steer davies gleave

# Study on airport ownership and management and the ground handling market in selected non-EU countries

Final Report
June 2016

DG MOVE, European Commission

Our ref: 22907301
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# Executive Summary

## Background

The markets for airport management and ownership, and ground handling provision have undergone significant changes in recent decades. Ownership and management of airports across the globe have moved away from the public sector, with around 500 commercial airports worldwide now having some form of private sector participation in their management or ownership. Key drivers of these changes are to provide receipts for the public budget, to facilitate large infrastructure investment through private sources of finance and to utilise management experience and techniques from international airport operators in local markets.

In the ground handling sector, services are increasingly provided by specialised companies operating across a large number of airports either in the European Union (EU) or globally. Traditionally these services have been provided by airports or airlines themselves, but the opening up of the ground handling markets (in the EU, under Directive 96/67/EC) has resulted in a greater range of specialised companies taking advantage of these opportunities.

The European Commission has commissioned this study to increase its understanding of the international market for airport services and ground handling, and, in the context of the large volume of airport transactions, improve their understanding of this market and how it works. In this context particular attention is given to the access that EU companies have to non-EU markets for airport ownership and management and the ground handling sector.

This report includes 10 case studies on airport ownership and management and ground handling for the non-EU countries in scope:

1. Brazil;
2. China;
3. India;
4. Japan;
5. Mexico;
6. Morocco;
7. Philippines;
8. Turkey;
9. United Arab Emirates (UAE); and
10. United States of America(USA).

Three further case studies are also provided, summarising the barriers to airport ownership and management and ground handling market entry for three EU countries:

1. France;
2. Germany; and
3. UK.

## Methodology

Our approach to this study was to use a combination of stakeholder consultation and desk research of publically available data.

The purpose of the stakeholder consultation was to gather insights in order to understand the international frameworks which apply to the airports and ground handling sectors as well as trends in these sectors and particular barriers to entry in the 10 non-EU countries in scope.

A range of publically available data has been used throughout this report. The case studies in particular cite a number of different sources, including legal documents, governments, news publications, and published reports. All the case study research was supported by in-country and/or native-language speaking researchers.

**GATS and bilateral frameworks**

*GATS*

The General Agreement on Trade in Services (GATS) is a World Trade Organisation (WTO) treaty that entered into force in January 1995. It creates a framework for services trade with similar objectives to its merchandise counterpart, the General Agreement on Tariffs and Trade (GATT). The objective of the GATS is to promote trade and development by creating a credible and reliable system of international trade rules, which ensures fair treatment of all participants through binding policy and progressive liberalisation.

Part III of The GATS Framework Agreement contains general obligations relevant to airport ownership and management and ground handling and applies to all WTO members; it contains provisions which aim to promote the liberalisation of national markets, fair international competition and encourage foreign capital flows. However other components of the GATS allow WTO members to be exempt from these provisions meaning that some of them (among the countries analysed in more detail Brazil, China, Mexico, Philippines, Turkey and the UAE) have commitments or exemptions which allow them to place limitations on foreign capital flows.

Air transport services are governed by an annex of the GATS, which specifically excludes traffic rights and services directly related to traffic from the agreement, and states that it applies only to measures affecting the following areas:

- aircraft repair and maintenance services;
- the selling and marketing of air transport services; and
- computer reservation system (CRS) services.

Airport ownership and management and ground handling are not mentioned and there is therefore disagreement amongst WTO members whether these areas are covered by the GATS. Some Members argue that ground handling and airport management services (covering ownership and management) are not activities directly relating to traffic rights so are therefore covered by the GATS. Other states argue against it.

The only way to resolve this would be for a formal dispute to be launched within the WTO, so that a panel could be established to decide. If it is found that airport management services and ground handling services are covered by the GATS, then the framework provisions would in principle all apply, along with the rest of the agreement. Although several reviews have been launched, there is no timeline for a decision to be made on the matter. Until then, the applicability of the GATS to airport ownership and management and ground handling remains unclear.

*Bilateral Frameworks*

There are two sets of bilateral agreements related to airport ownership and management and ground handling:

- Air Service Agreements, which cover many aspects of international air services including traffic rights, fair competition, ownership, safety, and security; and

- Trade Agreements, which are more general and varied in scope, and aim to remove trade and investment barriers which apply to many sectors including aviation.

Of the 10 non-EU countries in scope, the EU currently has comprehensive Air Service Agreements (ASAs) with Morocco and the USA, with Brazil under negotiation. These agreements are similar in format and do not contain any provisions regarding ownership or management of airports; provisions on commercial opportunities and inward investment refer only to air carriers. Although all the agreements do contain provisions relating to ground handling, they do not contain any requirements for competition in the ground handling market; they only stipulate that air carriers have the right to perform their own ground handling services or select amongst competing suppliers.

At the time of writing the EU is in the process of negotiating bilateral trade and investment agreements with several of the selected countries; but currently only has preferential trade agreements in place with Mexico, Morocco and Turkey. None of the agreements contain any specific provisions relating to airport ownership, management or ground handling. The trade in services agreement with Mexico excludes all air services and related activities in support of air services with the exception of the three areas included in the GATS Annex on Air Transport. The agreements with Morocco and Turkey do not make any noteworthy references to airports, ground handling or foreign capital flows.

**International Trends**

*Airport Ownership*

Airports traditionally formed part of the public sector, being originally built either by national, regional or local governments. Consistent with this, airport management was traditionally undertaken by the state, either directly or through a bespoke public sector civil aviation administration. Over the last four decades, since the 1980s, there has been progressive movement globally towards both commercialisation and corporatisation of airport management and private sector involvement.

Private sector involvement has been introduced at a growing number of airports over the last few decades, motivated by the:

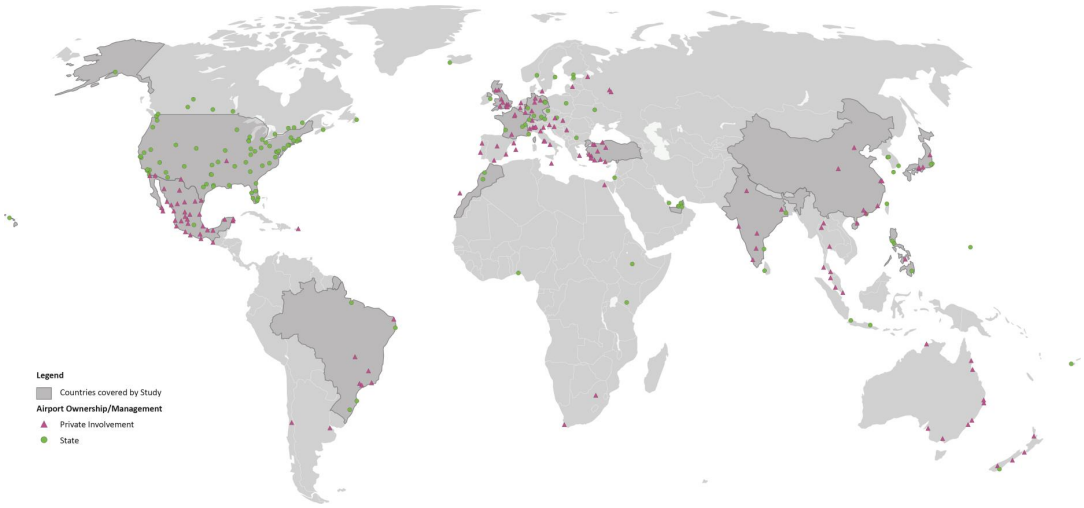
- Opportunity to raise funds for the public sector through the sale of the asset;
- Increased efficiency of operation assumed to be achieved in the private sector (an extension of the corporatisation approach); and
- Opportunity to support investment in airport infrastructure: adding terminals, runways and other airport facilities, thereby improving the transport assets of the country concerned without recourse to public funds.

Private sector involvement in airport ownership and management is now widespread, although the extent to which and nature of private sector involvement in airports varies greatly between countries. There remain some important jurisdictions where many airports remain in the public sector with a public sector style of administration, including the United States, Canada, France, India and the UAE. However, corporatisation of airport administration is common at airports which remain in the public sector, or which have majority public sector ownership and hence control, reflecting a general move away from pure public administration. Several major airports in several European countries have a mixture of public and private sector ownership but public sector control.

15% of airports around the world are fully privatised, 18% are in public-private partnership with the remaining 67% in public ownership. However, the privatised or commercialised airports now account for 50% of airport passenger traffic. The private sector is now also sufficiently large and mature that an important part of transactions are likely to be sales of shares between private sector entities, in addition to financing and refinancing transactions.

The maps below draws on the Air Transport Research Society's 2015 Airport Benchmarking Report and Steer Davies Gleave research undertaken for the 10 non-EU countries in scope for this study to provide an overview of the ownership and management of the world's major airports (State or private involvement). The ATRS report has minimal coverage of the African and South American continents.

**Map of selected major airports showing private sector involvement (in either ownership or management)***




*This map is not comprehensive. It shows major airports as published in the ATRS Airport Benchmarking Report as well as the major airports reported in the case studies in this report. The ATRS report, for example, has minimal coverage of the African and South American continents.
Source: Air Transport Research Society, Airport Benchmarking Report – 2015, Steer Davies Gleave analysis

A general feature of the trend towards commercialisation and privatisation of airports is that different countries have chosen to adopt different strategies in relation to which airports are included. Some countries have chosen to maximise returns by privatising the most attractive airports with the largest traffic base; leaving the smaller, potentially, loss-making airports, under state management. Other countries have sought to privatise a national airport operator as a whole, or privatise groups of airports.

*Airport Management*

Styles of airport management are often driven to some extent by the ownership structure and the regulatory regime. Where airports are run from entirely within the public sector, the management style may put the emphasis on conformity to regulation. The introduction of commercialisation or corporatisation is often motivated by the desire to improve the airports' commercial performance. Consequently, management at commercialised airports tends to focus on enhanced revenue generation and reduction of operating costs.

Many airport owning groups include a combination of airport operators and private investors. The airport operators within the owning groups tend to be responsible for the management of the airport, with the private sector investors focusing on providing finance and achieving good returns. In some cases, private sector involvement is largely limited to managing the airport operation, either as a management contract or with a concession requiring relatively little capital investment. However, in many cases, airport concessions have been established where an important condition for bidders for the concession is to commit to very significant capital expenditure, this being the rationale of the process from the public sector.

Regulation of aeronautical revenues is common place where airports are privately owned, and often also the case when acting as corporatised entities with a mixture of public and private ownership.

### Ground handling

The global market for ground handling is estimated as having a value of €70 - €90 billion per year. The market is commonly served by one or a combination of:

- Self-handling by the airlines;
- Airport's own ground handling company; and/or
- Third party, independent ground handling companies.

Each country and airport has different rules and processes for market entry. IATA estimates that up to 50% of ground handling services globally are outsourced to third parties. In the US, by far the largest national market, some 65% of the market is serviced through the main airlines (United, Delta, Southwest and American) own ground handling companies.

Traditionally, ground handling was provided by local based airlines or airports; however liberalisation has facilitated greater market access and some consolidation. A number of the third party independent ground handling companies are businesses working across the globe; there has been a trend to consolidation in the industry reflecting the commoditised and low margin nature of the business, but also a way to provide market access to restricted markets where barriers to entry still exist.

As an indication of the spread of the larger ground handling organisations data for 2011 and 2015/2016 is presented in the table below. These demonstrate that there are a few large companies operating worldwide, although there remain a large number of niche operators working at only a few airports, as well as the airlines who undertake self-handling.

**Table 1.1: Ground handling stations by company (2011 and 2015/2016)**

| Operator | Stations (2011) | Stations (current) |
|---|---|---|
| Swissport/Servisair | 316 | 290 |
| Menzies | 136 | 149 |
| WFS-Aviapartner | 155 | 145 |
| SATS (Singapore) | 10 | 30 |
| DNATA (Dubai) | 18 | 58 |
| Fraport | 13 | n/a |
| Celebi | 35 | 36 |

Source: KPMG presentation quoted in CAPA article, 20 Nov 2014, Company annual reports and websites. Swissport and Servisair data have been combined reflecting their subsequent merger

Restrictions on market entry can either be regulatory (for example reciprocal self-handling in the bilateral Air Service Agreement), infrastructure related or designed to protect local or airport company ground handling operations. A variety of approaches are used worldwide.

In a European Context, EU Directive 96/67 opens access to the market for groundhandling services at airports with more than two million passengers per annum. At the same time, it allows Member States to limit the number of providers for certain categories at these airports, however, not to less than two ground handling providers. One of these providers needs to be an independent handler (not the airport operator or airline with more than 25% of traffic at the airport). In the three EU States studied, France requires Ground handling companies operating there to be based in the EU, Germany has no explicit rule on nationality but most

companies operating there are German registered, while the UK includes a reciprocity rule for access to its market for all EU and non-EU countries.

Consolidation in the industry is therefore likely to continue to develop, driven by economies of scale. However, because equipment needs to be located at a single airport, it may continue to be cost-effective for smaller well-established operators to dominate in particular markets. Therefore, consolidation is likely to be patchy and to develop at different rates in different countries and airport groups.

**Case Studies**

A summary of the case studies of the 10 non-EU countries and market analysis of the three EU countries in scope are shown in the following tables below.

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**Non-EU country case studies**

| Country | Airport Ownership | | | | Airport Management | | | | Ground Handling | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Current Situation | Commercial airports with some private ownership | Foreign Investment Restrictions | European companies present | Current Situation | Commercial airports with some private management | Foreign Investment Restrictions | European companies present | Current Situation | Value of market | Foreign Investment Restrictions | Major European companies present |
| Brazil | No current legislation that allows privately owned commercial airports | - | - | - | Concessions with minimum investment requirements at some airports | 6 | No formal restrictions | 3 | Liberalised market | €566 Million | None | 1 |
| China | Commercial airports are state owned or majority state owned with some private investment | More than 10 | Foreign investment permitted in partnership with a Chinese entity, generally limited to 25% | 1 | Commercial airports are managed owned or majority managed owned with some private investment | More than 10 | Foreign investment permitted in partnership with a Chinese entity and cannot be the majority stakeholder | 3-4 | Liberalised market, but dominated by airlines and airports | €2.4 Billion | Foreign investment permitted in partnership with a Chinese entity | - |
| India | Majority of commercial airports publically owned, some greenfield airports privately owned | 2 | - | - | Majority of commercial airports publically managed, a small number are privately managed via concessions | 4 | 74% maximum foreign shareholding, but limited to 49% in some concession agreements | 2 | Semi liberalised market; some restrictions on self-handling level and competition | €246 Million | No formal restrictions | 4 |
| Japan | No legal restrictions on private investment in airports, in practise majority fully owned by the government | 1 | None | - | Some airport corporatised or let through concessions | 5 | No formal restrictions, but some difficulties in practise | 2 | Liberalised market, but dominated by airlines | €2.1 Billion | No formal restrictions | 1 |
| Mexico | All commercial airports state owned | - | - | - | Large number of airports concessioned to majority state owned consortiums with some private sector involvement | 34 | 49% limit | 2 | Liberalised market | €377 Million | None | 2 |
| Morocco | All commercial airports state owned | - | - | - | All airport state managed | - | - | - | Liberalised market through tendering process | € 53 Million | None | 2 |

| Country | Airport Ownership | | | | Airport Management | | | | Ground Handling | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Current Situation | Commercial airports with some private ownership | Foreign Investment Restrictions | European companies present | Current Situation | Commercial airports with some private management | Foreign Investment Restrictions | European companies present | Current Situation | Value of market | Foreign Investment Restrictions | Major European companies present |
| Philippines | All commercial airports state owned | - | - | - | Some airport in process of being let through PPP program | 1 | 40% limit | - | Liberalised market | €163 Million | 40% limit | - |
| Turkey | All commercial airports state owned | - | - | - | Some airports operated through concessions and BOTs | 11 | None | 2 | Liberalised market, but authorisation required | €838 Million | Providers must be majority Turkish shareholding | 1 |
| UAE | All commercial airports state owned | - | - | - | All commercial airports state managed | - | - | - | No legislation, closed market in practise | €486 Million | No legislation, no foreign service providers in practise | - |
| USA | Majority of commercial airports publically owned, although legal framework does exist for private ownership | 1 (small) | None | - | Wide range of management models, terminals often leased on concessions and airport operations often outsourced | 10+ | None | 7+ | Liberalised market | €7.9 Billion | None | 3+ |

Note: the value of the ground handling market is based in assumptions and may under or over-estimate the actual value

**EU countries market analysis**

| Country | Airport Ownership & Management | | | Ground Handling | |
|---|---|---|---|---|---|
| | Current Situation | Commercial airports with some private involvement | Foreign Investment Restrictions | Current Situation | Foreign Investment Restrictions |
| France | Majority commercial airports state owned<br>11 regional airports managed privately via concessions<br>2 Parisian airports owned and managed by ADP<br>51% ADP owned by French state | 13 (2 large, 11 small) | None | Market liberalised in line with Ground Handling Directive EU 96/67, although additional approvals and consultations are required | Non-EU companies must have establishment in France |
| Germany | Legal framework exists for airport privatisation<br>The majority of shareholders are German companies<br>Largest shareholder is often state owned | 5 | None | Market liberalised in line with Ground Handling Directive EU 96/67, however market still dominated by airport operator at many major airports | None |
| UK | Legal framework exists for airport privatisation<br>The majority of major airport are wholly privately owned and operated<br>Owners and operators are often not UK companies | Over 20 | None | Market liberalised in line with Ground Handling Directive EU 96/67, on a conation of reciprocity with third countries | None |

# 1 Introduction

1.1 This report is a project deliverable from Steer Davies Gleave for the DG MOVE study on airport ownership and management and the ground handling market in selected non-European Union (EU) countries.

## Background and the need for this study

1.2 The markets for airport management and ownership, and ground handling provision have undergone significant changes in recent decades.

1.3 Ownership and management of airports across the globe has moved away from the state/ public sector, with around 500 commercial airports worldwide now having some form of private sector participation in their management or ownership. Key drivers of these changes are to provide receipts for the public budget, to facilitate large infrastructure investment through private sources of finance and to utilise management experience and techniques from international airport operators in local markets. Investors can be airport operators themselves, or financial funds or infrastructure specialists (for example global airport investors based in Europe include Aéroport de Paris Management, AviAlliance, Ferrovial Aeropuertos, Fraport, Zurich Airport and VINCI Airports).

1.4 There have also been a number of significant changes in the ground handling sector, with more ground handling services provided by specialised companies operating across a large number of airports either in the EU or globally. Previously these services would have been provided by airports or airlines themselves, but the opening up of the ground handling market to competition (in the EU, under Directive 96/67/EC) has resulted in these newer, specialised companies taking advantage of the opportunities presented.

1.5 As a result, the global market for airport management and ownership, and ground handling service provision, is providing more opportunities for investors and private companies. However these opportunities may not always be available for foreign companies due to existing barriers to foreign trade and investment (e.g. limiting the proportions of airport ownership, or access for companies).

1.6 The European Commission has commissioned this study to increase its understanding of the international market for airport services and ground handling, and, in the context of the large volume of airport transactions, improve their understanding of this market and how it works. In this context the Commission wishes to further develop the understanding of the access that EU companies have to non-EU markets for airport ownership and management and the ground handling sector.

## This report

1.7 The purpose of this report is to provide outputs for all tasks undertaken as part of the study, including 10 case studies on airport ownership and management and ground handling for the non-EU countries in scope:

4. Brazil;
5. China;
6. India;
7. Japan;
8. Mexico;
9. Morocco;
10. Philippines;
11. Turkey;
12. United Arab Emirates (UAE); and
13. United States of America(USA).

1.8 Three further case studies are also provided, summarising the barriers to airport ownership and management and ground handling market entry for the three EU countries in scope:

14. France;
15. Germany; and
16. UK.

1.9 The document is structured as follows:

- **Chapter 2** sets out our project methodology, including stakeholder engagement and our approach to collecting data;
- **Chapter 3** sets out the results of our review of the General Agreement on Trade in Services (GATS) and bilateral frameworks;
- **Chapter 4** sets out our review of international trends in airport ownership, management, and the ground handling sector;
- **Chapters 5- 14** provide our case studies on airport ownership and management and the ground handling markets for the 10 non-EU countries in scope; and
- **Chapters 15-17** provide our case studies on barriers to airport ownership and management and ground handling market entry for the 3 EU countries in scope.

# 2 Methodology

## Introduction

2.1 In this chapter we provide an overview of our methodology for the study, including the stakeholder consultation, and our approach to collecting data for the study.

## Stakeholder engagement

2.2 The purpose of the stakeholder consultation component of the study is to gather insights in relation to the main study themes, in particular to understand the international frameworks which apply to the airports and ground handling sectors as well as trends in these sectors and particular barriers to entry in the 10 non-EU countries in scope. In agreement with the Commission we defined a programme of stakeholder interaction that involved the following organisations:

- European Commission officials;
- World Trade Organisation (WTO);
- Airports representatives;
- Investor groups; and
- International ground handling operators.

2.3 Stakeholders were sent an introductory email in January 2016 which explained the purpose of the study and invited stakeholders to participate. If a stakeholder agreed to participate, they were sent a question list and a time for a telephone conversation was agreed.

2.4 The majority of stakeholders agreed to participate, and there was no stakeholder group with no participation. However confidentiality of responses was a concern for the private-sector stakeholders. For this reason, none of the investor groups or independent ground handlers who accepted to participate is identified in this report.

2.5 Table 2.1 provides additional detail on the contact status for each stakeholder. We note that the stakeholder group contacted is larger than originally planned. This is primarily due to the support of ACI Europe, who have provided us with direct contacts at other relevant ACI regional offices for the purposes of further understanding the market for airport ownership and management and ground handling in the non-EU countries in scope.

