partnerships from different viewpoints**
 - I. Resources and environment
 - II. Political aspects
 - III. Technological aspects
 - III. Conclusion

Perspective 1: Thoughts on the resources and environment perspective



Problems leading to partnership approaches	Infrastructure and capacity issues as most crucial impacts <ul style="list-style-type: none">▪ Congestion▪ Constrained air space▪ Limited growth opportunities (neighborhood, ecological factors)
Limitations to partnership	<ul style="list-style-type: none">▪ Fundamentally different business characteristics▪ Different planning horizons and development durations▪ Immobility versus mobility of resources▪ Different reactionary flexibility
Partnership benefits	<ul style="list-style-type: none">▪ Increased reliability▪ Risk and cost sharing▪ Better economic conditions for the alliance partner▪ Common approach towards external parties

- **BUT:**
 - Cost savings usually only for one partner
 - Increasing reliability usually means losing diversity and flexibility for at least one partner

Agenda



-
- I. Introduction
 - II. Airport-Airline-Alliance partnerships from different viewpoints**
 - I. Resources and environment
 - II. Political aspects**
 - III. Technological aspects
 - III. Conclusion

Perspective 2: Thoughts on political aspects



Problems leading to partnership approaches	Deregulation and liberalization <ul style="list-style-type: none">▪ New markets, but also new competitors▪ New opportunities and limitations at the same time
Limitations to partnership	<ul style="list-style-type: none">▪ Still significant degree of regulation, e.g. cross-border consolidation▪ New regulations, e.g. EU2320▪ Anti-trust rules, anti-discrimination
Partnership benefits	<ul style="list-style-type: none">▪ Improvement of own competitive position▪ Improvement of resource utilization (e.g. CDM)▪ Risk reduction

- **BUT:**
 - Often strict rules with limiting effect
 - Traditional approaches in aviation as limiting factor
 - Scepticism about investment of airlines in airports et v.v.

Agenda



-
- I. Introduction
 - II. Airport-Airline-Alliance partnerships from different viewpoints**
 - I. Resources and environment
 - II. Political aspects
 - III. Technological aspects**
 - III. Conclusion

Perspective 3: Thoughts on technological aspects



Problems leading to partnership approaches	<ul style="list-style-type: none">▪ New technological developments▪ Need for capacity increase without expanding infrastructure, additional environmental impacts etc.▪ Need of increasing efficiency, reducing costs etc.▪ New regulations etc.
Limitations to partnership	<ul style="list-style-type: none">▪ Distribution of costs and benefits▪ First mover vs. benefits▪ Different needs and interests▪ Contradictions between theory and practice (e.g. CDM)
Partnership benefits	<ul style="list-style-type: none">▪ Improvement of entire travel chain and processes▪ Adapting to new challenges▪ Improvement of economic position

- **BUT:**
 - **Technological developments often need multiple partners on a global scale (e.g. RFID)**
 - **Costs and benefits cannot be evenly distributed**

Various alliance partnerships can be observed in the real life



-
- Despite the limitations airports and airlines find joint ways to bring alliance partnerships to life
 - Air Service Development
 - „System Partnership“
 - Process innovation (mainly on basis of local try-outs)
 - ...

... but what about global initiatives, investments, exclusivity etc.?

Agenda



-
- I. Introduction
 - II. Airport-Airline-Alliance partnerships from different viewpoints
 - I. Resources and environment
 - II. Political aspects
 - III. Technological aspects
 - III. Conclusion**

So where to go with vertical airline-airport alliance partnerships?



- Many fields for cooperation can be identified and offer substantial potentials
- A general problem remains the allocation of benefits and costs between uneven partners
- Regulative aspects limit the potentials for cooperative approaches
- Consequently reality will need more time to follow theoretical opportunities