**Table 2.1: Stakeholder status at project conclusion**

| Stakeholder Type | Stakeholder | Status |
|---|---|---|
| European Commission officials | DG Mobility and Transport (aviation directorate) | Interview held |

| Stakeholder Type | Stakeholder | Status |
|---|---|---|
| International Organisations | World Trade Organisation | Interview held |
| Airports Council International (ACI) | ACI Europe | Interview held |
| | ACI Latin America | Did not participate |
| | ACI Africa | Interview held |
| | ACI Asia Pacific | Interview held |
| | ACI North America | Interview held |
| Investor Groups | [Confidential A] | Interview held |
| | [Confidential B] | Interview held |
| | [Confidential C] | Declined to participate |
| | [Confidential D] | Declined to participate |
| International Ground handlers | [Confidential A] | Did not respond. |
| | [Confidential B] | Interview held. |
| | [Confidential C] | Interview held. |
| | Association of independent GH providers (ASA) | Did not participate. |

## Approach to collecting data

2.6 A range of publically available data has been used throughout this report. The case studies in particular cite a number of different sources, including legal documents, governments, news publications, and published reports.

2.7 All the case study research was supported by in-country and/or native-language speaking researchers.

# 3 GATS and bilateral frameworks

## Introduction

3.1 In this section we provide an overview of the provisions of the General Agreement on Trade in Services (GATS), as well as any comprehensive EU-level Air Services Agreements, or trade agreements that have reference to airport ownership and management, and ground handling.

3.2 The chapter is divided into two main sections:

- The GATS, covering:
  - An overview of the GATS in general, its purpose and participating countries;
  - An overview of the GATS' general provisions relating to foreign investment and market access, and discussion on how these might be relevant to airports and ground handling;
  - An overview of the provisions of the GATS relating to airports and ground handling (as per the specific Annex on Air Transport Services); and
  - Any relevant country-specific schedules of specific commitments where these have been available to us; and
- Bilateral frameworks, covering;
  - Air Service Agreements between the EU countries and third countries, which cover many aspects of international air services including traffic rights, fair competition, ownership, safety, and security; and
  - Trade Agreements between the EU countries and third countries, which are more general and varied in scope, and aim to remove trade and investment barriers which apply to many sectors including aviation.

3.3 We discuss the application of these relevant provisions to airport ownership and management and ground handling, as well as any key country-specific differences that have emerged with respect to the 10 non-EU countries in scope for the study.

3.4 For this section we draw on the GATS itself, the EU-level bilateral agreements, and associated documents. Telephone calls held with the WTO on 8 February 2016 and the Directorate-General for Mobility and Transport of the European Commission on 5 February 2016 provided further insights.

## The GATS

### High level objective of the GATS

3.5 The GATS[1] is a World Trade Organisation (WTO) treaty that entered into force in January 1995. It creates a framework for services trade with similar objectives to its merchandise counterpart, the General Agreement on Tariffs and Trade (GATT). The GATS was created as a result of the 'Uruguay Round' negotiation, the 8th round of multilateral trade negotiations which were conducted within the framework of the GATT.

3.6 The objectives of the GATS are as follows:

- creating a credible and reliable system of international trade rules;
- ensuring fair and equitable treatment of all participants by applying the principle of non-discrimination;
- stimulating economic activity through guaranteed policy bindings; and
- promoting trade and development through progressive liberalisation.

3.7 The GATS applies to all WTO Members (currently 162 members), and in principle to all service sectors, with two exceptions:

- *"services supplied in the exercise of governmental authority"* (Article I). These are services that are supplied neither on a commercial basis nor in competition with other suppliers, such as social security schemes and any other public service, such as health or education.
- As per the Annex on Air Transport Services, *measures affecting air traffic rights and services directly related to the exercise of such rights*. However, as an exception to this carve-out, aircraft repair and maintenance services, selling and marketing of air transport services, and computer reservation system services are covered by the Agreement.

### GATS structure

3.8 There are three main components to the GATS:

- The **Framework Agreement:** which contains general obligations and applies to all member countries in the same manner;
- Specific further national commitments, including:
  - The **Schedule of Commitments (SOC)** which set out the degree of market opening that each WTO member guarantees.; and
  - **MFN exemptions**, where a country may exempt certain trading partners from the Most Favoured Nation (MFN) principle.
- A number of **annexes** addressing the special situations of individual services sectors.

3.9 National commitments and the annex on air transport are discussed in more detail in following sections.

3.10 The GATS framework comprises five sections:

- Part I: Scope and Definition;
- Part II: General Obligations and Disciplines;
- Part III: Specific Commitments;
- Part IV: Progressive Liberalisation; and

[1] World Trade Organisation, **https://www.wto.org/english/tratop_e/serv_e/gatsqa_e.htm**, Accessed 5 February 2016

- Part V: Institutional Provisions.

3.11 The GATS distinguishes between four 'modes' of supplying services, all of which are relevant to the airport and ground handling industry:

- **Cross-border supply:** covering services flows from the territory of one Member into the territory of another Member (e.g. data service provision in the aviation sector);
- **Consumption abroad:** where a service consumer e.g. tourist moves into another Member's territory to obtain a service;
- **Commercial presence:** when a service supplier of one Member establishes a territorial presence, including through ownership or lease of premises, in another Member's territory to provide a service. This mode will cover most of the examples we are investigating in relation to the airport ownership, management and ground handling sectors; and
- **Presence of natural persons:** when persons of one Member enter temporarily the territory of another Member to supply a service e.g. provision of advisory or consultancy services in the aviation sector.

**GATS obligations**

3.12 Obligations for each WTO Member in the GATS may be categorised into two broad groups:

- **General obligations**, which apply directly and automatically to all Members and services sectors. General obligations include the Most Favoured Nation (MFN)[2] and Transparency[3] principles, as well as the establishment of administrative review and appeals procedures and disciplines on the operation of monopolies and exclusive suppliers, and
- **Commitments** concerning **market access** and **national treatment** in specifically designated sectors:
  - Market access and national treatment commitments are laid down in individual country schedules named Schedules of Commitments. The scope of commitments may vary widely between Members.

3.13 Each WTO Member is required to have a Schedule of Commitments (SoC) which identifies the services for which the Member guarantees market access and national treatment and any limitations that may be attached. The extent of the Commitments is generally dependent on the level of economic development in the country in question and when the country became a WTO member (more recent members have tended to guarantee higher levels of market opening than older members). These are subject in principle to a continuing process of liberalisation where countries may increase the level of market opening and update their

[2] The MFN principle requires non-discrimination and equal treatment for virtually everyone. Each member treats all the other members equally as "most-favoured" trading partners. If a country improves the benefits that it gives to one trading partner, it has to give the same "best" treatment to all the other WTO members so that they all remain "most-favoured". The MFN principle ensures that each country treats its over—160 fellow-members equally. Under the GATS, WTO Members had a one-off possibility to take exemptions from the MFN obligation. These are found in Member-specific MFN exemption lists. Source: **https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm**. Accessed 8 February 2016

[3] The Transparency principle aims "...to make countries' trade rules as clear and public ("transparent") as possible." Source: **https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm**. Accessed 8 February 2016

Commitments accordingly. The Schedule may also be used to assume additional commitments regarding, for example, the implementation of specified standards or regulatory principles.

3.14 Market access and national treatment commitments and limitations that diverge from the standard market access text in the main body of the GATS are country dependent. For example, countries may impose limitations on the number of services suppliers, service operations or employees in the sector; the value of transactions; the legal form of the service supplier; or the participation of foreign capital.

3.15 Members cannot be more restrictive than their SoC, but they can be more liberal. We understand from the WTO that the SoC does not bind the actual degree of liberalisation – they could paint a more restrictive position than the actual position on the ground. This situation, where the SoC is more restrictive in theory than practice, is becoming more prevalent as Members increase the level of actual market opening without revising their SoC. In practice, the WTO stated, the SoC may be outdated.

**Provisions of the GATS relating to foreign investment and market access**

3.16 In this section we describe the provisions in the GATS framework that may be of relevance to airport ownership and management and ground handling services.

3.17 The Scope and Definition part of the GATS states that *"each Member shall accord services and service suppliers of any other Member treatment no less favourable than that provided for under the terms, limitations and conditions agreed and specified in its Schedule."*[4]

3.18 Article XVI of Part III of the GATS framework (i.e. the Specific Commitments Part) provides for the GATS disciplines on market access. In sectors where market-access commitments are undertaken, the measures which a Member shall not adopt or maintain - either on the basis of a regional subdivision or on the basis of its entire territory, unless otherwise specified in its SoC - are defined as follows[5]:

- **limitations on the number of service suppliers** whether in the form of numerical quotas, monopolies, exclusive service suppliers or the requirements of an economic needs test;
- **limitations on the total value of service transactions or assets** in the form of numerical quotas or the requirement of an economic needs test;
- **limitations on the total number of service operations or on the total quantity of service output** expressed in terms of designated numerical units in the form of quotas or the requirement of an economic needs test;
- **limitations on the total number of natural persons that may be employed** in a particular service sector or that a service supplier may employ and who are necessary for, and directly related to, the supply of a specific service in the form of numerical quotas or the requirement of an economic needs test;
- **measures which restrict or require specific types of legal entity or joint venture** through which a service supplier may supply a service; and
- **limitations on the participation of foreign capital** in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

[4] World Trade Organisation, GATS, **https://www.wto.org/english/docs_e/legal_e/26-gats_01_e.htm**, Accessed 4 February 2016

[5] Ibid.

3.19 Article XVII (Part III) provides for the GATS disciplines on national treatment. In sectors where national treatment commitments are undertaken, a Member will not operate discriminatory measures benefitting domestic services or service suppliers, subject to any specified conditions and qualifications.

**GATS Annex on Air Transport**

3.20 Air transport services are governed by a specific annex of the GATS, which excludes traffic rights and services directly related to traffic from the agreement[6]. The annex states that it applies only to measures affecting the following areas:

- aircraft repair and maintenance services;
- the selling and marketing of air transport services; and
- computer reservation system (CRS) services.

3.21 We understand from discussions with the WTO that there is no agreement among Members on the precise scope of application of the GATS (and air transport annex) to airport ownership and management and ground handling:

- Some Members argue that ground handling and airport management services, although not explicitly listed as sectors covered by GATS Annex on Air Transport, are not activities directly relating to traffic rights so are therefore covered by the GATS.
- Others argue against it, citing the three sectors explicitly mentioned as the only ones subject to the Agreement's disciplines.

3.22 We understand that, short of a clarification agreed to by all Members, the only way to resolve this would be for a formal dispute to be launched within the WTO, so that a panel could be established to decide.

3.23 If it is found/decided that the GATS does not cover airport management services and ground handling, then the market access, national treatment and MFN principles do not apply to these services. Conversely if they are found to be covered by the GATS, then the provisions would apply, along with the rest of the agreement.

3.24 The air transport component of the GATS is subject to a specific review process. Paragraph 5 of the Air Transport Annex states that "the Council for Trade in Services shall review periodically, and at least every five years, developments in the air transport sector and the operation of the annex with a view to considering the further application of the Agreement to the sector". A first review took place in 2000-2003. The second review, which formally opened in September 2005, is dormant.

3.25 It is in the context of this second review that the coverage of airport management services and ground handling is being discussed. We understand from the WTO that whilst in theory, these reviews are expected to take place every five years, in practice, work on this second review took place up to 2007, and then was taken off the formal table of discussion. This was because no agreement could be reached amongst WTO Members regarding the coverage of airport management services and ground handling in the GATS, and the decision was taken to move it to a 'side-discussion', in order to provide the two 'main camps' on either side of the issue with an opportunity to reach agreement. Once an agreement has been reached between the two

[6] GATS, Annex on Air Transport Services, **https://www.wto.org/english/docs_e/legal_e/26-gats.pdf**, Accessed 9 February 2016

main camps, this could be taken to the wider WTO membership for approval. An agreement has not yet been reached, and as a result the second review has been dormant since 2007.

**GATS Schedules of Commitments and Exemptions**

3.26 As noted above, commitments concerning market access and national treatment in specifically designated sectors are laid down in individual country schedules whose scope may vary widely between Members.

3.27 Members decide what their commitments will be[7]. The commitments appear in "schedules" that list:

- the sectors being opened;
- the extent of market access being given in those sectors e.g. whether there are any restrictions on foreign ownership; and
- the extent of limitations on national treatment e.g. whether some rights granted to local companies will not be granted to foreign companies.

3.28 When a government commits itself to allow specific services to be supplied in its domestic market, this is a **commitment**. If the government establishes limitations to, for example, the number of licences it will issue, then that is a **market-access limitation**. If it also applies different rules of operation to foreign companies than domestic companies providing the same service, that is a **limitation to national treatment**.

3.29 We provide below any potentially relevant commitments and limitations relating to airport ownership and management and ground handling for the 10 non-EU countries in scope for this study.

*Commitments and relevant limitations*

3.30 As noted previously, the GATS distinguishes between four 'modes' of supplying services: cross-border supply, consumption abroad, commercial presence, and presence of natural persons. With respect to airport ownership and management and ground handling, the commercial presence mode is commercially the most relevant mode.

3.31 The stated commitments and associated limitations for the 10 non-EU countries in scope for this study are summarised in Table 3.1[8]. India, Japan, Morocco, United States, France, Germany, and United Kingdom do not have any commitments relating to ground handling and airport management services, so are not listed in the table.

[7] Upon WTO Membership, they could also decide which MFN exemptions to take, if any.

[8] Table 3.1 contains mostly "horizontal limitations", i.e. limitations that apply to all services sectors than explicitly listed in the schedule. So to the extent that the countries listed in table 3.1 have not taken commitments in GH or AM services, these limitations may or may not be relevant.

**Table 3.1: List of commitments and relevant limitations by country**

| Country | Commercial presence limitations that may have some relation to airport ownership and management and ground handling |
|---|---|
| Brazil | **Horizontal Commitment (i.e. all sectors included in the schedule):**<br><br>All foreign capital invested in Brazil must be registered with the Central Bank of Brazil to be eligible for remittances. The Central Bank establishes procedures related to remittances and transfer of funds abroad. |
| China | **Horizontal Commitment (i.e. all sectors included in the schedule):**<br><br>In China, foreign invested enterprises include foreign capital enterprises, also referred to as wholly foreign-owned enterprises, and joint venture enterprises and there are two types of joint venture enterprises: equity joint ventures and contractual joint ventures.<br><br>The proportion of foreign investment in an equity joint venture shall be no less than 25% of the registered capital of the joint venture. |
| Mexico | **Horizontal Commitment (i.e. all sectors included in the schedule):**<br><br>Foreign investment in activities reserved for Mexican nationals must be through neutral shares, whose purchase must be quoted on the Mexican Stock Exchange.<br><br>Foreigners may not acquire direct ownership of land and water in a 50 km. strip on the coastline and 100 km. strip along the frontiers. Unbound for research and development subsidies and incentives to small service enterprises owned by Mexican nationals.<br><br>**Sector: Airport and helicopter administration services (CPC 746)**<br><br>Foreign investment only up to 30 per cent of the registered capital of enterprises. A concession from the Ministry of Transport and Communications (SCT) is required to operate an airport. |
| Philippines | **Horizontal Commitment (i.e. all sectors included in the schedule):**<br><br>In Activities Expressly Reserved by Law to Citizens of the Philippines (i.e., foreign equity is limited to a minority share):<br><br>The participation of foreign investors in the governing body of any corporation engaged in activities expressly reserved to citizens of the Philippines by law shall be limited to the proportionate share of foreign capital of such entities. All executive and managing officers must be citizens of the Philippines.<br><br>**Acquisition of Land: All lands of the public domain are owned by the State.**<br><br>Only citizens of the Philippines or corporations or associations at least 60 per cent of whose capital is owned by such citizens may own land other than public lands and acquire public lands through lease. Foreign investors may lease only private-owned lands |

| Country | Commercial presence limitations that may have some relation to airport ownership and management and ground handling |
|---|---|
| Turkey | **Horizontal Commitment (i.e. all sectors included in the schedule):**<br>Foreign investment above $ 150 million requires the approval of the Council of Ministers. A new Decree removing this limitation is under preparation. The capital must be brought in as foreign exchange. |
| United Arab Emirates | **Horizontal Commitment (i.e. all sectors included in the schedule):**<br>Commercial presence will be through either (i) a representative office or (ii) an incorporation as a company with maximum foreign equity participation of 49% subject to UAE law. |

Source: WTO, **https://www.wto.org/english/tratop_e/serv_e/serv_commitments_e.htm**

*MFN Exemptions*

3.32 When the GATS came into force in 1995, Members were allowed a once-only opportunity to take an exemption from the MFN principle of non-discrimination between a member's trading partners. The exemption had to indicate the nature of the discriminatory treatment, the Members concerned, and its intended duration. These exemptions should not last for more than ten years "in principle", but in practice, as noted above, many are still in place in 2016, 20 years after entry into force.

3.33 As regards MFN exemptions, we understand, based on insights provided by the WTO, that Members have generally not taken MFN exemptions specifically with respect to airport management services and ground handling with the exception of the following:

- Chinese Taipei, which has taken an exemption for "ramping services provided in airports and other supporting services for air transport"; and
- any Members who recently acceded that may also have included some parts of ground handling and airport management services.

3.34 Some Members may have taken SoC in this area, which is likely due to the fact that the understanding of these Members is that airport management services and ground handling are covered by the GATS. Once there is a WTO Member agreement on their inclusion in the GATS, WTO Members can then take SoC relating to these services.

**3.35** Nevertheless,

3.36 **Table 3.2** 3.2 presents the list of the exemptions included for Turkey and the UAE for either the air transport sector, or any related sector. The remaining countries: Brazil, China, India, Japan, Mexico, Morocco, Philippines, United States, France, Germany and United Kingdom do not have any specific exemptions.

**Table 3.2: List of exemptions**

| Country | Description of measure indicating its inconsistency with Article II (MFN Treatment) | Countries to which the measure applies | Intended duration | Conditions creating the need for the exemption |
|---|---|---|---|---|
| Turkey | Extending full national treatment for the investments of the nationals or companies of these countries. | Germany, USA, The Netherlands, Belgium, Luxembourg, Romania, Bangladesh, Austria, Switzerland, Denmark, Japan, Kuwait, Tunisia, South Korea, Poland, China, United Kingdom, Finland, Hungary, Argentina, Albania, Kyrgyzstan, Turkmenistan, Kazakhstan, Uzbekistan, Georgia, Jordan, Malaysia, Spain, Italy, Norway, Algeria, Russian Federation, Mongolia, Lithuania, France, Sweden, Bulgaria, Moldova, Estonia, Latvia, Azerbaijan, Israel, Ukraine | Indefinite | Desire to create favourable conditions for a greater economic cooperation between Turkey and mentioned countries and to encourage investments by nationals and companies of one country in the territory of the other countries |
| United Arab Emirates | Preferential treatment for service suppliers of the Gulf Cooperation Council (GCC) countries. | GCC countries | Indefinite | GCC regional arrangement and eventual economic integration in the area of services. |

Source: WTO, **https://www.wto.org/english/tratop_e/serv_e/serv_commitments_e.htm**

### The Trans-Pacific Partnership (TPP)

3.37 The TPP is a trade agreement between 12 Pacific countries, signed in February 2016. It aims to deepen economic ties between the signatory nations, reducing tariffs and other barriers promoting trade to boost growth. Member countries are also hoping to foster a closer relationship on economic policies and regulation[9]. The 12 signatory nations are the US, Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile and Peru, and it is understood that a number of these larger economy nations were in opposing 'main camps' with respect to the coverage of airport management services and ground handling under the GATS air transport review (as noted above).

[9] BBC News, TPP: What is it and why does it matter?, 3 February 2016, **http://www.bbc.co.uk/news/business-32498715**, Accessed 8 February 2016

3.38 Of particular relevance to this study is the fact that Chapter 10 of the TPP[10] (Cross-Border Trade in Services) states clearly that its scope excludes air services, and related services in support of air services, other than the following:

- aircraft repair and maintenance services during which an aircraft is withdrawn from service, excluding so-called line maintenance;
- selling and marketing of air transport services;
- computer reservation system services;
- specialty air services;
- airport operation services; and
- ground handling services.

3.39 In other words, an agreement on the inclusion of airport operation services and ground handling services has been reached under TPP. TTP states that any bilateral, plurilateral, or multilateral air services agreements should prevail over TTP, and that any definitions in the TPP should be updated to align with the Air Transport Annex of the GATS, should this be updated.

3.40 The TPP articles cover provisions including the following:

- National treatment and MFN treatment;
- Market access;
- Local presence;
- Domestic regulation; and
- Recognition (e.g. of licences).

**Conclusion**

3.41 In this section we have provided an overview of the GATS and its relevance to airport ownership and management and ground handling. Whilst there are general GATS provisions which may be of relevance to airport ownership and management and ground handling services, and a specific annex of the GATS that governs air transport services, we understand from discussions with the WTO that there is no agreement among Members on the precise scope of application of the GATS (and air transport annex) to airport ownership and management and ground handling.

3.42 The Annex on Air transport services specifically excludes traffic rights and services directly related to traffic from the agreement, and states that it applies only to measures affecting the following areas:

- aircraft repair and maintenance services;
- the selling and marketing of air transport services; and
- computer reservation system (CRS) services.

3.43 Airport ownership and management and ground handling are not mentioned, which is the source of the disagreement. Some Members argue that ground handling and airport management services (covering ownership and management) are not activities directly relating to traffic rights so are therefore covered by the GATS. Other states argue against it.

[10] TPP Final Text, Chapter 10 Cross-Border Trade in Services, **https://ustr.gov/sites/default/files/TPP-Final-Text-Cross-Border-Trade-in-Services.pdf**, Accessed 8 February 2016

We understand that the only way to resolve this would be for a formal dispute to be launched within the WTO, so that a panel could be established to decide.

3.44 If it is found/decided that the GATS do not cover airport management services and ground handling services, then the market access, national treatment and MFN principles do not apply to these services. Conversely if they are found to be covered by the GATS, then the provisions would in principle all apply, along with the rest of the agreement.

3.45 There is no timeline for a decision to be made on the matter, although recent agreement in this area on the Trans-Pacific Partnership indicates that a resolution may be possible. Until then, the applicability of the GATS to airport ownership and management and ground handling remains unclear.

## Bilateral frameworks

3.46 In this section we examine the relevant EU-level trade and aviation agreements between the EU and the selected non-EU countries and identify any provisions relating to airport ownership and management and ground handling.

3.47 The two sets of bilateral agreements we reviewed are:

- Air Service Agreements, which cover many aspects of international air services including traffic rights, fair competition, ownership, safety, and security; and
- Trade Agreements, which are more general and varied in scope, and aim to remove trade and investment barriers which apply to many sectors including aviation.

**Air Service Agreements**

3.48 Of the 10 non-EU countries in scope, the EU currently has comprehensive Air Service Agreements (ASAs) with Morocco and the USA, with Brazil under renegotiation. The European Commission has requested authorisation to begin negotiations with several countries; from our in-scope list this includes the UAE (via a mandate for the Gulf Cooperation Council States), the Philippines (via a mandate for the Association of South-East Asian Nations (ASEAN) States), China, Mexico, and Turkey. On 7 June 2016 the Council approval negotiating authorisations in respect to ASEAN, Qatar, UAE and Turkey. Authorisation to negotiate an aviation safety agreements with Japan and China have also been obtained from the Council[11].

3.49 The provisions relevant to airport ownership and management and ground handling in the existing comprehensive ASAs (i.e. for Morocco, the USA, and Brazil) are summarised below.

*Brazil*

3.50 The EU-Brazil comprehensive ASA was finalised with Brazil in March 2011, however as noted above, final agreement and signature is pending and the agreement is under renegotiation. The information presented in this section is based on the text agreed in March 2011.

3.51 The EU-Brazil comprehensive ASA[12] does not contain any provisions regarding ownership or management of airports. Provisions on commercial opportunities and inward investment, in Articles 9 and 10 respectively, refer only to air carriers.

3.52 The agreement does contain provisions on ground handling, although these do not contain any requirements for competition in the ground handling market. Article 9.6 states that each air carrier has 'the right to perform its own ground-handling or select among competing suppliers', but 'only where such suppliers are allowed market access on the basis of the laws and regulations of each Party'.

*Morocco*

3.53 The EU-Morocco comprehensive ASA[13] does not contain any provisions regarding ownership or management of airports. Provisions on commercial opportunities and inward investment, in Articles 9 and 5 respectively, refer only to air carriers.

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[11] European Commission press release, **http://europa.eu/rapid/press-release_IP-16-661_en.htm?locale=EN**, accessed April 2016

[12] European Commission press release, **http://europa.eu/rapid/press-release_IP-11-327_en.htm**, accessed February 2016

3.54 The agreement does contain provisions on ground handling, although these do not contain any requirements for competition in the ground handling market. Article 9.3 states each air carrier has 'the right to perform its own ground-handling services…or select among competing suppliers', but only where 'such suppliers are allowed market access on the basis of the laws and regulations of each Contracting Party'.

*USA*

3.55 The EU-USA Air Transport Agreement[14] does not contain any provisions regarding ownership or management of airports. Provisions on commercial opportunities and inward investment, in Articles 6 and 10 respectively, refer only to air carriers.

3.56 The agreement does contain provisions on ground handling, although these do not contain any requirements for competition in the ground handling market. Article 10.3 states each air carrier has 'the right to perform its own ground-handling services…or select among competing suppliers', but only where 'such suppliers are allowed market access on the basis of the laws and regulations of each Party'.

**Trade Agreements**

3.57 The EU is in the process of negotiating bilateral trade and investment agreements with several of the selected non-countries; but currently only has preferential trade agreements in place with Mexico, Morocco and Turkey. Table 3.3 summarises the bilateral trade agreement status between the EU and the selected non-EU countries.

**Table 3.3: Bilateral Trade Agreement status for the non-EU countries in scope**

| Country | EU Trade Agreement Status |
|---|---|
| USA | Currently negotiating trade agreement. |
| Brazil | Currently negotiating trade agreement with Mercosur*- |
| China (PRC) | Currently negotiating investment agreement. |
| India | No specific agreement. |
| Japan | Currently negotiating trade agreement. |
| Mexico | Bilateral agreement. |
| Morocco | Association agreement. |
| Philippines | Currently negotiating trade agreement. |
| Turkey | Customs union agreement. |
| UAE | No specific agreement. |

*A sub-regional South American trading bloc

Source: DG TRADE

3.58 The provisions relevant to airport ownership and management and ground handling in the trade agreements in place with Mexico, Morocco and Turkey are summarised below.

*Mexico*

3.59 The EU and Mexico have had an *Economic Partnership, Political Coordination and Cooperation Agreement*[15] for trade in goods and services since it entered into force separately in 2000 and 2001 respectively.

[13] L386/57 Euro-Mediterranean Aviation Agreement 29.12.2006

[14] L134/4 Air transport Agreement 25.5.2007, amended by L223/3 Protocol 25.8.2010

3.60 The trade in services agreement excludes all air services and related activities in support of air services with the exception of the three areas included in the GATS Annex on Air Transport, namely aircraft maintenance and repair, selling and marketing of air transport services, and CRS services. The prohibition on any limitations on foreign shareholding (Article 4), therefore, is not applicable to airport ownership and management and ground handling, and the WTO commitments on this hold.

*Morocco*

3.61 The EU and Morocco have had an *Association Agreement*[16] since 2000 and are currently negotiating a *Deep and Comprehensive Free Trade Agreement*[17].

3.62 The agreement does not contain any provisions relating to foreign capital; the only notable reference to investment flows in the *Association Agreement* is in Article 50, which states 'the aim of cooperation shall be to create a favourable climate for flows of investment'. Airports are only briefly referred to within the context of restructuring and modernising transport infrastructure of 'common interest' to facilitate economic cooperation.

*Turkey*

3.63 The EU has had a Customs Union agreement[18] with Turkey since 1995. The agreement is concerned primarily with removal of trade barriers and does not make any reference to airports or foreign capital flows.

**Conclusion**

3.64 The bilateral aviation agreements the EU has with Brazil, Morocco and the USA contain very few provisions relating to airport management, ownership and ground handling. None of the three ASAs mention airport ownership or management, and although all agreements contain provisions relating to ground handling, these only relate to access to services for air carriers.

3.65 Likewise, the bilateral trade agreements with Mexico, Morocco and Turkey contain little relating to airport management, ownership and ground handling. The trade agreements with Turkey and Morocco contain no meaningful provisions relating to airports or foreign investments, and although the trade agreement with Mexico does contain rules prohibiting limitations on foreign shareholding, it does not make any reference to airports specifically.

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[15] L157/10 Decision 2/2000 of the EC-Mexico Joint Council 23.3.2000 & L70/7 Decision No 2/2001 of the EU-Mexico Joint Council 27.2.2001

[16] L 70/2 Euro-Mediterranean Agreement 18.3.2000

[17] European Commission press release, **http://trade.ec.europa.eu/doclib/press/index.cfm?id=888**, accessed February 2016

[18] Decision No 1/95 OF The EC-Turkey Association Council of 22.12.1995 (96/142/EC)

# 4 International trends

## Introduction

4.1 This section reviews the historical trends and likely future development around the world of airport ownership and management, as well as of ground handling operations.

## Airport ownership

### Historical trends

4.2 Airports traditionally formed part of the public sector, being originally built either by national, regional or local governments. Consistent with this, airport management was traditionally undertaken by the state, either directly or through a bespoke public sector civil aviation administration. Over the last four decades, since the 1980s, there has been progressive movement globally towards both:

- Commercialisation and corporatisation of airport management; and
- Private sector involvement.

4.3 Through corporatisation, airport management moved from state-run administrations towards the more typical commercial corporate structures often found in the private sector, such as a limited company or public corporation with shareholders. Ownership of such corporatised airports could, however, remain with the state, for example through the state being the owner of 100% of the airport corporation's shares. However, such corporatisation facilitated the introduction of a more commercial style of management, with a focus on increasing revenues and reducing costs (and in some cases, the removal of staff's civil service-type employment privileges).

4.4 In some cases, corporatisation also facilitated the involvement of the private sector, through sales of the airport corporation to investors via (often) trade sales or (less frequently) public offerings.

4.5 Private sector involvement has been introduced at a growing number of airports over the last few decades, motivated by the:

- Opportunity to raise funds for the public sector through the sale of the asset;
- Increased efficiency of operation assumed to be achieved in the private sector (an extension of the corporatisation approach); and
- Opportunity to support investment in airport infrastructure: adding terminals, runways and other airport facilities, thereby improving the transport assets of the country concerned without recourse to public funds.

4.6 Private sector involvement can take a number of different forms, ranging from:

- Outright sale of the airport asset to the private sector or a part sale of shares in the airport company, but with the state retaining some control through the imposition of licence conditions or price control;
- Build-Operate-Transfer (BOT) Concession, usually a long term agreement which involves expansion of the infrastructure, in return for sole rights to operate and the rights to raise revenues. As with management contracts and operating concessions described below the private sector is given responsibility for part or all of the airports operations and shares the profit, financing and construction risks with the public sector depending upon the type of contract / concession;
- Time-limited operating concession of the airport, often involving the concessionaire taking an equity stake in the airport and retaining revenues for a fixed period (such as 30 years), and the state retaining ownership of the airport land (and often the imposition of conditions such as minimum investment requirements and/or payment of a revenue share to the state). Key difference between concession and management contract (below) is that the concession often involves taking an equity stake, whereas no equity stake is involved for management contracts;
- Concessions for a part of the airport, such as a terminal, with the remaining infrastructure being run by the state;
- Management contracts, where a private sector body operates the airport for a fixed period (e.g. 10 years), but does not take an equity stake or make a significant financial investment and may be remunerated through a fee payment to cover costs, rather than taking revenues;
- Project finance, where the private sector finances and delivers construction of a facility (such as a terminal) then transferred to the state in return for a share of revenues;
- Private sector investment, e.g. through purchase of a minority share of an airport corporation, with management remaining with the state.

4.7 As airports have, in the vast majority of cases, begun their lives within the public sector, the extent to which the private sector has become involved and its particular form vary greatly between different countries, depending on the needs, financial situation, legal arrangements and political outlook of the governments of those countries.

Throughout this report we have been asked to distinguish between airport 'ownership' and airport 'management'. In

4.8 Table 4.1 we allocate the typical arrangements observed, with examples, to the two categories. Where the sale of shares in the operating company is combined with a time limited concession agreement we allocate this to the airport ownership category.

**Table 4.1: Attribution of circumstances to airport ownership or airport management**

| Category | Key criteria | Examples |
|---|---|---|
| Airport ownership | Permanent transfer of shareholding in the company.<br>Permanent transfer of ownership of the assets of the company | Sale of 100% shares in Heathrow, Gatwick and Stansted airports in the UK. |
| Airport Management | Operation of an asset (limited in time).<br>Right to raise revenues from the asset (limited in time). | Management contract to run a terminal for a time limited period (e.g. Indianapolis, USA<br>Leasing arrangements for terminal buildings/ gates in USA<br>Sale of 49.9% shares in the operating company at Toulouse<br>Operating concession (e.g. Turkey)<br>Sale of 51% of shares in Brazilian airports (Guarulhos, Viracopos, Brasilia, Galeao, and Confins) combined with a 25-30 years concession period.<br>Build Operate Transfer Concession (e.g. Turkey)<br>Provision of project financing |

Source: Steer Davies Gleave analysis

### Current situation

4.9 There remain some important jurisdictions where many airports remain in the public sector with a public sector style of administration:

- In the United States, most airports remain in the public sector under the administration of the City or County in which it is located;
- In Canada, most airports are owned by Transport Canada, with a more locally based administrator;
- In France, where a large number of regional airports remain under public administration;
- In India, where apart from five important privatised airports (see below), the remaining airports are run by the Airports Authority of India;
- The main Gulf airports: Dubai International, Abu Dhabi International and Doha Hamad International; and
- Airports in a diverse range of countries such as Israel and Sri Lanka.

4.10 However, corporatisation of airport administration is widespread at airports which remain in the public sector, or which have majority public sector ownership and hence control, reflecting a general move away from pure public administration. Important examples include:

- Several major airports in several European countries, including France, Germany, the Netherlands, Spain and Italy, all involving a mixture of public and private sector ownership but public sector control.
    - In France, Aéroports de Paris has majority public ownership but is run on a fully commercial basis; a process of part-privatisation of regional airports is underway, with Toulouse already placed under a concession agreement and similar processes at Nice and Lyon ongoing.

    - In Germany, Frankfurt is corporatised with majority public ownership while Munich and the Berlin airports are corporatised with full public sector ownership; Düsseldorf and Hamburg have close to equal private and public ownership.
    - In Italy, most airports are corporatised with majority public ownership, but the private sector has majority ownership at the Rome airports, Naples and Venice.
    - In Spain, AENA, which manages all the major Spanish airports: 49% of its share capital was sold in 2015 to private sector investors.
- Guangzhou and Shanghai Pudong airports in China are owned by corporations with a majority of public ownership but also some private investors.
- The main airports in Thailand are owned by a public company with 70% public sector ownership and 30% by private investors.

4.11 Private sector involvement in airport ownership and management is now widespread. In addition to fully private investors, many of the major "corporatised" airport groups with significant or majority public sector in their home country act as entirely private sector investors in foreign markets, often in partnership with financial institutions or investment funds. Aéroports de Paris (owner of the Paris airports) and Fraport (owner of Frankfurt airport) are good examples of this. Five major airports in India are run as PPPs - Delhi (operated by GMR and Fraport), Mumbai (GVK), Hyderabad (GMR), Bangalore (GVK, Siemens, and Zurich Airport) and Cochin (Non-resident Indians); all have minority public sector ownership.

4.12 Table 4.2 shows some of the major private sector, or quasi-private sector airport ownership groups, together with the airports in which they have interests. Not all interests are majority e.g. ADPM have shares in Amman but they do not have direct control and may indeed not be the largest shareholder.

**Table 4.2: Major airport investment groups**

| Ownership Group | Current airports (2015/2016) – non-exhaustive list |
|---|---|
| Aéroports de Paris | Paris airports (Orly, Charles de Gaulle, Le Bourget), Santiago de Chile (preferred bidder), Amman, Zagreb, Jeddah (Hajj Terminal)), and airports in Mauritius, Guinea.<br>Part owner of Grupo Aeroportario Centro Norte, Mexico (Acapulco, Chihuahua, Ciudad Juarez, Culiacan, Durango, Zihuatanejo, Mazatlan, Monterrey, Reynosa, San Luis Potosi, Tampico, Torreon, Zacatecas) and TAV holdings, Turkey (see below). |
| AviAlliance (owned by PSP Investments) | Athens, Budapest, Tirana, Düsseldorf and Hamburg. Shares in Sydney transferred to PSP in 2013. |
| Corporación América S.A. | Airports in Argentina (Bahia Blanca, Buenos Aires - Aeroparque, Buenos Aires - Ezeiza, Catamarca, Comodoro Rivadavia, Cordoba, Esquel, Formosa, General Pico, Jujuy, La Rioja, Mar del Plata, Malargue, Mendoza, Parana, Posadas, Puerto Iguazu, Puerto Madryn, Neuquen, Reconquista, Resistencia, Rio Cuarto, Rio Gallegos, Rio Grande San Carlos de Bariloche, Salta, San Fernando, San Juan, San Luis, San Rafael, Santa Rosa, Santiago del Estero, Tacuman, Viedma and Villa Reynolds), Brazil (Brasilia, Rio Grande do Norte), Ecuador (Baltra Galapogos, Guayaquil), Peru (Arequipa, Ayachucho, Juliaca, Puerto Maldonado and Tacna), Uruguay (Montevideo, Punta del Este), Armenia (Yerevan) and Italy (Florence, Pisa and Trapani). |
| Changi airports | Airports in Singapore (Changi and Selatar), Brazil (Rio de Janeiro - Galeao) and Russia (Anapa, Krasnodar, Sochi) |
| Ferrovial Aeropuertos | London Heathrow; in addition - Glasgow, Aberdeen and Southampton (with Macquarie). |
| Fraport | Frankfurt, Hannover, St Petersburg (Russia), Ljubljana (Slovenia), Greek regional airports (concession agreement signed, undergoing transitional arrangements with Financial Close due in late 2016),Bulgaria (Burgas and Varna), China, (Xian), Peru (Lima), India (New Delhi), Saudi Arabia (Riyadh), Turkey (Antalya). |

| Ownership Group | Current airports (2015/2016) – non-exhaustive list |
|---|---|
| Global Infrastructure Partners (GIP) | Gatwick, Edinburgh, London City (ownership transitioning to consortium led by Ontario Teachers). |
| Hermes Airport group | Cyprus (Larnaca and Paphos) |
| IFM | Manchester Airports Group (Manchester, Stansted, East Midlands, Bournemouth), Vienna, Malta. |
| Macquarie | Brussels, Copenhagen, Glasgow, Aberdeen, Southampton. |
| Ontario Teachers | Bristol, Birmingham, Brussels and Copenhagen. |
| TAV Airports Holdings | Istanbul Atatürk, Ankara Esenboga, Izmir Adnan Menderes, Milas-Bodrum and Gazipasa-Alanya airports in Turkey, Tbilisi and Batumi Airports in Georgia, Monastir and Enfidha-Hammamet Airports in Tunisia, Skopje and Ohrid Airports in Macedonia, and Medina in Saudi Arabia. |
| Vantage airport group | Airports in Canada, West Indies, Cyprus. |
| Vinci | Portuguese airports (formerly ANA), Santiago de Chile (preferred bidder with Aeroports de Paris and Astaldi), Cambodian airports, eleven regional airports in France including Nantes Atlantique, Kansai and Osaka International Airports(Japan), MoUs for Mashhad and Isfahan Airports in Iran. |
| Flughafen Zürich AG | Zurich Airport, Confins International Airport in Belo Horizonte (Brazil); Bangalore International Airport Ltd. (India, 5%); majority stake in A-port Operaciones S.A. through which Flughafen Zürich AG has indirect stakes in Antofagasta and Iquique in Chile; Curacao Airport; advisory services for the operation of up to eleven airports in Kazakhstan; technical services agreement with the concessionaire of Bogotá's main El Dorado airport. |

4.13 As a consequence of this trend towards private sector participation, 15% of airports around the world are fully privatised, 18% are in public-private partnership with the remaining 67% in public ownership. However, the privatised or commercialised airports now account for 50% of airport passenger traffic[19]. This fact reflects the economics of airports, where greater passenger throughput generates higher revenue opportunities, both for aeronautical revenues (paid by airlines for use of airfield and terminal facilities at the airport) and non-aeronautical revenues (generated from passengers and other businesses' expenses). While capital and operating costs are to some extent scalable to volumes, there is a certain minimum infrastructure and operational requirement for safe operation of an airport, so that profitability is, in principle, likely to have higher potential at airports above a certain minimum size (a commonly applied marker is airports above one to five million passengers p.a.). It is the enhanced profitability of airports with volumes above this indicative threshold which has enticed private sector interest.

4.14 The influence of the private sector, at both commercialised/corporatised and majority private ownership airports, has also led to greater efforts to increase the level of non-aeronautical revenues, typically comprising commercial revenues from retail outlets, car parking, and property rentals and development. While there is very wide variation between airports of all types of ownership structures, there is a tendency for a higher proportion of non-aeronautical revenues at more commercialised airports, compared with those run by the public sector. However, this relationship is also affected by other factors, including the regulatory regime applicable to airport charges and the potential for commercial revenues, which varies dependent on factors such as the nature of the traffic, and the space available for commercial

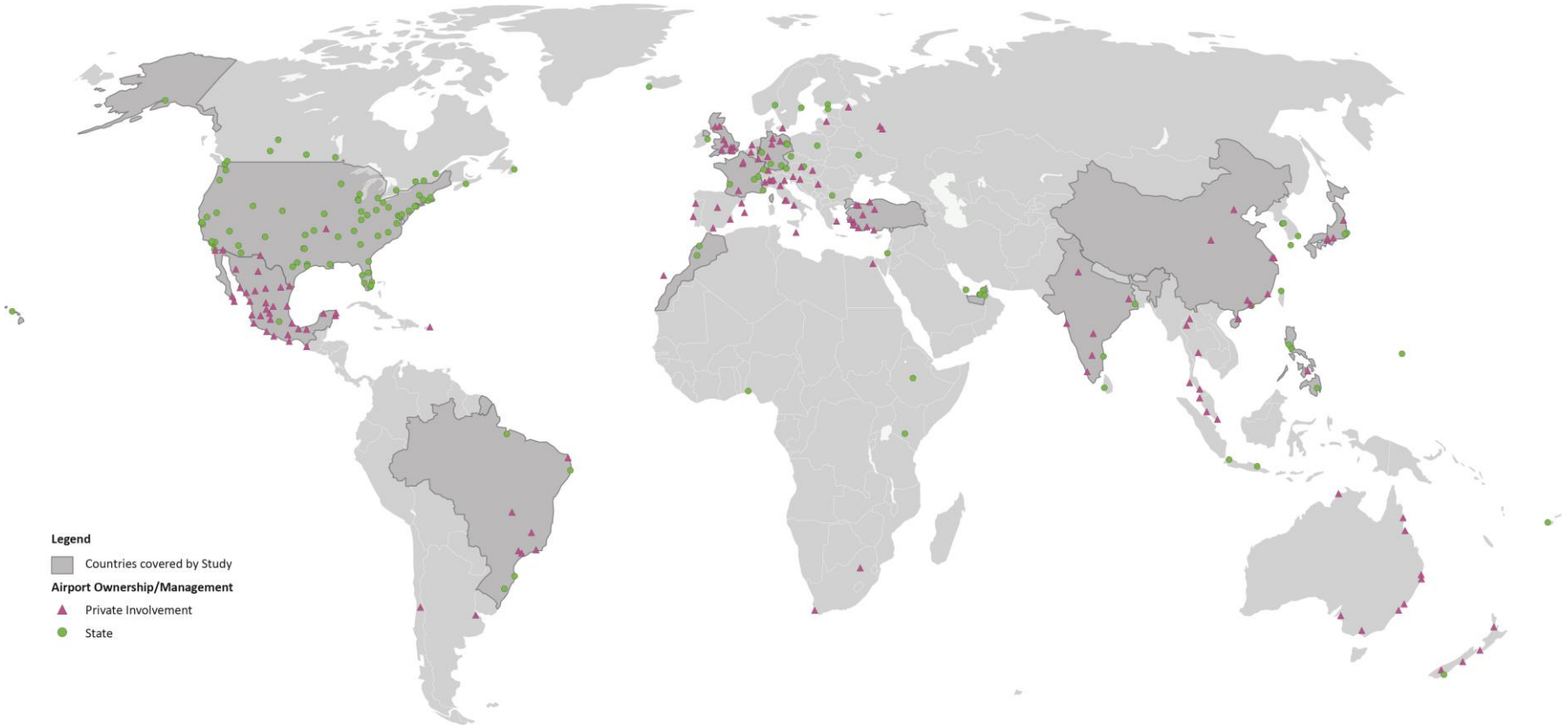
[19] Airline Leader, Issue 32, Jan-Feb 2016

outlets, with international airports likely to generate higher per passenger sales than airports dominated by domestic traffic.

*Map of private ownership in airports*

4.15 Figure 4.1 overleaf draws on the Air Transport Research Society's 2015 Airport Benchmarking Report and Steer Davies Gleave research undertaken for the 10 non-EU countries in scope for this study to provide an overview of the ownership and management of the world's major airports (State or private involvement). The ATRS report has minimal coverage of the African and South American continents.

**Figure 4.1: Map of selected major airports showing private sector involvement (in either ownership or management)***




*This map is not comprehensive. It shows major airports as published in the ATRS Airport Benchmarking Report as well as the major airports reported in the case studies in this report. The ATRS report, for example, has minimal coverage of the African and South American continents.
Source: Air Transport Research Society, Airport Benchmarking Report – 2015, Steer Davies Gleave analysis

**Future trends**

4.16 The existing trends towards greater private sector involvement are expected to continue, but with significant variation between jurisdictions. The private sector is now also sufficiently large and mature that an important part of transactions are likely to be sales of shares between private sector entities, in addition to financing and refinancing transactions. Looking at the various regions of the world, the expected trends are outlined below.

4.17 In **Europe**, there continues to be some movement towards additional private sector involvement, including:

- The ongoing programme of sales of stakes of French regional airports, with Toulouse already sold to a Chinese investor (minority stake) and sales of Nice and Lyon in process (majority stakes);
- In Greece, the sale of 14 regional airports has been agreed and is in the process of financing; a potential new airport at Kastelli in Crete is also being considered, and widening of the private sector involvement in Athens;
- In Turkey several airports are seeking private sector investment, including the new third airport at Istanbul, along with Dalaman and Bodrum;
- The privatisation of the main airports in Lithuania is under consideration; and
- The privatisation of Belgrade airport in Serbia is also under consideration.

4.18 There are also a number of secondary sales in airports ongoing including the recent sale of London City Airport and a process in Rome.

4.19 In **North America**, full privatisation continues to be very rare, despite the recent sale of a concession for San Juan airport in Puerto Rico. Private finance for parts of airport infrastructure are more common, with the construction of a new terminal at New York's La Guardia airport, a new terminal at Des Moines, Iowa, an automated people mover at Los Angeles and terminal enhancements at Denver. In Canada, the terminal at Billy Bishop airport in Toronto is being transferred to the private sector.

4.20 In **Latin America**, important developments include:

- Construction of a new airport for Mexico City;
- The continuing programme of privatisation of Brazilian airports, following the concessions of airports in Sao Paulo and Brasilia and then at Rio de Janeiro and Belo Horizonte: currently the four airports at Florianopolis, Fortaleza, Porto Alegre and Salvador are in the preliminary stages of a sale process; there is also consideration of selling a stake in the state airport operator Infraero to the private sector and also moves to concession smaller GA and cargo-oriented facilities;
- In Chile, the new concession of Santiago airport is close to being finalised, while a series of tenders for other airports has been launched;
- In Colombia, a number of concessions are under consideration, including airports at Bogota (El Dorado), Barranquilla, Armenia, Popoayán and Neiva; and
- Other privatisation or secondary sales of airports in Ecuador and Paraguay.

4.21 In **China**, Haikou Melian airport is being expanded and a programme to introduce seven airport PPP schemes was launched in June 2015.

4.22 In **India**, a programme of privatisation has periodically stopped and restarted, following the earlier concessioning of Delhi and Mumbai airports, as well as private sector involvement at Hyderabad, Bangalore and Cochin. A process of privatisation was started at Chennai, Jaipur,

Kolkota and Ahmedabad, but then postponed by the new Modi government in 2014. It was restarted it at the beginning of 2015 but was then cancelled again later in the year. Part of the reason for this was the very large increases in aeronautical charges introduced at Delhi and Mumbai, which resulted in a negative report from the Comptroller and Auditor General of India and reducing support from airlines. However, processes to develop greenfield airports at Goa Mopa and Navi Mumbai are continuing. There are potential risks to these processes although most recent indications are that they are going ahead.

4.23 In **Japan**, a major programme of privatisation is underway. Osaka and Kansai airports have started operating as a concession as of April 2016, and Sendai's concession operation is due to start in July 2016. Other airports which are being considered for the programme include Fukuoka, Hiroshima, New Chitose (bundled with smaller airports on the island of Hokkaido), and Takamatsu.

4.24 In **other parts of Asia and the Middle East**, programmes for the privatisation of airports in the Philippines and Vietnam (airport terminal at Hanoi and Phu Quoc airport) have been launched, with the government of Vietnam recently agreeing to sell 166 million shares to Aeroports de Paris which will become a strategic investor in the country's airports. In Myanmar there are plans to enlarge Mandalay Airport and to build a new airport outside Yangon. Indonesia has plans to privatise some of its outlying airports. In Saudi Arabia, Madinah airport has already been privatised under a BOT concession, while the operation and maintenance of the new International terminal at Jeddah is to be concessioned, with the Saudi government also developing plans for the privatisation of Riyadh and Damman airports. The government of Iran has signed MoU's with French groups Aeroports de Paris/Bouygues Batiments and VINCI Airports for the redevelopment of airports in Tehran, Mashhad and Isfahan.

4.25 In **Africa**, private sector involvement has been relatively slow, partly due to the relatively low traffic volumes outside South Africa and the North African states (where airports have been privatised in Egypt and Tunisia). There are airport operating concessions, but involving relatively low capital investment, at Lagos's domestic terminal and in francophone countries including Ivory Coast and Gabon. The concession for Madagascar's main airports has now reached the preferred bidder stage. A new airport in Rwanda and a new terminal at Nairobi airport in Kenya are being progressed through Chinese investment, but it is unclear if these will actually come to fruition.

4.26 One more general feature of the trend towards commercialisation and privatisation of airports is that different countries have chosen to adopt different strategies in relation to which airports are included:

- Some countries have chosen to maximise returns by privatising the most attractive airports (generally hubs or those with the largest traffic base), but this can have the effect of leaving the remaining, smaller airports, under state management and, potentially, loss-making due to their smaller size. This applies to many countries including Brazil and India.
- In contrast, other countries have sought to privatise a national airport operator as a whole, or privatising groups of airports. Examples of this include AENA in Spain and ANA in Portugal, and to a lesser extent the recent sale of 14 Greek airports (however, this excludes the prime asset, Athens, which was sold separately) and the groupings of airports in Mexico (which excluded Mexico City).

## Airport management

4.27 Styles of airport management are often driven to some extent by the ownership structure (but also the regulatory regime, as discussed below). Where airports are run from entirely within the public sector, the management style may be somewhat bureaucratic, with the emphasis on conformity to regulation, and at times can be used as a tool for social policy through employment and less focus on either revenue generation or cost control.

4.28 Conversely, the introduction of commercialisation or corporatisation was to a significant extent motivated to improve the airports' commercial performance. Consequently, management at commercialised airports, whether ultimately controlled by the private or public sector, tends to focus on enhanced revenue generation through improved commercial revenue generation, for example through a better retail offer and an airport layout designed to encourage passengers to spend time and money in retail outlets. In addition, such management generally attempts to manage operating costs through reducing in-house workforces and using methods such as outsourcing and competitive tendering. Private operators also frequently improve airport performance with respect to service quality, as minimum levels of service may be written into concession contracts or regulatory oversight requirements, with financial penalties for missing targets.

4.29 It is notable that many airport owning groups include a combination of airport operators and private investors, reflecting winning consortium from the bidding process for a concession, as well as, in many cases, a residual public sector interest. The airport operators within the owning groups tend to be responsible for the management of the airport, with the private sector investors focusing on providing finance and achieving good returns.

4.30 In some cases, private sector involvement is largely limited to managing the airport operation, either as a management contract or with a concession requiring relatively little capital investment. This is an approach which has been used in Africa (e.g. at Abidjan), where in many cases the size of the airport does not justify significant upfront capital investment, but where improved management is urgently needed.

4.31 However, in many cases, airport concessions have been established where an important condition for bidders for the concession is to commit to very significant capital expenditure, this being the rationale of the process from the public sector side. Examples include the privatised airports in India and Brazil, where airport expansion and service quality improvement were key objectives of the governments. In India the results have been dramatic in terms of the improved passenger experience, though it is also noteworthy that aeronautical charges have increased significantly - a fact which is thought to explain, together with the discontent and subsequent lobbying of airlines, that the momentum towards further privatisation in India has slowed down.

4.32 Another important aspect of airport management is the applicable regulatory regime. In all countries there is a safety and security regime to which airports are subject and even in the case of airports fully within the public sector, the regulatory authority is often a separate organisation. However, this separation is not always perfect and creating a proper licensing regime for safety can be part of the motivation for a more corporatised management structure for airports. Where airports have private sector involvement, such separation of operator and safety regulator is almost universal.

4.33 More significant variation is found in the economic regulation to which airports are often subject. Where airports are wholly managed within the public sector, there may be felt to be

no need to protect the economic interests of airport users (i.e. principally airlines and, by extension, airlines' customers, the passengers). However, as the separation of airport management from the state increases, there may be an increasing need for economic regulation.

4.34 In most cities there is only one significant airport. Where there are multiple airports serving a city, it is very frequently the case that the airports are owned by the same organisation, whether private or public sector (as for example in both Paris and New York). Airports which directly compete for traffic in the locality are rare, with London being the most obvious example, with Heathrow, Gatwick and Stansted all owned by different organisations following the enforced sale of Gatwick and Stansted by the UK's Competition authorities. To some extent, airports which act as airline hubs do compete, since they provide alternative routeings for passengers between pairs of airports which do not themselves have good direct connections, and this can exert a downwards pressure on prices. However, for the local markets served, there might be a need for a legal framework on the airport charges requested from airlines.

4.35 For this reason, regulation of aeronautical revenues is common place where airports are privately owned, and often also the case when acting as corporatised entities with a mixture of public and private ownership. The way prices which airports can charge for use of facility are calculated can take a number of different forms, but there are two broad applicable approaches:

- Dual till, where only aeronautical revenues (i.e. those paid by airlines for use of the airport facilities, runways and terminals), cost and assets are regulated, with commercial revenues, costs and assets from other sources freely set; and
- Single till, where aeronautical revenues are regulated taking into account the non-aeronautical revenues of the airport and total costs and assets of the airport.

4.36 In a dual till regime, it is necessary to separate out both capital and operating costs which are related to the operation of the airport as an aeronautical facility. The regulation then considers what level of charges is sufficient to allow these costs to be funded (with an adequate return to investors). In a single till regime, all operating costs and assets are in scope, and the level of expected commercial revenues are taken into account when assessing the level of aeronautical charges which would generate sufficient revenues (when added to the commercial revenues) to cover the full costs of the airport.

4.37 It is noteworthy that IATA, the airline association, supports single till regulation[20], because, in its view, the benefits of commercial revenues at airports especially those generated by airlines' passengers are, to some extent, shared with the airlines (the higher the commercial revenues, the less needs to be recovered from airlines through airport charges).

4.38 Under either approach, it is necessary to assess:

- The efficient level of operating costs;
- The appropriate level of capital investment;
- The appropriate level of return on capital (e.g. the riskiness of the business and hence the appropriate risk factor or beta applicable to a risk-free rate of return); and

[20] IATA, Single Till, **https://www.iata.org/policy/Documents/single-till.pdf**, Accessed 4 February 2016

- The expected level of traffic growth (i.e. the number of flights or passengers over whom the aeronautical charges will be spread to generate the allowable aeronautical revenues).

4.39 In the case of dual-till regulation, it is also necessary to determine which operating costs and capital expenditure can appropriately be allocated to aeronautical uses of the facilities; for single-till regulation, it is necessary to determine the expected level of commercial revenues.

4.40 It should be clear that all of these factors are open to different interpretation. This has a tendency to lead to a process requiring significant data-gathering by airports and assessment by airlines, as well as a degree of economic expertise in both parties. The level of sophistication varies under different regimes, but an important factor is the level of certainty about the likely allowed trajectory of charges. To the extent that this is considered both predictable and adequate by the private sector, this facilitates the involvement in the private sector and the willingness to provide funds. In contrast, where there appears to be uncertainty about the regulatory approach, this can make it difficult to reach an appropriate settlement.

## Ground handling

4.41 The ground handling market, as defined in EU Directive 96/67 covers a range of services including:

- **Passenger handling:** assistance with tickets, travel documents and baggage, etc.;
- **Baggage handling:** in the sorting and reclaim area;
- **Ramp handling:** marshalling, aircraft parking, engine start, food and beverage loading;
- **Cargo handling:** freight and mail documentation review, customs;
- **Fuel and oil handling:** fuelling and its storage; and
- Other services including:
  - Ground administration and supervision;
  - Aircraft services;
  - Aircraft maintenance;
  - Surface transport: between terminal and to aircraft;
  - Catering services; and
  - Flight operation and crew administration.

4.42 The global market for ground handling is estimated as having a value of €70 - €90 billion per year[21]. The market is commonly served by one or a combination of:

- Self-handling by the airlines;
- Airport's own ground handling company; and/or
- Third party, independent ground handling companies.

4.43 Each country and airport has different rules and processes for market entry. Some of this is related to available infrastructure on the ramp and in the terminal - for example in the United States airlines often own or control the terminal and gate infrastructure, however a competitive third party ground handling market has still existed in the USA for a number of years. IATA estimates that up to 50% of ground handling services globally are outsourced to third parties. In the US, some 65% of the market is serviced through the main airlines (United, Delta, Southwest and American) own ground handling companies.

[21] CAPA, CAPA article, 20 November 2014, Accessed 4 February 2016

4.44 Traditionally, ground handling was provided by local based airlines or airports, however liberalisation has facilitated greater market access and some consolidation. A number of the third party independent ground handling companies are businesses working across the globe; there has been a trend to consolidation in the industry reflecting the commoditised and low margin nature of the business, but also a way to provide market access to restricted markets where barriers to entry still exist. These include:

- HNA Group/Swissport: A global ground handling company, which often ties into local markets with joint ventures e.g. recently in Mexico and has undertaken a number of acquisitions (most recently Servisair). HNA Group a Chinese company acquisition of Swissport from European private equity firm PAI Partners.;
- DNATA: part of the Emirates group providing ground handling services across five continents, grown through consolidation and acquisition;
- Aircraft Service International Group (ASIG): strong in the US and Canada;
- Menzies Aviation: worldwide coverage;
- Aviapartner: a Europe-wide provider; and
- Celebi: Turkish based but for example acquiring the Austrian part of Fraport and therefore having operations in Europe.

4.45 There are also a number of smaller companies concentrating in certain geographies for example Aviator in Europe and SATA in South America.

4.46 As an indication of the spread of the larger ground handling organisations data for 2011 and 2015/2016 is presented in the table below. These demonstrate that there are a few large companies operating worldwide, although there remain a large number of niche operators working at only a few airports, as well as the airlines who undertake self-handling.

**Table 4.3: Ground handling stations by company (2011 and 2015/2016)**

| Operator | Stations (2011) | Stations (current) |
|---|---|---|
| Swissport/Servisair | 316 | 290 |
| Menzies | 136 | 149 |
| WFS-Aviapartner | 155 | 145 |
| SATS (Singapore) | 10 | 30 |
| DNATA (Dubai) | 18 | 58 |
| Fraport | 13 | n/a |
| Celebi | 35 | 36 |

Source: KPMG presentation quoted in CAPA article, 20 Nov 2014, Company annual reports and websites. Swissport and Servisair data have been combined reflecting their subsequent merger

4.47 Revenues for a number of these companies are provided in the table below for 2014.

**Table 4.4: Ground handling revenues by company (calendar or FY 2014)**

| Operator | Revenues EUR $m (2014 or FY 2013/14) |
|---|---|
| Swissport/Servisair | 2,352 |
| DNATA | 2,256 |
| SATS | 560* |
| Menzies | 2,762 |

| Operator | Revenues EUR $m (2014 or FY 2013/14) |
|---|---|
| Celebi | 221 |

*for gateway services only

Source: KPMG presentation quoted in CAPA article, 20 Nov 2014, Company annual reports.

4.48 Restrictions on market entry can either be regulatory (for example reciprocal self-handling in the bilateral Air Service Agreement), infrastructure related or designed to protect local or airport company ground handling operations. A variety of approaches are used worldwide.

4.49 In a European Context, EU Directive 96/67 opens access to the market for groundhandling services at airports with more than two million passengers per annum. At the same time, it allows Member States to limit the number of providers for certain categories at these airports, however, not to less than two ground handling providers. One of these providers needs to be an independent handler (not the airport operator or airline with more than 25% of traffic at the airport).

4.50 Consolidation in the industry is therefore likely to continue to develop, driven by economies of scale. However, because equipment needs to be located at a single airport, it may continue to be cost-effective for smaller well-established operators to dominate in particular markets. Therefore, consolidation is likely to be patchy and to develop at different rates in different countries and airport groups.

4.51 The market has also developed ways for addressing the issue of equipment location. At some airports, ground handling equipment such as tugs, tractors and buses are shared across a number of ground handling companies. In others the equipment is on a short term lease. This equipment is owned by a third party – for example the TCR Group which claims to be Europe's leading provider of GSE (Ground Support Equipment) services. This arrangement provides protection to the ground handling agents when contracts with airlines last for a relatively short period of time (3 years) and the remuneration of an asset is a longer period than this. Other examples of these operations include the European Aviation Group.

4.52 The other key driver of trends in the industry continues to be labour representative power. This has continued to impact the pattern of ground handling services in Europe and at least partly explains why the major US airlines continue to provide their own self handling services (often through a subsidiary company) as discussed in the US case study.

**Methodology for estimating ground handling market size**

4.53 The following chapters present the case studies for the 10 non-EU countries in scope. For each of the countries, we have estimated the value of the respective national ground handling markets using OAG traffic data and confidential 2015 market data provided by a stakeholder, compiled through internal local expertise and complemented by external sources including internet research and interviews of airport authorities. Turnaround costs were not available for China and India, so for these countries we have used World Bank purchasing power parity ratios with the USA to estimate the turnaround cost.

4.54 Estimated market shares and turnaround costs for wide body, narrow body and regional aircraft were provided for each of the 10 non-EU countries of interest. Market share estimates were provided for airports with more than 30,000 departing flights per year. Using OAG data for departures in 2015, we have calculated a weighted average turnaround cost for each aircraft type and for each country. The total departures from each country and the weighted

average turnaround costs were then used to calculate the estimated total market values for ground handling in each of the countries.

# 5 Case study: Brazil

## Introduction

5.1 In this chapter we provide an analysis of the airport ownership and management and ground handling regulatory framework and market information in Brazil.

**Context**

5.2 Brazil is a South American federative republic composed of 27 federative units (states and Federal District). It has an area[22] of approximately 8.5 million sqm², and in 2014 the population of Brazil was estimated, by the federal statistics and geography institute (IBGE – Instituto Brasileiro de Geografia e Estatística) as 203.2 million people[23].

5.3 According to ANAC (Agência Nacional de Aviação Civil – *National Civil Aviation Department*) in 2014, 117 million passengers travelled by air in Brazil, of those 95.9 million flew on domestic flights and 21.3 million on international flights[24].

5.4 In the last ten years, the amount of domestic passengers travelling by air more than doubled. In 2005, only 26.8 paying passengers in every 100 habitants travelled by air, while in 2014 the number increased to 58.7[25]. According to the same ANAC report, since 2010 air has been the preferred mode of travel for interstate journeys longer than 75 kilometres, previously the preference was by road. In 2005 the air mode market share was 34.8% and increased to 63% by 2014.

5.5 There are three main official agencies responsible for air travel in Brazil:

- **SAC – *Secretaria de Aviação Civil* (Civil Aviation Office):** has the role to produce, coordinate and supervise policies for the development of the air sector. The agency is also responsible for developing the strategic planning for the sector, defining priorities and investment programs. It is also responsible for the facilitation of discussion between the main stakeholders of the sector beyond being the principal point of contact for those

[22] IBGE – Accessed 15th March 2016 - http://brasilemsintese.ibge.gov.br/territorio/dados-geograficos.html

[23] Pesquisa Nacional por amostra de domicilios – Sítese de indicadores 2014 – IBGE - Accessed 3 March 2016 - http://biblioteca.ibge.gov.br/visualizacao/livros/liv94935.pdf

[24] Anuário do transporte aéreo – ANAC – 2014 - Accessed 3 March 2016 - http://www2.anac.gov.br/estatistica/anuarios.asp

[25] Anuário do transporte aéreo – ANAC – 2014 - Accessed 3 March 2016 - http://www2.anac.gov.br/estatistica/anuarios.asp

players and other levels/sectors of power, such as the Defence Authority for instance, whenever it is needed[26];

- **ANAC – *Agencia Nacional de Aviação Civil* (Brazil Civil Aviation Agency):** works as an independent regulatory body that is responsible to maintain the continuity of the service in all of the country; it is also a watchdog for passengers/users interests; and finally ANAC is responsible for applying the legislation of the civil aviation sector [27]; and
- **Infraero**: is the public sector body responsible for the operation of public airports in all of the national territory[28].

5.6 Taking into consideration the demand growth of airport services in recent years and the necessity of investment in infrastructure, the federal government chose to launch a concession process in which the private sector could invest and operate key airports, with the federal government, via Infraero, remaining as a partner. At present there are six passenger airports operating under concession agreements in Brazil, with a further four currently being tendered for a future concession process.

5.7 According to SAC, Brazil has 2,463 aerodromes registered by ANAC which are 1,806 private and 657 public[29]. Also according to SAC, 65 airports account for over 98% of total passenger movements in the country. Table 5.1 presents passenger movements in the 20 busiest airports, the complete table with the other 45 airports that together concentrate 98% of passengers movements can be found in Annex A.

**Table 5.1 Commercial Service airports with highest number of passengers in 2015**

| Rank | IATA (code) | City | Airport name | Passengers 2015 (Total) |
|---|---|---|---|---|
| 1 | GRU | Guarulhos – Sao Paulo | Guarulhos | 38,341,767 |
| 2 | BSB | Brasília | Presidente Juscelino Kubitschek | 19,576,092 |
| 3 | CGH | São Paulo | Congonhas | 19,070,150 |
| 4 | GIG | Rio de Janeiro | Aeroporto Internacional Tom Jobim | 16,651,017 |
| 5 | CNF | Confins | Tancredo Neves | 11,167,429 |
| 6 | VCP | Campinas | Viracopos | 10,282,871 |
| 7 | SDU | Rio de Janeiro | Santos Dumont | 9,685,396 |
| 8 | SSA | Salvador | Deputado Luís Eduardo Magalhães | 9,087,067 |
| 9 | POA | Porto Alegre | Salgado Filho | 8,260,330 |
| 10 | CWB | Curitiba | Afonso Pena | 7,226,765 |
| 11 | REC | Recife | Guararapes - Gilberto Freyre | 6,998,918 |
| 12 | FOR | Fortaleza | Pinto Martins | 6,275,646 |
| 13 | BEL | Belém | Val de Cans - Julio Cezar Ribeiro | 3,662,792 |

[26] SAC – Institucional – Competências – Accessed 6 March 2016 - http://www.aviacao.gov.br/acesso-a-informacao/institucional/competencias

[27] ANAC – Accessed 15 March 2016 - http://www2.anac.gov.br/anac/atribuicoesAnac.asp

[28] Infraero – Accessed 15 March - http://www.infraero.gov.br/index.php/br/institucional/a-infraero.html

[29] SAC - Accessed 15 March 2016 - http://www.aviacao.gov.br/assuntos/aeroportos

| Rank | IATA (code) | City | Airport name | Passengers 2015 (Total) |
|---|---|---|---|---|
| 14 | FLN | Florianópolis | Hercílio Luz | 3,638,825 |
| 15 | VIX | Vitória | Eurico de Aguiar Salles | 3,419,541 |
| 16 | MAO | Manaus | Eduardo Gomes | 3,317,947 |
| 17 | CGB | Várzea Grande | Marechal Rondon | 3,212,395 |
| 18 | GYN | Goiânia | Santa Genoveva/Goiânia | 3,192,253 |
| 19 | NAT | São Gonçalo do Amarante | Governador Aluízio Alves | 2,582,766 |
| 20 | IGU | Foz do Iguaçu | Cataratas | 2,026,341 |

Source: ANAC (http://www2.anac.gov.br/Estatistica/DadosEstatisticos/dadosestatisticos.asp)

## Brazil: Airport ownership

### Regulatory situation

5.8 In Brazil the majority of airports are publicly owned and there is no current legislation that allows private airports to provide services to commercial flights[30]. Airports owned by the public sector may be the responsibility of the federal, regional or local government, however the most important airports (primarily those in state capitals) are under the responsibility of the federal government.

5.9 Private aerodromes in Brazil primarily serve helicopters, private jets and small chartered flights. There is currently one airport under construction by the private sector – Sao Paulo Catarina Executive Airport[31], approximately 60 kilometres northwest from São Paulo city centre, and also preliminary studies for construction of another in Caieiras[32] (São Paulo Metropolitan Area) are underway. Both these airports aim to compete for non-commercial flights.

5.10 It is important to note that in Brazil, the classification of aerodromes as either public or private is not necessarily related to the nature of the infrastructure operator; it is possible to have public aerodromes operated by private initiative and private ones registered by a public body. The main distinction is the regulatory authority permission to operate, or not, commercial flights[33].

5.11 Federal legislation in Brazil does not permit the permanent outright or partial sale of public airport assets to the private sector, however a time limited concession agreement, which may include management, maintenance and operation of the infrastructure, is permitted. To date, any private investment in Brazilian public airports have been through concession programs, or

[30] ANAC website – Accessed 10 March 2016. http://www.anac.gov.br/Area.aspx?ttCD_CHAVE=8

[31] JHSF – Accessed 15 March 2016 - http://www.catarinajhsf.com.br/aeroporto

[32] Globo – Accessed 15 March 2016 - http://g1.globo.com/economia/noticia/2015/10/ccr-assume-projeto-para-construir-novo-aeroporto-em-sp.html

[33] ANAC – Accessed 23 March 2016 - http://www.anac.gov.br/assuntos/dados-e-estatisticas/aeroportos

amendments to those concession agreements. In all cases the assets must be returned to the public sector at the end of the concession period[34].

5.12 For private aerodromes all construction or modification of areas provided for take-off or landing or other aircraft movements must be previously authorised by ANAC[35]. For publically owned airports, as noted previously, private investment is only allowed through the concession process.

5.13 In line with our approach to attributing private investment arrangements to ownership or management as described in chapter 4, paragraph 0, we discuss the concession model arrangements for Brazilian airports under airport management.

## Brazil: Airport management

### Overview

5.14 The Brazilian public body responsible for the management of all public airports is Infraero. In 2011, due to growth in passenger demand and the subsequent necessity of additional capacity though investment in the infrastructure of airports, the federal government launched a concession program in which some of the most important airports were made available for private initiative investment and management. The initial airports to be operated under concessionary agreements were chosen for their importance at national level[36] and their attractiveness to the private sector.

5.15 Six of the 20 busiest airports are now operating through a concession model. Table 5.2lists those airports that are currently operating under private concession agreements. These arrangements will be discussed further in the following section.

**Table 5.2 Public airports operating under a concession agreement in 2015**

| Rank | IATA (code) | City | Airport name | Passengers 2015 (Total) |
|---|---|---|---|---|
| 1 | GRU | Guarulhos | Guarulhos | 38,341,767 |
| 2 | BSB | Brasília | Presidente Juscelino Kubitschek | 19,576,092 |
| 4 | GIG | Rio de Janeiro | Aeroporto Internacional Tom Jobim | 16,651,017 |
| 5 | CNF | Confins | Tancredo Neves | 11,167,429 |
| 6 | VCP | Campinas | Viracopos | 10,282,871 |
| 19 | NAT | São Gonçalo do Amarante | Governador Aluízio Alves | 2,582,766 |

Source: ANAC (http://www2.anac.gov.br/Estatistica/DadosEstatisticos/dadosestatisticos.asp)

[34] Jusbrasil – Accessed 15 March 2016 - http://casa-civil.jusbrasil.com.br/noticias/2854329/perguntas-e-respostas-sobre-a-concessao-de-aeroportos

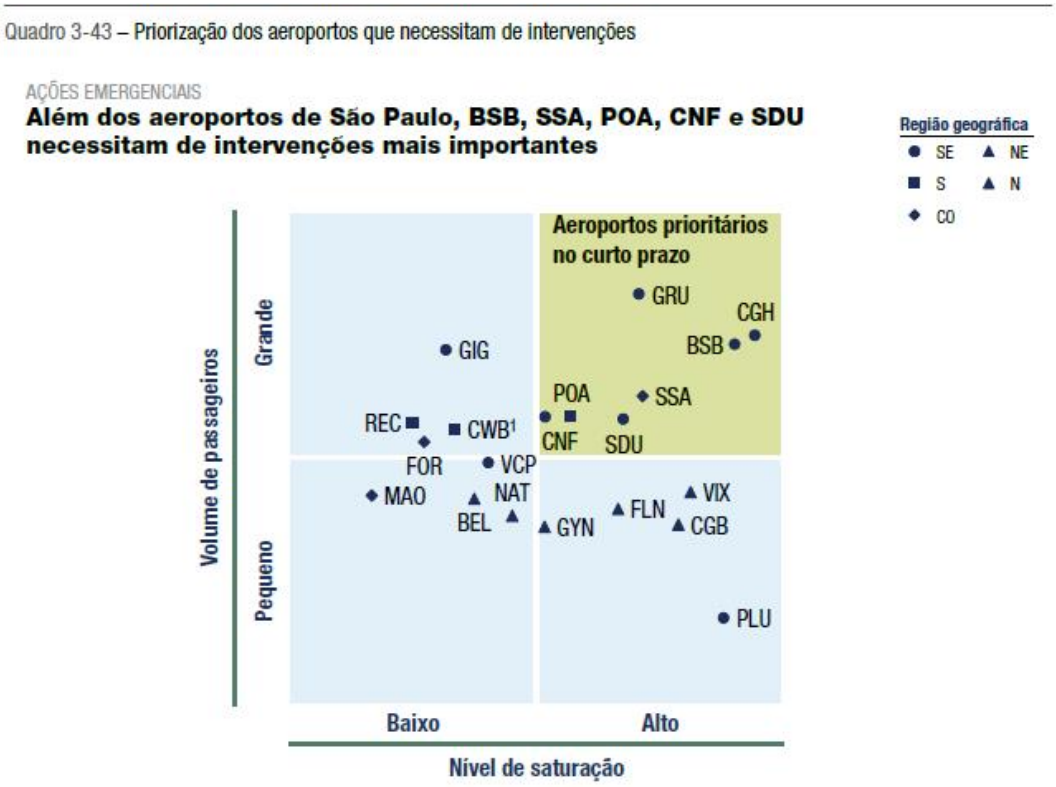
[35] ANAC – Accessed 15 March 2016 - http://www2.anac.gov.br/biblioteca/resolucao/2010/RA2010-0158.pdf

[36] Estadão – Accessed 15 March 2016 - http://economia.estadao.com.br/noticias/geral,governo-cobrara-investimento-de-aeroportos-privatizados,116108e

### Airport concession programme

5.16 In 2010, BNDES (*Banco Nacional de Desenvolvimento Econômico e Social*) contracted consultants McKinsey & Company to undertake a comprehensive study on the Brazilian aviation sector. In the final report[37], the following graphic was presented showing the national airports that most urgently required significant capital investment in the short term (Figure 5.1).

**Figure 5.1 Prioritization of airports requiring intervention – McKinsey & Company**




Source: Estudo do Setor de Transporte Aéreo do Brasil: Relatório Consolidado. Rio de Janeiro: McKinsey & Company, 2010

5.17 From the figure above it can be seen that Guarulhos, Brasilia, and Confins were classified as needing priority investments, while Viracopos is also very close to the report's prioritisation quadrant.

5.18 All concession bid tender documents, with the exception of those for the São Gonçalo do Amanrante airport, required that the winning consortium create a special purpose company for the management of the airport, in which the consortium would have a 51% controlling share and Infraero the remaining 49% participation. São Gonçalo do Amarante, in Natal northeast Brazil, was the only concession process that included the construction of a new airport, so the 28 years of concession included 3 initial years construction (maximum

[37] Estudo do Setor de Transporte Aéreo do Brasil: Relatório Consolidado. Rio de janeiro: McKinsey & Company, 2010

permitted) and then 25 years management. Table 5.3 presents the airports that are currently operated by private companies in Brazil, and the private consortia that won the concession.

**Table 5.3 Airports operating by concession, Brazil**

| Airport | Concession Year | Concession period | Consortium | Partners | Nationality | Participation as % of private stake |
|---|---|---|---|---|---|---|
| São Gonçalo do Amarante (Rio Grande do Norte) | 2012** | 28 years* | Corporacion Amércia | Infravix | Brazil | 50% |
| | | | | Corporacion America | Argentina | 50% |
| Presidente Juscelino Kubitschek (Brasília) | 2012** | 25 years** | Consórcio Inframérica Aeroportos** | Infravix | Brazil | 50% |
| | | | | Corporacion America | Argentina | 50% |
| Internacional de Guarulhos André Franco Montoro (Guarulhos - São Paulo) | 2012** | 20 years** | Consórcio Invepar | Invepar | Brazil | 50% |
| | | | | ACSA (Air Company South Africa) | South Africa | 50% |
| Internacional de Viracopos (São Paulo) | 2012** | 30 years** | Aeroportos Brasil | Triunfo Participações e Investimentos | Brazil | 45% |
| | | | | UTC Participações | Brazil | 45% |
| | | | | Egis Airport Operation | France | 10% |
| Internacional do Rio de Janeiro - Galeão Antonio Carlos Jobim (Rio de Janeiro) | 2014** | 25 years** | Aeroportos do Futuro | Odebrecht Transport | Brazil | 60% |
| | | | | Changi Airports International | Singapore | 40% |
| Internacional Tancredo Neves Confins (Minas Gerais) | 2014** | 30 years** | Consórcio Aero Brasil | CCR Group | Brazil | 75% |
| | | | | Flughafen Zürich AG | Switzerland | 24% |
| | | | | Munich Airport International Beteiligungs GMBH | Germany | 1% |

* Maximum 3 for construction + 25 Operation and economic exploitation (http://www2.anac.gov.br/asga/ASGA%20Overview%20-%20110608%2001.pdf)

** INFRAERO (http://www.infraero.gov.br/index.php/br/transparencia/concessao.html)

*** http://www.valor.com.br/empresas/2864308/aeroporto-de-sao-goncalo-do-amarante-deve-operar-em-abril-de-2014

5.19 All concession processes were conducted in the format of an auction in which the government established the minimum value. The table below presents the minimum bid and the value paid by each consortium.

**Table 5.4 Concession auction process**

| Airport | Year | Minimum* | Amount paid** | Amount in €*** | % above the minimum |
|---|---|---|---|---|---|
| São Gonçalo do Amarante | 2011 | R$ 51,700,000 | R$ 170,000,000 | € 73,835,998 | 228.8% |
| Brasília | 2012 | R$ 582,000,000 | R$ 4,501,000,000 | € 1,976,637,105 | 673.4% |
| Campinas | 2012 | R$ 1,471,000,000 | R$ 3,821,000,000 | € 1,678,011,637 | 159.8% |
| Guarulhos | 2012 | R$ 3,424,000,000 | R$ 16,213,000,000 | € 7,120,021,636 | 373.5% |
| Galeão | 2013 | R$ 4,828,026,000 | R$ 19,000,000,000 | € 5,833,231,800 | 293.5% |
| Confins | 2013 | R$ 1,096,372,000 | R$ 1,800,000,000 | € 552,621,960 | 64.2% |

* Fonte: Auction notice - ANAC

** Fonte: Infraero (http://www.infraero.gov.br/index.php/br/concessoes.html) and G1 (**http://g1.globo.com/economia/noticia/2011/08/consorcio-inframerica-vence-leilao-de-aeroporto-sao-goncalo-do-amarante.html**)

*** According to Central Bank exchange rate for the auction day

5.20 In all cases, except for São Gonçalo do Amarante in which the contract required the construction of a new airport, the concession contracts include a first phase which consists in transferring the operation from Infraero to the concessionaire and a second phase in which the concessionaire are required to make the necessary expansion and infrastructure investments to improve the level of service of the airport. As stated in paragraph 5.11, at the end of the concession period all assets will return to the control of the public sector. All the required/expected investments were presented in the bid reference documents.

5.21 Examples of the initial investments stipulated by the government included:

- **Guarulhos** and **Brasilia:** the construction of new passenger terminals at each airport and new road accesses and expansion of the apron areas;
- **Confins:** a new passenger terminal and car parking area; and
- **Galeão Rio de Janeiro**: a new passenger terminal including at least 26 new boarding gates, expansion of the apron areas to accommodate increased volume of aircraft and new passenger car parking areas.

5.22 All concession contracts present minimum investment requirements for infrastructure across the airport such as runways, apron, terminals, etc., that must be achieved by the concessionaire during the concession period. To comply with these requirements all the concessionaries must provide an Infrastructure Management Plan (*Plano de Gestão da Infraestrutura – PGI*) within 90 days of the start of the concession contract. This must be reviewed at least once every five years, with the concessionaire required to present an implementation plan of the actions/investments necessary to maintain the required levels of service.

5.23 Currently the federal government is in the process of concessioning four other airports: Salvador, Florianopolis, Fortaleza and Porto Alegre. The government also has a plan to attract

private investment in regional airports, aiming to improve connections between regions within the country, develop regional economic centres and strengthen tourist destinations[38].

**Foreign investment in Brazilian airports**

5.24 It has not been possible to find specific formal information published by the Brazilian Government relating to requirements / restrictions on foreign investments in Brazilian airports. Nevertheless, as can be seen in Table 5.3, there are a number of international companies involved in airport concessions in Brazil. European companies currently involved are as follows:

- Egis Airport Operation (France);
- Flughafen Zürich AG (Switzerland); and
- Munich Airport International Beteiligungs GMBH (Germany).

5.25 In all concession processes the participation of foreign companies was permitted with the same conditions as local companies. In the process for Viracopos, Brasilia, Guarulhos, Confins and Galeao the participation of a foreign company was almost compulsory, as one of the requirements in the tender documents was for an airport operator with experience based on airport size, with total passenger movements:

- Viracopos, Brasilia, Guarulhos - at least 5 million/year
- Confins - at least 12 million/year
- Galeão - at least 22 million/year

5.26 Due to the fact that up until the relatively recent airport concession processes all Brazilian public airports were operated solely by Infraero, no Brazilian company was able to meet the above requirement alone. It therefore became obligatory for interested Brazilian companies to partner with a foreign airport operator.

5.27 No evidence was found in the tender documents that required foreign companies were obliged to partner with Brazilian firms, however, it was necessary for any interested party to meet a series of specific requirements, which included some that only companies formally registered in Brazil would possess.

5.28 By comparison, on the airline side, there is currently a limit in foreign investment in airline companies operating in Brazil, but the government is considering increasing this from 20% to 49%[39]. No particular issues for foreign companies wishing to invest were noted.

5.29 No information about specific limits of investment in airport infrastructure was found.

## Brazil: Ground handling

**Regulatory framework**

5.30 The agency responsible for the regulation and control of the ground handling sector in all airports in Brazil is ANAC. The most relevant legislation found on this theme is ANAC's regulatory document: "Resolução nº116 of 20 October 2009" [40].

[38] PAC – Accessed 15 March 2016 - http://www.pac.gov.br/i/ce085a72

[39] Folha – Accessed 15 March - http://www1.folha.uol.com.br/mercado/2016/03/1745278-governo-eleva-limite-de-capital-estrangeiro-em-empresas-aereas.shtml

5.31 According to this document, the ground handling market in Brazil is liberalised and can be undertaken:

- Directly by the aerodrome operator;
- Directly by aircraft owner or operator, where it has operation, to support their own aircraft or from third parties whenever they operate shared flights; or
- By specialist third party companies.

5.32 It was not possible to find a clear definition on which kind of services can be provided by each entity and also if there is any necessity that some kind of ground handling services must be provided by third parties.

5.33 ANAC´s "Resolução nº 116" states that the companies wanting to provide ground handling services must have a specific description of these particular services within its company's articles of association/incorporation. No express restrictions on international ground handling providers were found in the document, however, the requirement to present the specific activities within the company's articles of association/incorporation may indicate that foreign companies need some level of registration in Brazil.

5.34 "Resolução nº 116" divides ground handling services in four different categories:

- **Operational**: in which are included services related to the orientation, organisation, preparation and movements of aircraft, crew, passengers, luggage and cargo on the ground;
- **Protection:** in which are included services related to the surveillance, detection, identification, protection and others with respect to aircraft, crew, passengers, luggage and cargo for civil aviation security against illicit acts that could interfere in the area of the airport;
- **Commercial:** Services for crew, passengers, and cargo shipper that facilitate civil aviation; and
- **Emergency:** in which are included services related to the organization, preparation and attendance of aircraft, crew, passengers, luggage and cargo in emergency situations on the ground within an 8 kilometres radius of the aerodrome. For this service there is a specific regulation document (ANAC Resolution n$^{o.}$ 115 of 6 October 2008).

5.35 This study is focussed on the categories of ground handling as defined in the Annex to Council Directive 96/67/EC, and it has been assumed that these categories align with the 'operational' ground handling functions according to ANAC´s definition.

5.36 ANAC has published numerous regulatory documents regarding all areas of civil aviation. "Resolução nº 302 of 5 February 2014"[41] establishes the criteria and procedures applied to airport area allocation and remuneration. It states that the airport operator should provide, to airline companies that operate or intend to operate regular air transport services, sufficient area for:

- Aircraft, passengers and luggage shipment;
- Shipment and receipt of cargo transported by air;

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[40] ANAC – Accessed 7 March 2016 - http://www2.anac.gov.br/biblioteca/resolucao/RA2009-0116.pdf

[41] ANAC – Accessed 16 March 2016 - http://www2.anac.gov.br/biblioteca/Resolucao/2014/RA2014-0302.pdf

- Aircraft loading and unloading;
- Aircraft maintenance;
- Aircraft shelter and ramp equipment; and
- Administrative activities.

5.37 The document also establishes that airline companies can contract ground handling companies to provide any of the services connected with the areas presented above.

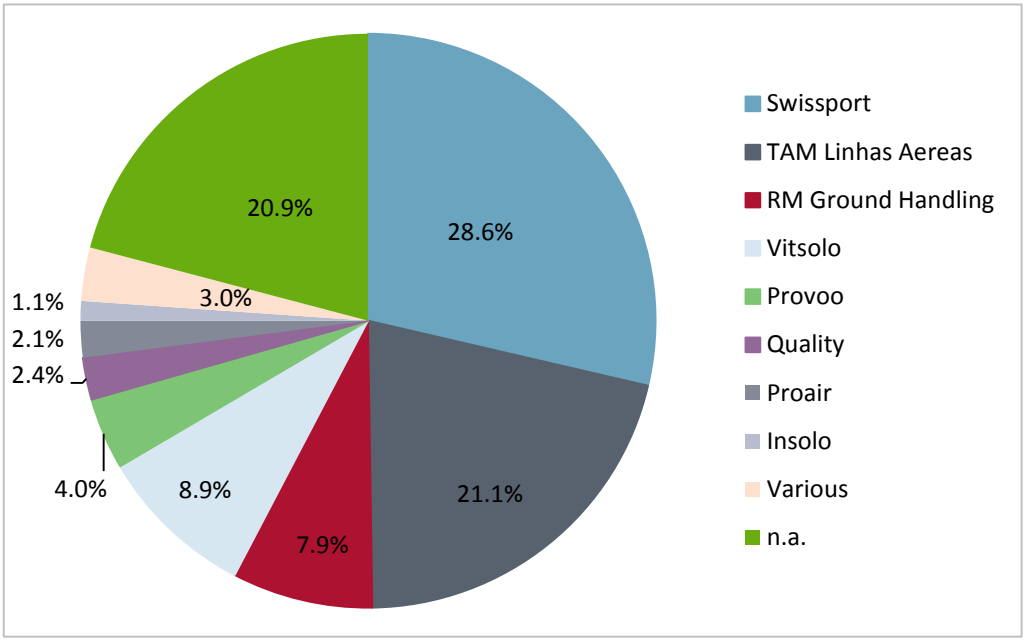
5.38 The document also states that discriminatory and abusive practices are prohibited with respect to the allocation and remuneration of airport areas, which include those for ground handling providers.

**Market information**

5.39 According to ABESATA's '1st Brazilian Yearbook of Ground Handling Services'[42], in Latin America 60% of ground handling services are provided by third party companies while 30% are provided by airline operators and 10% by the airport operator.

5.40 The market shares of the major companies in the Brazilian ground handling market for ramp and passenger services are shown in Figure 5.2 and Figure 5.3 respectively.

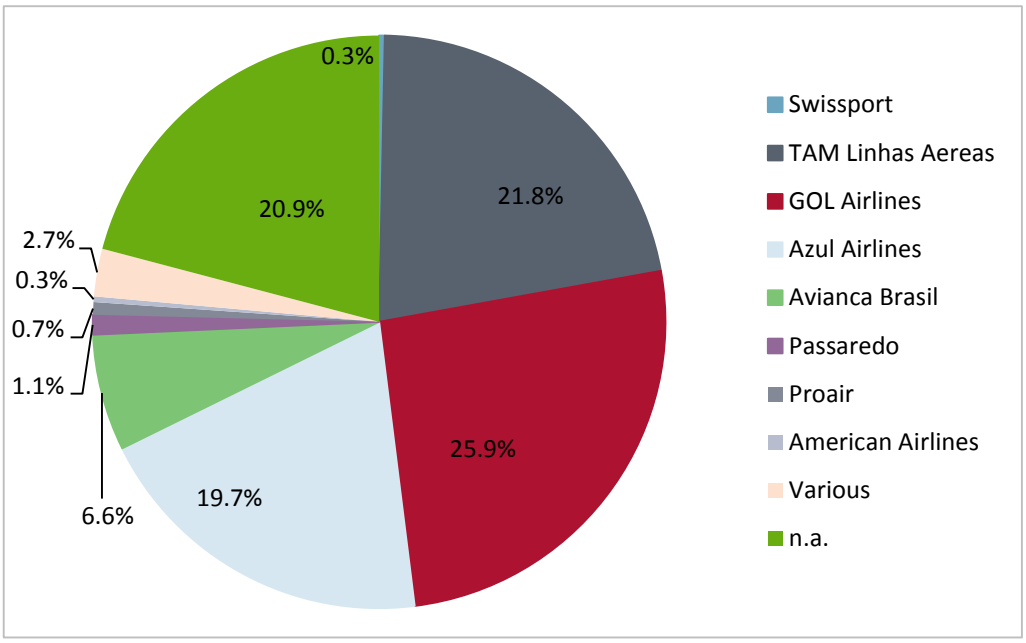
**Figure 5.2: Brazilian ground handling market share by company (ramp)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 15,000 passengers per year

[42] 1st Brazilian Yearbook of Ground Handling Services - ABESATA – 2014 - Accessed 7th March 2016 - http://www.abesata.org/br/anuario-da-abesata/

**Figure 5.3: Brazilian ground handling market share by company (passenger)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 15,000 flights per year

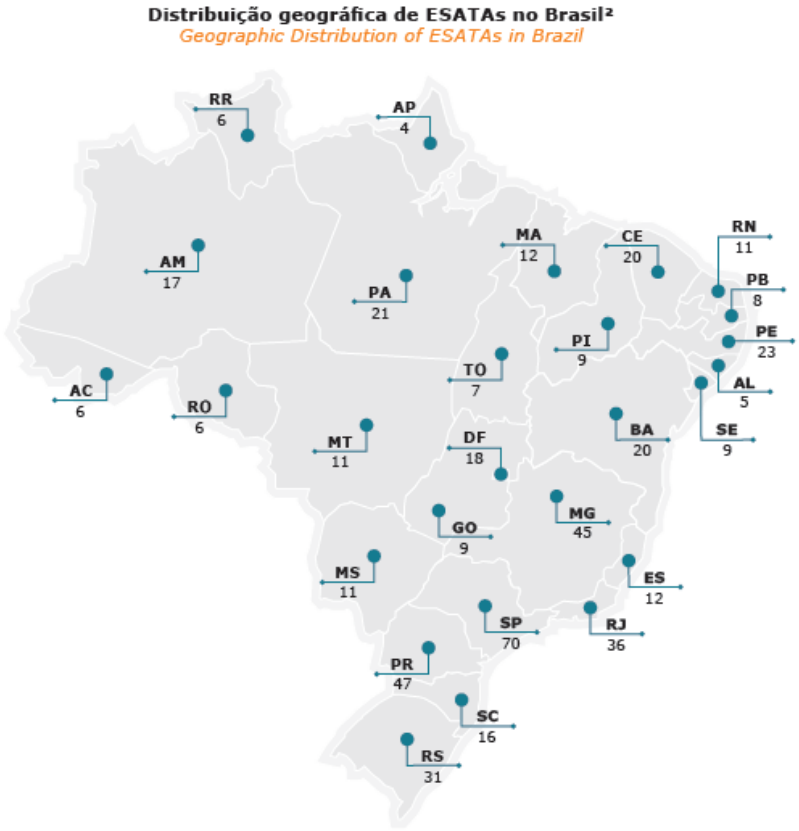
5.41 We estimate the total value of the Brazilian ground handling market to be €566 million for ramp and passenger services combined.

5.42 Market share and size estimates have been developed in line with the methodology described on page 34.

*Number of ground handling organisations*

5.43 The '1st Brazilian Yearbook of Ground Handling Services' states there are currently (in 2014) 211 ground handling companies operating in Brazil, with distribution as presented in Figure 5.4.

**Figure 5.4 Geographic Distribution of ground handling companies in Brazil – ABESATA**




² O somatório de todos os Estados é maior que 211, pois as empresas operam em mais de uma localidade.
*As some companies operate in more than one state, the sum of the companies operating in each state is greater than 211.*

Source: 1st Brazilian Yearbook of Ground Handling Services (ABESATA)

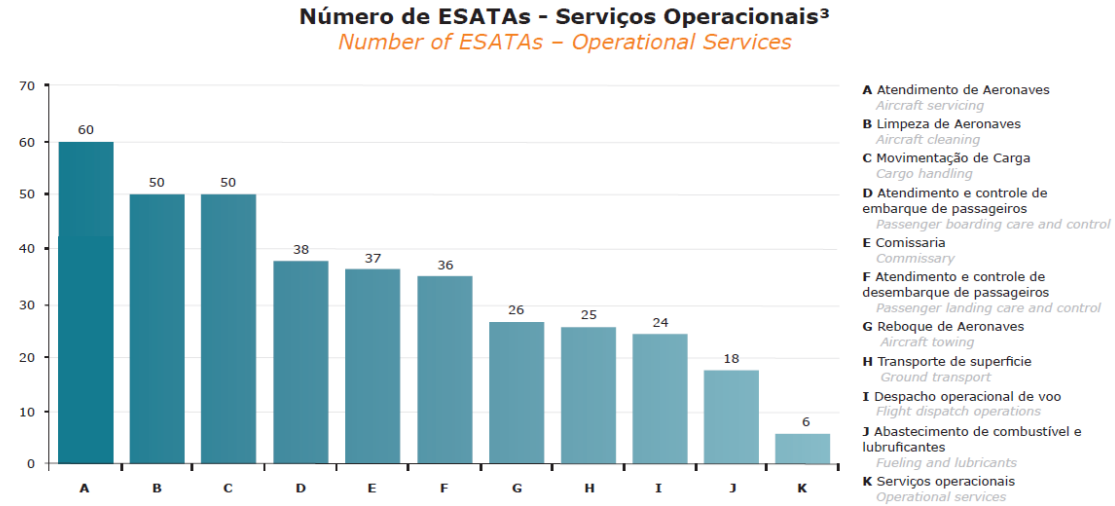
5.44 According to ABESATA, based on information from the ground handling companies that are operating in Brazil, 147 companies provide operational services, 86 render commercial services and 6 provide emergency services. Of the ground handling companies that provide operational services for airline companies:

- 60 provide aircraft servicing;
- 50 provide services relating to aircraft cleaning;
- 50 are focused on cargo movement; and
- 38 provide passenger boarding and attendance services[43].

5.45 Figure 5.5 presents the services offered by operational services ground handling provider.

[43] ABESATA – Accessed 16 March 2016 - http://www.abesata.org/br/2014/07/23/abesata-diz-que-ha-mais-espaco-para-servicos-auxiliares-na-aviacao/

**Figure 5.5 Number of ground handling companies providing 'operational services' at Brazilian airports**




³Serviços Operacionais – As empresas aqui enumeradas tiveram a natureza operacional identificada, porém não foi possível especificar os tipos de serviços prestados. O somatório de empresas é maior que o total de empresas atuantes, devido à possibilidade de uma empresa prestar mais de um tipo de serviço.

*Operational Services – The companies listed here were identified as operational in nature, but it was not possible to identify the types of services provided. As some companies provide more than one type of service, the total is greater than the number of firms operating.*

Source: 1st Brazilian Yearbook of Ground Handling Services (ABESATA)

5.46 From the number of ground handling companies providing different services across Brazil, we conclude that there is no monopoly on the provision of a particular ground handling service in Brazil.

5.47 The information from ABESATA states that Viracopos, Curitiba, Guarulhos and Galeão airports have the largest number of ground handling companies operating on-site, with respectively 34, 30, 28 and 24 companies each (it is important to note that this numbers includes all types of ground handling companies, such as fuelling, catering, ramp, and there is no clear information on which services each company provides at each airport)[44].

*Airports and airlines-provided ground handling services*

5.48 Whilst airline companies are permitted to self-handle, the vast majority use third parties for ground handling services. A significant exception is TAM airlines, which self-handles for 90% of its operation, using third party companies at only a small number of airports such as Aracaju in Sergipe[45].

5.49 According to ABESATA, 70% of total commercial aviation flights involve a third party ground handling provider at some point, while in general aviation this participation is lower, at only 20%.

5.50 No legal or factual text regarding requirements for ground handling activities for airport operators or airline companies was identified. In addition, no data on provision of ground

[44] 1st Brazilian Yearbook of Ground Handling Services - ABESATA – 2014 - Accessed 7 March 2016 - http://www.abesata.org/br/anuario-da-abesata/

[45] ABESATA – Accessed 16 March 2016 - http://www.abesata.org/br/2014/07/23/abesata-diz-que-ha-mais-espaco-para-servicos-auxiliares-na-aviacao/

handling services by airports was available; this is therefore understood to be very rare or non-existent.

*Ground handling companies in Brazil*

5.51 According to ABSATA[46] there are eight companies that control 85% of the ground handling market in Brazil:

- Orbital;
- Proair;
- RM;
- Swissport;
- Vit Solo;
- RP AATA; and
- Tristar.

5.52 Typically, the companies that operate at multiple airports are those providing services relating to fuel and oil handling. Table 5.5 presents the companies that operated at the largest number of airports in Brazil.

**Table 5.5 Ground handling companies – Brazil airports 2015**

| Company name | Origin | Number of airports |
|---|---|---|
| BR Aviation | Brazil | 101 |
| Shell Aviation | Netherlands | 52 |
| Orbital* | Brazil | 29 |
| Vit Solo | Brazil | 24 |
| Air BP do Brasil | England | 23 |
| RM Ground Services** | Brazil | 22 |
| Air Special Serviços | Brazil | 20 |
| Tri-Star | Brazil | 15 |
| Swissport*** | Switzerland | 13 |
| RP AATA | Brazil | 12 |
| One Handling System | Brazil | 12 |

* Acquired by WorldWide Flight Services (WFS) - France[47]
** Acquired by danta - UAE[48]
*** Part of the company was acquired by HNA Chinese group[49]

Source: ABESATA - 1st Brazilian Yearbook of Ground Handling Services – updated with data provided by companies website

[46] ABESATA – Accessed 16 March 2016 - http://www.abesata.org/br/2014/07/23/abesata-diz-que-ha-mais-espaco-para-servicos-auxiliares-na-aviacao/

[47] WFS – Accessed 16 March 2016 - http://81.93.5.95/hot-news/worldwide-flight-services-acquires-controlling-stake-in-orbital-group-of-brazil-first-step-into-the-latin-america-ground-handling-market/b9839fb136177e853322409e1ed52eaf/

[48] RM Ground Services – Accessed 16 March 2016 - http://www.rmghs.com.br/noticia1.php

[49] NewsAvia – Accessed 16 March 2016 - http://newsavia.com/grupo-chines-hna-compra-swissport-por-2820-milhoes-de-dolares/

*Presence of international ground handling operators*

5.53 The presence of Swissport, BP, and Shell in the list in Table 5.5 indicates that international ground handling companies, including those from the EU, are able to operate in Brazil. According to one ground handling operator consulted for this study, the Brazilian ground handling market is fully liberalised, with no major difficulties reported in entering or operating in the market.

# 6 Case study: China

## Introduction

6.1 In this chapter we present the market analysis for airport ownership, management, and ground handling in China. In the context of this document, 'China' refers to the regulatory conditions in mainland China and does not include Taiwan[50] or the Special Administrative Regions of Hong Kong and Macau.

## Context

6.2 As of 2014 there were 200 airports in mainland China with regularly scheduled commercial flights, serving 198 cities.[51] Table 12.1 lists the twenty Chinese airports with the highest number of arriving and departing passengers in calendar year 2014.

**Table 6.1: Top 20 Chinese airports by number of arriving and departing passengers, 2014**

| Rank | Name of Airport | IATA Code | Total passengers CY2014 |
|---|---|---|---|
| 1 | Beijing Capital International Airport | PEK | 86,128,313 |
| 2 | Guangzhou Baiyun International Airport | CAN | 54,780,346 |
| 3 | Shanghai Pudong International Airport | PVG | 51,687,894 |
| 4 | Shanghai Hongqiao International Airport | SHA | 37,971,135 |
| 5 | Chengdu Shuangliu International Airport | CTU | 37,675,232 |
| 6 | Shenzhen Bao'an International Airport | SZX | 36,272,701 |
| 7 | Kunming Changshui International Airport | KMG | 32,230,883 |
| 8 | Chongqing Jiangbei International Airport | CKG | 29,264,363 |
| 9 | Xi'an Xianyang International Airport | XIY | 29,260,755 |
| 10 | Hangzhou Xiaoshan International Airport | HGH | 25,525,862 |
| 11 | Xiamen Gaoqi International Airport | XMN | 20,863,786 |
| 12 | Changsha Huanghua International Airport | CSX | 18,020,501 |
| 13 | Wuhan Tianhe International Airport | WUH | 17,277,104 |
| 14 | Qingdao Liuting International Airport | TAO | 16,411,789 |

[50] The official policy of the European Union recognizes the Government of the People's Republic of China as the sole legal government of China, and has no diplomatic or formal political relations with Taiwan. Nevertheless the EU recognises Taiwan as a distinct economic entity and full member of WTO, and engages in economic and other sectorial cooperation with Taiwan. http://eeas.europa.eu/taiwan/index_en.htm

[51] 2014年全国机场生产统计公报 [Public Report of Statistics on Nationwide Airports in 2014], accessed March 28, 2016. http://www.caac.gov.cn/XXGK/XXGK/TJSJ/201511/t20151102_8866.html

| Rank | Name of Airport | IATA Code | Total passengers CY2014 |
|---|---|---|---|
| 15 | Ürümqi Diwopu International Airport | URC | 16,311,140 |
| 16 | Nanjing Lukou International Airport | NKG | 16,283,816 |
| 17 | Zhengzhou Xinzheng International Airport | CGO | 15,805,443 |
| 18 | Sanya Phoenix International Airport | SYX | 14,942,356 |
| 19 | Haikou Meilan International Airport | HAK | 13,853,859 |
| 20 | Dalian Zhoushuizi International Airport | DLC | 13,551,223 |

Source: Civil Aviation Administration of China (CAAC) [52]

## China: Airport ownership

6.3 Most airports in China are owned and managed by the provincial or municipal authority where the airport is located. The exceptions are the airports of Tibet, Beijing, and Tianjin, which remain managed by the central government.[53]

6.4 Whilst we are not aware of any airports in China with a majority stake held by foreign entities, it is possible for foreign parties to invest in Chinese airports and other civil aviation services in partnership with a Chinese entity or entities. This is governed by the 2001 law on 'Provisions on Foreign Investment in Civil Aviation' which is administered by the Civil Aviation Administration of China (CAAC). [54]

6.5 Under this law, foreign entities are allowed to invest in civilian airports, passenger and cargo airlines, and other aviation-related businesses that serve the public such as companies providing airport ground services (e.g. baggage handling, refuelling, aircraft maintenance) or charter and sightseeing flights. Foreign investment is not permitted in air traffic control systems or in areas that affect national security.

6.6 Permissible forms of investment include joint financing and operations with a Chinese entity or purchasing stocks in an existing entity; other investment methods are subject to CAAC approval. The size of the ownership stake that can be held by the foreign entity depends on the type of investment. Generally speaking, the majority stake should be held by a Chinese entity, and the maximum stake that can be held by one foreign entity is 25%. The exception is in ground services outside of aircraft maintenance or refuelling (e.g. catering, management of parking facilities), where the size of the foreign stake is to be determined by mutual agreement between the foreign and Chinese entities involved in the venture.

6.7 CCAR-201 also states that joint ventures with foreign entities should be for periods of less than thirty years, although they may be renewed if all parties are in agreement.

6.8 The level of fees and charges that can be levied for aeronautical services (e.g. landing and take-off fees, passenger fees) and major non-aeronautical fees (e.g. ground service fees, rent

[52] 2014年民航机场吞吐量排名 [Ranking of Civil Aviation Airports by Passenger Volumes in 2014], accessed March 28, 2016. http://www.caac.gov.cn/XXGK/XXGK/TJSJ/201511/P020151103352275705651.xls

[53]国务院关于省(区、市)民航机场管理体制和行政管理体制改革实施方案的批复, accessed March 28, 2016. http://www.gov.cn/zhengce/content/2008-03/28/content_3302.htm

[54] Provisions on Foreign Investment in Civil Aviation [《外商投资民用航空业规定》; CCAR-201], accessed March 28, 2016. http://www.caac.gov.cn/XXGK/XXGK/MHGZ/201511/t20151102_8522.html

for office space, lounges, and check-in or ticketing areas) are regulated by the CAAC and the central government. [55]

6.9 CCAR-201 permits greater flexibility and autonomy for investors from Hong Kong, Macau, and Taiwan[56], however EU businesses are subject to the original rules governing foreign investors. [57]

6.10 It is quite common among the major airports to have some extent of private ownership. Among the top 10 airports by passenger volume in 2014, nearly all are partially owned by one or more private entities. This can be either Chinese or foreign parties, as long as any foreign stake does not exceed the legally prescribed limits..

6.11 Six of China's airports – Xiamen, Shenzhen, Shanghai Hongqiao, Beijing, Haikou, and Guangzhou – are listed on the stock exchanges of Shanghai, Hong Kong, and Shenzhen.[58] This is another avenue for foreign investors to gain ownership in Chinese airports, although foreign entities can only hold a limited proportion of shares in airports. For example, those listed in the Shanghai Stock Exchange cannot have more than 30% of stocks held by foreign entities in total.[59]

6.12 Note that a listing on the stock exchange does not mean the airports are entirely privately owned – in all of these cases the majority of the stock is still held by government-owned companies. Private companies interested in owning parts of airports are not limited to only the six above; however the mechanisms to achieve ownership (joint ventures versus stocks) are different. In the following sections we elaborate on the most relevant examples of each.

**Foreign Investments in Chinese Airports**

6.13 As mentioned in paragraph 12.6, European entities can hold minority stakes in Chinese airports. The involvement of foreign entities is often viewed as a way of enabling knowledge transfer of best practices and to raise capital in light of reduced government subsidies.[60]

6.14 In 2002, Copenhagen Airports bought a 20% share in Haikou Meilan International Airport, [61] naming two members of the airport's Board of Directors and assisting with airport operations

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[55]Case Study on Commercialization, Privatization and Economic Oversight of Airports and Air Navigation Services Providers – China. Accessed March 29, 2016.http://www.icao.int/sustainability/CaseStudies/China.pdf

[56]《外商投资民用航空业规定》的补充规定, accessed March 29, 2016. http://www.caac.gov.cn/XXGK/XXGK/MHGZ/201511/t20151102_8493.html

[57]《外商投资民用航空业规定》的补充规定（五）[Supplementary Regulations No. 5 to 'Provisions on Foreign Investment in Civil Aviation'], accessed March 29, 2016. http://www.caac.gov.cn/XXGK/XXGK/MHGZ/201511/t20151102_8605.html

[58] The Structure of the Airport Industry, accessed March 29, 2016. http://documents.routledge-interactive.s3.amazonaws.com/9781138784567/Ch%205_Graham.pdf

[59]外资比例接近警戒线 上海机场沪股通被叫停, [Trading of Shanghai Airport stocks on the Shanghai-Hong Kong Stock Connect halted as the ratio of foreign investments approaches the regulatory limit], accessed March 29, 2016. http://news.xinhuanet.com/fortune/2015-05/20/c_127820236.htm

[60] 外资争购长江三角洲机场, [Foreign Investors Eager to Invest in Yangtze River Delta Region Airports], accessed March 29, 2016. http://finance.sina.com.cn/chanjing/b/20060705/1513782229.shtml

and knowledge transfer. Copenhagen Airports later sold all its shares in 2007 due to disagreements about the strategy of Meilan Airport and also a corporate decision to sell off its international investments.[62] Aéroports de Paris purchased 10% of shares in Beijing Airport when it was first listed in 2000, and later sold the stake in 2007 for a significant profit. [63] Fraport currently owns a 24.5% stake of Xi'an Xianyang International Airport, [64] which it purchased for €50 million in 2007 (the remaining 75.5% is owned by government-affiliated entities).[65]

6.15 As noted above, Hong Kong, Macau, and Taiwan investors are granted special provisions under CCAR-201 and companies from these countries are active in the joint ownership of airports in China. The Airport Authority Hong Kong (AAHK) owns a 35% stake in Hangzhou Xiaoshan International Airport[66] and a 55% stake in Zhuhai Airport[67]. 25% of Chengdu Airport is owned by a separate Hong Kong enterprise.[68] Xiamen Airport's cargo terminal is jointly owned by the local government (58%) and three Taiwanese companies (42% stake total).[69]

## China: Airport management

6.16 'Provisions on Foreign Investment in Civil Aviation' also stipulates conditions for the involvement of foreign companies in the management of Chinese airports. Specifically, foreign companies must partner with a Chinese entity if they wish to participate in the management of airports, and they cannot be the majority stakeholder in the joint venture. There is a mandate for knowledge transfer and preference for foreign companies with industry experience.

6.17 Airports are typically managed by state-owned companies. By law, it is not possible for a non-Chinese company to become the sole or majority owner in an airport management company

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[61] Danes buy shares in Meilan airport offer, accessed March 28, 2016. http://www.scmp.com/article/394743/danes-buy-shares-meilan-airport-offer

[62] Stake disposal lifts Meilan Airport, accessed March 29, 2016. http://www.scmp.com/article/595772/stake-disposal-lifts-meilan-airport

[63] UPDATE 2-ADP sells Beijing Airport stake for $252 mln, accessed March 29, 2016. http://www.reuters.com/article/idUSN2633184120070226

[64] Fraport inks first investment in China, accessed March 29, 2016. http://financeasias.com/News/77698,fraport-inks-first-investment-in-china.aspx

[65] Xi'an Xianyang International Airport Co., Ltd, accessed March 29, 2016. http://www.fraport.com/en/the-fraport-group/fraport-worldwide/subsidiaries-investments/xi-an-xianyang-international-airport-co---ltd.html

[66] Mainland Projects, accessed March 29, 2016. https://www.hongkongairport.com/eng/pdf/media/publication/report/14_15/E15_Mainland_Projects.pdf

[67] Airport Authority Hong Kong strikes joint-venture deal to manage Zhuhai Airport, accessed March 29, 2016. http://www.moodiereport.com/document.php?c_id=1178&doc_id=11598

[68] 四川省机场集团有限公司, [About Sichuan Airport Group Co., Ltd.], accessed April 4, 2016. http://www.cdairport.com/wifi/gongsijianjie.html

[69] About Us – Xiamen International Airport Cargo Terminal, accessed March 29, 2016. http://en.xiact.com/about.aspx

in China. However, it is very common for foreign entities to be involved in airport management either as a minority partner in a joint holding company or in an advisory role.

6.18 For example, Fraport currently participates in the management of the terminals and the retail areas of Xi'an Airport through a joint venture with a local partner; Fraport holds a 24.5% stake.[70] While it was not the official manager of the airport, in 2005 Aéroports de Paris signed a three-year agreement to provide advisory services to Beijing Airport on the utilisation and management of its facilities.[71] Schiphol Group has also assisted with commercial development at Guangzhou Airport.[72] Several other airports have engaged foreign companies to assist with training, commercial development, airport operations, or marketing activities in more informal ways short of forming a combined holding company.[73]

6.19 Outside of passenger services, EU companies are involved in the management of airports' cargo operations. Lufthansa Cargo has several joint ventures in Shanghai Pudong (29% stake), Shenzhen (50%) and Tianjin (46%) to operate cargo terminals at these airports.[74]

6.20 Our research did not reveal any cases of Build-Operate-Transfer arrangements in the context of Chinese airports. However, foreign companies can be involved in the construction of airports, for instance Aéroports de Paris' engineering group designed the master plan and architecture for the planned new airports for Beijing and Chengdu, and was selected in 2015 to evaluate proposed development projects at Shanghai Pudong airport for their potential impacts on airport operations and productivity.[75] [76]

6.21 The existing operations of EU companies described in this section suggest it is possible for European entities to enter the Chinese airport management market, but with conditions on the size of the investment in proportional terms (majority not permitted).

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[70] Xi'an Xianyang International Airport Co., Ltd, accessed March 29, 2016. http://www.fraport.com/en/the-fraport-group/fraport-worldwide/subsidiaries-investments/xi-an-xianyang-international-airport-co---ltd.html

[71] 北京机场与巴黎机场签署新顾问协议, [Beijing Airport Signs New Consulting Agreement with Aéroports de Paris], accessed March 29, 2016. http://www.bcia.com.cn/news/news/130217/news713.shtml

[72] Cooperation with Guangzhou: Schiphol Group sets foot on Chinese soil, accessed April 4, 2016. http://www.schiphol.nl/SchipholGroup/NewsMedia/PressreleaseItem/CooperationWithGuangzhouSchipholGroupSetsFootOnChineseSoil.htm

[73] 法兰克福机场入股西安机场获批, [Approval received for Fraport's investment in Xi'an Airport], accessed April 4, 2016. http://finance.sina.com.cn/chanjing/b/20080717/03065100276.shtml

[74] LH Group in China, accessed March 29, 2016. http://www.lufthansa.com/mediapool/pdf/27/media_969127.pdf

[75] Aéroports de Paris wins multiple architecture competitions and engineering assignments to design airports in Asia , accessed March 29, 2016. https://www.aeroportsdeparis.fr/docs/default-source/groupe-fichiers/presse/cp-juillet-2015/15-09-15-aeroports-de-paris-wins-multiple-architecture-competitions-and-engineering-assignments-to-design-airports-in-asia.pdf?sfvrsn=2

[76] Aéroports de Paris, winner of design competition for New Beijing Terminal, fine tunes new airport design, accessed March 29, 2016. https://www.aeroportsdeparis.fr/docs/default-source/groupe-fichiers/presse/CP_janvier_Mars_2015/25-02-15-aeroports-de-paris-winner-of-design-competition-for-new-beijing-terminal-fine-tunes-new-airport-design.pdf

## China: Ground handling

**Regulatory framework**

6.22 The 'Provisions on Foreign Investment on Civil Aviation' state that any foreign investor interested in entering the ground services business must do so through a joint venture with a Chinese company. They must be the minority stakeholder in the case of aircraft maintenance or refuelling businesses. In other service areas – the law provides the examples of ground services, catering, and provision of parking facilities – the size of shareholdings is to be determined based on mutual agreement by the parties in the joint venture but a Chinese partner is always required.

6.23 While it is permissible for airlines to operate their own ground handling services, typically each airport also has an affiliated ground services company that only operates at that airport and serves a significant share of airlines. This company is often a joint venture between the airport's holding company, foreign entities, and/or airlines, indicating the possibility of foreign investment in ground handling operations. At major airports, the majority airline tenant sometimes also provides ground handling for itself and its partner airlines. [77]

6.24 A good example of this is at Beijing Airport, where Beijing Aviation Ground Services – a joint venture between the airport (51%), Singapore-based SATS (29%), China Eastern Airlines (10%) and China Southern Airlines (10%) – has a 52% share of the ground handling market, while Air China also provides ground services for itself and partner airlines[78]. Another case study is at Chengdu Airport, where Sichuan Airlines handles its own flights, the airport ground handling company (itself a joint venture between the provincial government and Menzies Aviation) serves more than 80% of the other airlines[79], and Air China serves the remaining airlines. [80] There do not appear to be restrictions on the airlines that can be served by each type of ground handler; in Chengdu the airport handler and Air China each serve both foreign and Chinese airlines. Due to the fragmented nature of the ground handling market – as shown in Figure 12.1 – it is difficult to estimate the total market size occupied by each type of ground handling service provider as operating situations differ from airport to airport.

6.25 It is theoretically possible for Chinese-only third party groundhandlers to operate, however due to strong competition from airports and airlines, who often consider handling passenger flights to be a core revenue generator, our understanding is that there are no such handlers operating within the major airports.[81] Within the cargo realm, a Chinese third party company,

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[77] Asia Pacific Round Up, accessed March 29,2 016. http://evaint.com/our-publications/airline-ground-services/previous-issues/airline-ground-services-summer-autumn-2015/asia-pacific-round-up

[78] BGS完成股权重组 首都机场持股51%成最大股东, [Restructure of Beijing Aviation Ground Services Complete; Capital Airport is Majority Stakeholder at 51%], accessed April 4, 2016. http://news.carnoc.com/list/326/326666.html

[79]成都双流国际机场航空地面服务有限公, [About Chengdu Shuangliu International Airport Ground Services Company], accessed April 5, 2016. http://www.camac.org.cn/info.php?id=5810

[80] Airlines, accessed April 4, 2016. http://www.cdairport.com/front_en/hbxx2.jsp

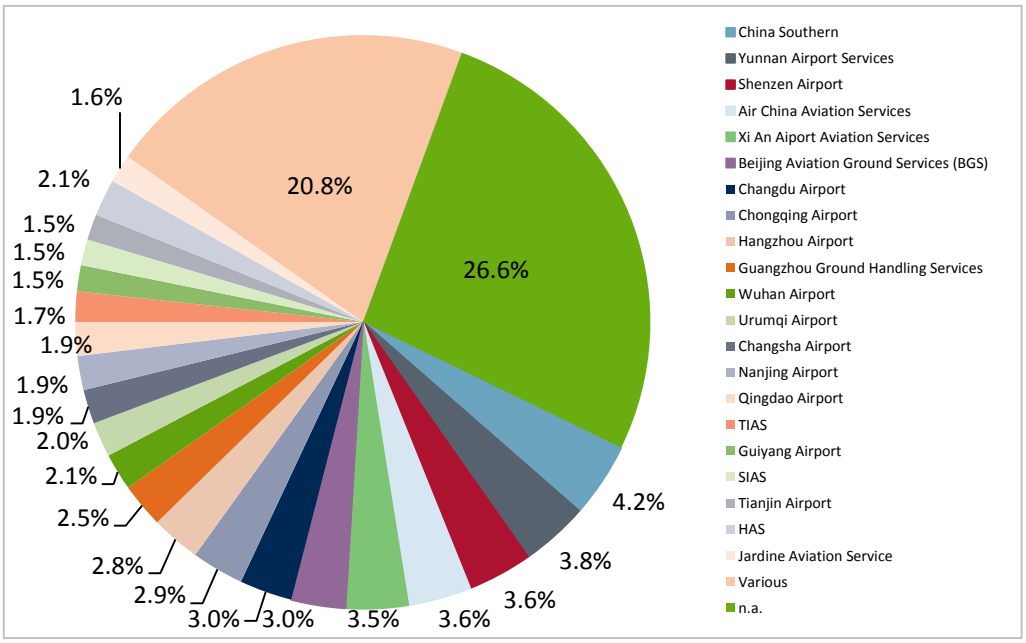
[81]民企突破"垄断"藩篱还需政策给力 [Regulatory Support Needed for Private Companies to break into the Hegemony], accessed April 25, 2016. http://chinacenn.com/News/20120313-153764.shtm

Suijia Logistics, won a contract to handle cargo flights at Beijing Airport in 2015, indicating the possibility of third-party ground handlers in the cargo market.[82]

### Market information

6.26 The market shares of the major companies in the Chinese ground handling market for ramp and passenger services are shown in Figure 6.1 and Figure 6.2 respectively.

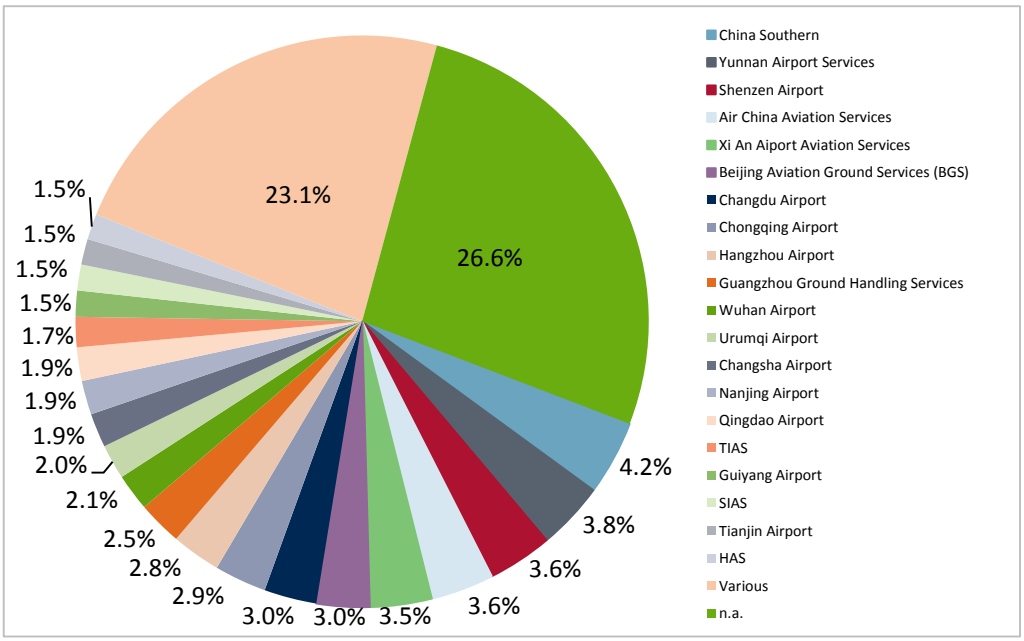
**Figure 6.1: Chinese ground handling market share by company (ramp)**




Source: Confidential market information based on stakeholder insight, internet search, and airport
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 30,000 passengers per year

[82]民营企业进入首都机场货运业务外包新领域［Private Company enters Outsourcing of Cargo Operations at Beijing Airport in an Industry First], accessed April 25, 2016. http://www.chinawuliu.com.cn/zixun/201502/25/298814.shtml

**Figure 6.2: Chinese ground handling market share by company (passenger)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 30,000 flights per year

6.27 We estimate the total value of the Chinese ground handling market to be €2.4 billion for ramp and passenger services combined.

6.28 EU operators are currently active in ground services provision in China. German LSG Sky Chefs is in several joint ventures to provide catering services at more than 10 airports.[83] [84] In at least one case, the airport operator previously handled all catering but was unable to keep up with demand from airlines, thus needing a second party (i.e. LSG Sky Chefs) to provide additional capacity. In the area of aircraft maintenance, Lufthansa Technik is a 25% stake owner in Ameco Beijing, which provides maintenance, repair, and overhaul of aircraft in Beijing.[85]

6.29 Many non-EU and non-Chinese companies are involved in ground handling joint ventures in China. For instance, Hong Kong Airport Services Ltd. provides ground handling services at both Shanghai airports through a joint venture with Shanghai International Airports Company, and Singapore's SATS is a ground handler and inflight caterer at nine airports (Beijing, Tianjin, Nanchang, Wuhan, Chongqing, Guiyang, Changchun, Hohhot, and Harbin) in its joint venture with Capital Airports Holding Company.[86] [87]

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[83] LH Group in China, accessed March 29, 2016. http://www.lufthansa.com/mediapool/pdf/27/media_969127.pdf

[84] LSG Sky Chefs Signs Joint Venture Agreement in Wenzhou, China , accessed March 29, 2016. http://www.lsgskychefs.com/media/news/lsg-sky-chefs-signs-joint-venture-agreement-in-wenzhou-china/

[85] Ameco Beijing, accessed March 29, 2016. http://www.lufthansa-technik.com/ameco-beijing

[86] HAS – About Us, accessed March 29, 2016. http://www.has.com.hk/main/en/aboutus.php

[87] SATS' China Ground Handling JV Completes Expansion into Eight Airports, accessed March 29, 2016. https://www.sats.com.sg/Media/NewsContent/MR20-Feb-2008.pdf

# 7 Case study: India

## Introduction

7.1 In this chapter we provide the market analysis for India, on airport ownership and management and ground handling. We cover an overview of the Indian aviation market, the structure of ownership and management of the airports and the size and scale of ground handling operations, as well as recent developments in regulatory policy.

## Context

7.2 The Airports Authority of India (AAI) states[88] that there are 464 airports and airstrips in India, 90 of which are used by commercial airlines. The 10 busiest airports, by the number of annual passengers, are shown in Table 7.1.

**Table 7.1: Busiest airports by number of passengers**

| Airport | City | Passengers 2014/15* | Share of Total |
|---|---|---|---|
| Indira Gandhi International Airport | Delhi | 40,985,555 | 21.6% |
| Chhatrapati Shivaji International Airport | Mumbai | 36,634,833 | 19.3% |
| Kempegowda International Airport | Bangalore | 15,401,392 | 8.1% |
| Chennai International Airport | Chennai | 14,299,200 | 7.5% |
| Netaji Subhas Chandra Bose International Airport | Kolkata | 10,916,669 | 5.7% |
| Rajiv Gandhi Hyderabad International Airport | Hyderabad | 10,404,353 | 5.5% |
| Cochin International Airport | Cochin | 6,414,135 | 3.4% |
| Sardar Vallabhbhai Patel International Airport | Ahmedabad | 5,050,433 | 2.7% |
| Goa International Airport | Goa | 4,513,201 | 2.4% |
| Pune Airport | Pune | 4,190,509 | 2.2% |

*April 2014 – March 2015, Source: AAI[89]

7.3 Traffic growth was strong over the period April 2014 – March 2015 with domestic passenger traffic growing at 13.9% and international passenger traffic growing at 9.0%[90].

## India: Airport ownership

### Overview

7.4 The vast majority of commercial airports in India are publically owned and operated by the AAI; a small number are privately owned or operated via concession arrangements.

[88] AAI Policy on Airports, accessed 29/03/2016, **http://www.aai.aero/public_notices/aaisite_test/policy.jsp**

[89] **http://www.aai.aero/traffic_news/Mar2k15annex3.pdf**

[90] **http://www.aai.aero/traffic_news/TRMAR15.pdf**

7.5 Two greenfield airports, which are airports built from scratch on greenfield land, have been constructed with funds from private investors:

- Kazi Nazrul Islam Airport in West Bengal, which started operations in 2015 and currently serves only Delhi and Kolkata, is a joint venture between Bengal Aerotropolis Projects Ltd and Changi Airport Group; and
- Cochin International Airport, which started operations in 1999 and was the first airport in India to be developed under public-private partnership, is owned and operated by Cochin International Airport Limited – a public company whose shareholders include the Kerala state government, several private companies and nearly 10,000 non-resident Indians from 30 countries[91].

7.6 In line with our approach to attributing private investment arrangements to ownership or management as described in chapter 4, paragraph 0, we discuss the concession model arrangements for Indian airports under airport management.

## India: Airport management

### History

7.7 The Ministry of Civil Aviation states[92] that India "…will continue to encourage development of airports by the State Government or the private sector or in PPP mode". However in practice, relatively few airports have had private involvement; the AAI policy on airports states[93] "…the Ministry of Civil Aviation will identify existing airports, in respect of which private sector involvement for development and upgradation of infrastructure is desired".

7.8 In the early 2000s, the state of infrastructure at Indian airports was poor; they suffered from a lack on investment and modernisation, hindering India's participation in the expansion of the global travel market in the previous decade. A committee appointed by the Ministry of Civil Aviation in 2003 to develop a roadmap for the civil aviation sector noted that while China's air seat capacity had grown by 485% (1989-2000), India's had increased by only 40% and among the various factors cited for the lack of overall growth in the sector (such as a lack of private participation/competition in the market, ageing fleets, high costs of aviation, a lack of regulatory oversight), was the poor state of the airports and its facilities, which were termed to be "… for the most part, an embarrassment"[94].

7.9 On airports, in particular, the committee recommended that the government expedite the proposed process of privatisation (via concessions) of Delhi and Mumbai airports, and that the proposed regulatory body be established to avoid the potential for monopolistic policies to be adopted by airport operators. In reality, it was after a considerable number of delays and another three years that the concessions commenced (in 2006), and the establishment of the Airports Economic Regulatory Authority of India (AERA) took place three years after that (in 2009). This resulted in a large amount of uncertainty in the minds of investors and

[91] The Rediff Business Interview/V J Kurien, accessed 30/03/2016, **http://www.rediff.com/business/1999/dec/06inter.htm**

[92] The Ministry of Civil Aviation Draft national Civil Aviation Policy, accessed 30/03/2016, **http://www.civilaviation.gov.in/sites/default/files/Revised_Draft_NCAP%202015_30Oct2015_1.pdf**

[93] AAI Policy on Airports

[94] **http://civilaviation.gov.in/sites/default/files/moca_000740.pdf**

incompatibilities between the policies implemented by AERA and the agreed concessions at the privatised airports. The role of AERA is discussed further in the following sections.

**Airport concessions in India**

7.10 In 2006, Indira Gandhi and Chhatrapati Shivaji international airports, the primary airports serving Delhi and Mumbai respectively, were leased to a consortia of private investors for a period of 30 years with an option for a further 30 year extension. The concession agreements[95] stipulated that the operators have the exclusive right to "develop, finance, design, construct, modernize, operate, maintain, use and regulate the use by third parties of the Airport…[and] …enjoy complete and uninterrupted possession and control of the Airport Site". As per the concession agreements, possession returns to public authorities at the end of the concession period

7.11 The shareholdings of the investment consortia, at the time of winning the contract and currently, of Delhi and Mumbai International Airports are shown in Table 7.2 and Table 7.3 respectively.

**Table 7.2: Indira Gandhi (Delhi) International Airport shareholders**

| Investor Type | Shareholder | Country of origin | 2006 Holding | 2016 Holding |
|---|---|---|---|---|
| Public | AAI | India | 26% | 26% |
| Private | GMR Group | India | 41% | 64% |
| Private | GVL Investments | India | 9% | - |
| Private | Fraport AG | Germany | 10% | 10% |
| Private | Malaysia Airports | Malaysia | 10% | - |
| Private Charity | India Development Fund | USA | 4% | - |

Source: Ministry of Civil Aviation Agreements, The Economic Times[96]

**Table 7.3: Chhatrapati Shivaji (Mumbai) International Airport shareholders**

| Investor Type | Shareholder | Country of origin | 2006 Holding | 2016 Holding |
|---|---|---|---|---|
| Public | AAI | India | 26% | 26% |
| Private | GVK Airport Holdings | India | 37% | 50.5% |
| Private | Bid Services Division Ltd- The Bidvest Group | South Africa | 27% | 13.5% |
| Private | ACSA Global | South Africa | 10% | 10% |

Source: Ministry of Civil Aviation Agreements, The Economic Times[97]

7.12 The AAI policy on airports states that foreign equity participation is permitted up to 74%, or 100% with special permission. However, the concession agreements for Delhi and Mumbai airports state that the aggregate foreign shareholding shall not exceed 49%.

[95] Ministry of Civil Aviation Agreements, accessed 29/03/201, **http://www.civilaviation.gov.in/agreements**

[96] GMR to buy additional 10% stake in Delhi airport for $79 million, accessed 30/03/2016, **http://articles.economictimes.indiatimes.com/2015-03-25/news/60475034_1_gmr-airports-delhi-international-airport-ltd-gmr-infrastructure**

[97] GVK buys 13.5% more in Mumbai International Airport, accessed 30/03/2016, **http://articles.economictimes.indiatimes.com/2011-03-03/news/28651006_1_bid-services-division-mial-gvk-airport-holdings**

### Further Privatisation/Concession Programme

7.13 In 2013, the government in office initiated the concessioning process at 6 further airports – Ahmedabad, Chennai, Guwahati, Jaipur, Kolkata and Lucknow. After a series of hold ups and delays, the process was abandoned in 2015; a decision partially influenced by the large increase in landing fees at Delhi and Mumbai after they were concessioned[98]. However, there are still plans to privatise the operation of Ahmedabad and Jaipur airports, which is discussed further at the end of this section.

7.14 In 2004, the operation of Bangalore and Hyderabad International Airports were let via a concession agreement to a consortium of private investors. The current shareholders of the operating companies are shown in Table 7.4 and Table 7.5 respectively. The agreements state "the development and construction of the Airport…[and]… the operation and maintenance of the Airport" will be let for a period of 30 years with an option for a further 30 year extension.

7.15 The agreements are very similar to those of Delhi and Mumbai airports, although the scope of each agreement does not include the ownership clause which states that the concessionaire will "…enjoy complete and uninterrupted possession and control of the Airport Site". The agreement documents for Hyderabad and Bangalore airports do not contain any stipulations on foreign equity limits, which suggests that the 74% foreign equity rule set out in 11.9 applies.

**Table 7.4: Kempegowda (Bangalore) International Airport shareholders**

| Investor Type | Shareholder | Country of origin | Holding |
|---|---|---|---|
| Public | KSIIDC | India | 13% |
| Public | AAI | India | 13% |
| Private | Siemens | Germany | 26% |
| Private | Fairfax Financial Holdings | Canada | 38% |
| Private | GVK | India | 10% |

* Karnataka State Industrial and Infrastructure Development Corporation
Source: The Hindu[99]

**Table 7.5: Rajiv Gandhi (Hyderabad) International Airport shareholders**

| Investor Type | Shareholder | Country of origin | Holding |
|---|---|---|---|
| Public | Government of India | India | 13% |
| Public | Government of Telangana | India | 13% |
| Private | GMR Group | India | 63% |
| Private | Malaysia Airports Holdings Berhad | Malaysia | 11% |

Source: Rajiv Gandhi International Airport[100]

7.16 The only other commercial airport in India which is not operated by the AAI is Dr. Babasaheb Ambedkar International Airport in Nagpur, which is operated by the Maharashtra Airport

[98] Airport privatisation grounded after zig-zag flight, accessed 26/04/2016, **http://www.livemint.com/Politics/PSKwmh99CwQZe6Id3XZ7XP/Airport-privatisation-grounded-after-zigzag-flight.html**

[99] Zurich Airport sells 5% stake in Bengaluru airport to Fairfax for $48.9 mn, accessed 26/04/2016, **http://www.thehindubusinessline.com/economy/logistics/zurich-airport-sells-5-stake-in-bangalore-airport-to-faifax-for-489-mn/article8489613.ece**

[100] About us, accessed 30/03/2016, **http://www.hyderabad.aero/our-company.aspx**

Development Company – a company created by the state of Maharashtra to develop a major international cargo hub at Nagpur airport.

7.17 A memorandum of understanding has recently been signed between the government of India and Singapore's Changi Airport to operate and manage Ahmedabad and Jaipur airports[101]. Both the ownership and management of these airports were intended to be privatised in 2013 and was scaled back to operation and maintenance contracts only in August 2015. However, the Indian government has decided against a tendering process and awarded the contracts directly to Changi Airport Group.

**The role of AERA**

7.18 As discussed previously, the regulatory body AERA was established in 2009 (after the privatisation of the airports at Delhi and Mumbai) with the main function of determining and regulating aeronautical charges/tariffs[102] and the setting of development fees and passenger service fees. This role covers all "major airports" which are defined to be airports with an annual passenger throughput in excess of 1.5 million (or any airport deemed by the Central Government to be included under the remit of AERA)[103] and currently includes 16 airports i.e. the 10 airports listed in Table 11.1 and the airports at Calicut, Guwahati, Jaipur, Lucknow, Srinagar and Thiruvananthapuram (representing 92% of national passengers).

7.19 One of the main issues faced by the airport operators at Delhi and Mumbai due to the delay in the establishment of AERA, was the structuring of aeronautical charges, which had been agreed for a period of two years when the airports were privatised in 2006, assuming a regulatory authority would have been established by 2008. The economic climate in 2008 and the accompanying fall in passenger traffic resulted in revenue shortfalls at the airports. Operators were keen to raise charges to mitigate against this, but the required regulatory structuring authority did not exist, which resulted in much confusion and controversy, with the ultimate effect of causing uncertainty in the minds of investors[104].

## India: Ground handling

**Regulatory framework**

7.20 The Airports Authority of India (General Management, Entry for Ground Handling Services) Regulations, 2000[105] set the basis for the regulatory framework in Ground Handling. This defined ground handling as activities associated with ramp handling, traffic handling and activities designated by the Chairman to be related to these (the details of items included in these activities are listed in annexes to the regulations).

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[101] Govt avoids concession route, Changi to manage Jaipur, Ahmedabad airports for a fee, accessed 30/03/2016, **http://www.firstpost.com/business/govt-avoids-concession-route-changi-to-manage-jaipur-ahmedabad-airports-for-a-fee-2539082.html**

[102] About us, accessed 06/04/2016 **http://aera.gov.in/content/innerpage/objective--and-functions.php**

[103] **http://aera.gov.in/content/innerpage/faqs.php**

[104] **http://centreforaviation.com/analysis/indias-lack-of-airport-regulation-has-become-a-severe-handicap-a-vital-role-for-the-aera-6574**

[105] **http://www.aai.aero/public_notices/AI_Ground_Handling_Reulation_2000.pdf**

7.21 At the time, there were no privatised airports and as such, these regulations applied to airports managed by the AAI. The regulations set out that an operator or carrier could carry out ground handling themselves or by engaging one of the following:

- AAI;
- The two national carriers (at the time) – Air India and Indian Airlines; or
- Any other agency authorised by the AAI.

7.22 For security reasons, they further clarified that entry into the movement/terminal areas for these activities, would be restricted to the operators/owners of the aircraft and/or their full time bona fide employees or those of the agencies listed above/agency permitted by AAI to conduct ground handling activities. The 2000 regulation states the AAI authorises groundhandling agencies based on financial and technical edibility criteria and the number of agencies it deems appropriate at each airport.

7.23 Due to the evolving state of affairs concerning the ownership and management of airports over the period 2004 – 2006 and the privatisation of certain airports, the ground handling regulation of 2000 was updated in 2007[106], to clarify the regulations at these airports, vs. airports and civil enclaves managed by AAI:

- At "metropolitan airports" i.e. airports in Delhi, Mumbai, Chennai, Kolkata, Bangalore and Hyderabad, ground handling could be carried out by any of the following:
  - AAI or any Joint Venture (JV) company formed with the AAI, or
  - A subsidiary of the national carrier or its JV companies specialising in ground handling (with some specific clauses on the conditions of the JV), or
  - A (third party) ground handling company selected through a competitive bidding process on a revenue sharing basis, subject to certain security and performance requirements.
- At "non-metropolitan" airports, in addition to the entities specified above, self-handling was also permitted by airlines, except foreign airlines.

7.24 In effect, this 2007 regulation implied that at "metropolitan airports", airlines would not be allowed to self-handle, and that at other airports, foreign airlines would not be allowed to self-handle. This resulted in strong opposition from airlines, who objected on various grounds such as the fact that that outsourcing would reduce their control over the quality of customer facing roles and increase their costs[107] and their doubt in the ability of third party handlers to manage the scale of ground operations. There were also particular objections from foreign airlines[108] and their unions, who would now not be allowed to ground handle at any airport and hence would lead to large job losses. The argument presented by the Director General of Civil Aviation (DGCA) against this was that competitive bidding would ensure that the best agency be put forward for the job.

7.25 In light of these objections, various rounds of stakeholder negotiations were conducted and the implementation of the 2007 policy was deferred. Numerous updates were issued in 2008

[106] **http://www.aai.aero/public_notices/AAI_Ground_Handling_Regulation_2007.pdf**

[107] **http://indianexpress.com/article/news-archive/web/airlines-cry-foul-as-aai-races-to-meet-ground-handling-policy-deadline/**

[108] **http://articles.economictimes.indiatimes.com/2008-12-26/news/28438009_1_ground-handling-aircraft-handling-baggage-handling**

and 2009, which were finally superseded in 2010[109], when an update to the regulation was issued, to put a limit on the number of agencies who could undertake ground handling services at metropolitan airports explained above, by saying that a minimum of two providers would be authorised at these airports, in addition to subsidiaries of the national carrier. At all other airports, the clause was the same as before, i.e. all airlines were allowed to self-handle, except foreign airlines.

7.26 The government, at this point, cited security as one of the main reasons for the restriction of the number of permitted handlers, as airlines were sub-contracting these activities to multiple agencies (up to 40 in some cities, at one stage), and limiting the number would enable improved monitoring of workers[110].

7.27 An additional provision in the 2010 amendment was made, stating that all private airlines, including foreign airlines, would be permitted to undertake self-handling for activities related to passengers, i.e. "passenger and baggage handling activities at the airport terminals" and "traffic service including the passenger check-in". It is likely this was included to allay fears over the loss of control over customer facing roles. Further, cargo airlines could undertake self-handling at their hub airports and foreign/private providers could not undertake self/joint handling at Defence airfields. Again, due to the changing climate of security, more stringent security measures were also put in place, in this 2010 update.

7.28 However, yet again, there was no change in the clause which prevented airlines from self-handling at "metropolitan airports" and this was unacceptable to the airlines, who filed a Petition in the High Court in 2010 through the Federation of Indian Airlines (FIA)[111], a body constituted of scheduled air carriers in India, including the full service carrier Jet Airways and the low cost carriers Go Air, IndiGo, JetLite and SpiceJet. At the time it also included (the now disbanded) Kingfisher airlines and its low cost brand, Kingfisher Red.

7.29 The Petition[112] demanded a stay in the implementation of the policy on various ground raised by the FIA, such as the fact that they had been engaged in ground handling since the commencement of civil aviation in India and have invested in equipment for the same. It argued against various reasons cited by the government, saying that issues such as security were being used as an excuse to take these activities out of the remit of the airlines.

7.30 However, the Writ Petition was dismissed by the high court in March 2011, after which the airlines moved the Supreme Court to stay the High Court order[113] (April 2011). The matter was scheduled for hearing in November 2012, despite pleas by the courts for the airlines and the government to resolve the issue amicably. To facilitate this, prior to the hearing (in October 2012), the Civil Aviation Minister at the time met with representatives of the airlines filing the suit. He stated that the policy had been framed "…after approval of Cabinet Committee on security (CCS) with the prime objective to minimize safety and security risks. This also aims at

[109] **http://dgca.nic.in/aic/aic03_10.pdf**

[110] **http://centreforaviation.com/analysis/third-party-ground-handling-business-in-india-could-increase-by-usd130-million-overnight-161630**

[111] About us, accessed 31/03/16, **http://www.fiaindia.in/about.htm**

[112] **http://delhicourts.nic.in/Mar11/Federation%20of%20Indian%20Airlines%20Vs%20UOI.pdf**

[113] **http://www.dnaindia.com/money/report-private-airlines-move-supreme-court-on-ground-handling-policy-1528359**

bringing economies of scale, ensure optimal utilization of personnel and equipment and bring standardization…"[114]. He further clarified that airlines could create their own subsidiaries and participate in the selection process to become the designated handlers but outsourcing would not be permitted for security reasons.

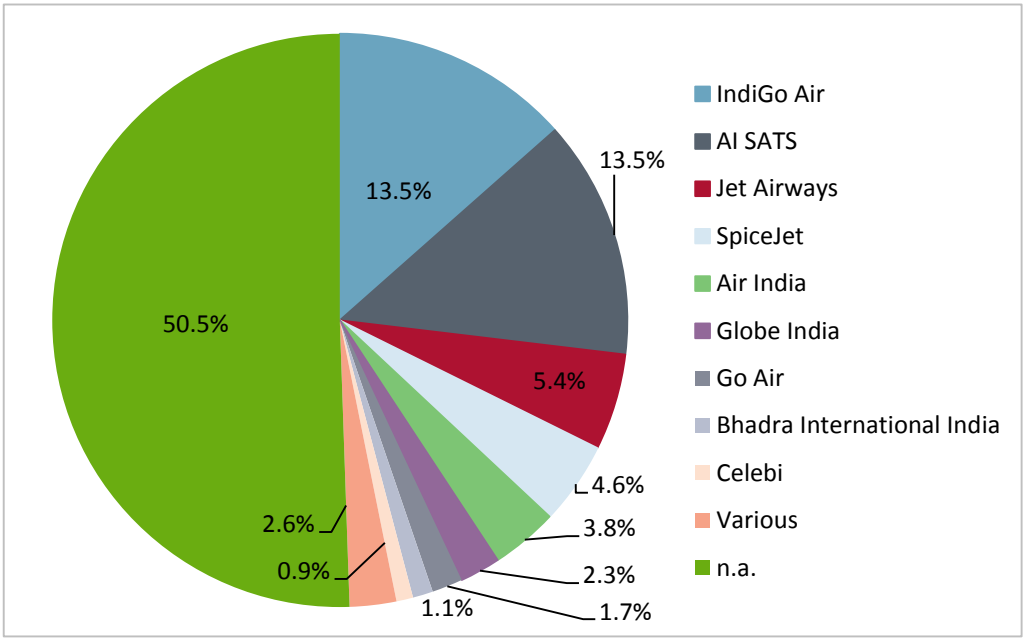
7.31 Nonetheless, the matter proceeded to the Supreme Court and to date (April 2016), there has been no ruling on the matter. In 2015, a new draft National Civil Aviation Policy[115] was published which proposed to replace the 2010 policy, removing the proposed upper limit on the number of agencies and stipulated that airports will have 'at least three Ground Handling Agencies including Air India's subsidiary/JV at an airport to ensure fair competition'. No maximum limit is stipulated in the draft policy.

7.32 The 2015 draft policy also proposed to permit domestic airlines to carry out self-handling themselves or through their subsidiaries (but instituting that ground handling staff would be on the rolls of the airlines/their subsidiaries and not of external manpower suppliers). This however remains a draft policy and has yet to be passed by the government.

### Market Information

7.33 The market shares of the major companies in the Indian ground handling market for ramp and passenger services are shown in Figure 7.1 and Figure 7.2 respectively.

**Figure 7.1: Indian ground handling market share by company (ramp)**

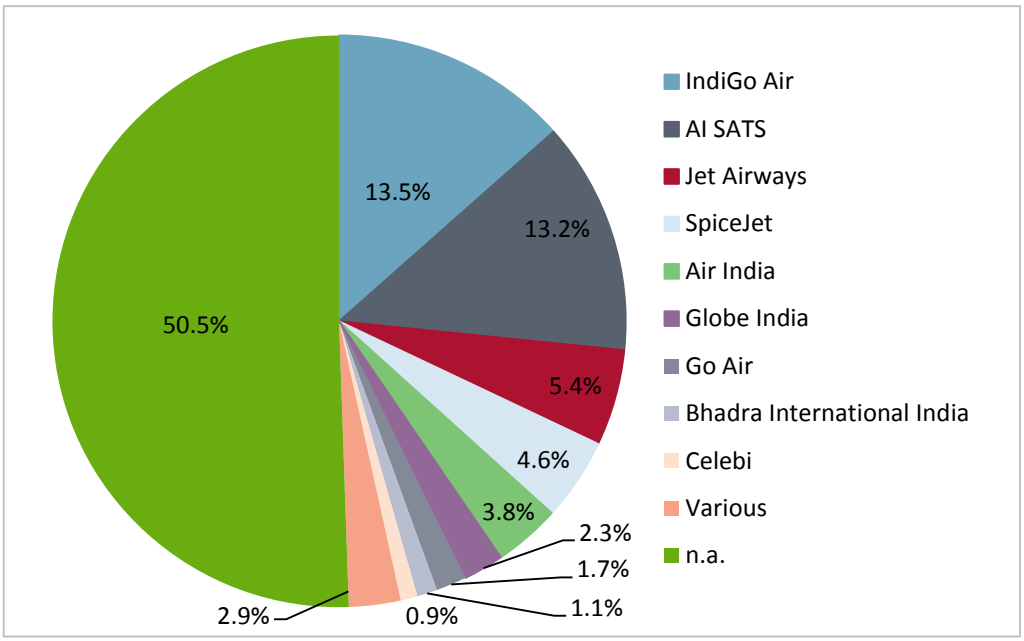



Source: Estimation based on internet search and information obtained from stakeholdersEstimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 30,000 passengers per year

[114] http://pib.nic.in/newsite/mbErel.aspx?relid=88622

[115] http://www.civilaviation.gov.in/sites/default/files/Revised_Draft_NCAP%202015_30Oct2015_1.pdf

**Figure 7.2: Indian ground handling market share by company (passenger)**




Source: Estimation based on internet search and information obtained from stakeholdersEstimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 30,000 flights per year

7.34 We estimate the total value of the Indian ground handling market, to be €246 million for ramp and passenger services combined. Market share and size estimates have been developed in line with the methodology described on page 34. We note that this estimation is based on turnaround costs for the USA adjusted for purchasing power parity using World Bank data. However based on market commentary, we consider this may be an underestimate.

7.35 The Indian ground handling market is dominated by the major airlines' own ground handling operations, which currently self-handle the majority of their own domestic or international operations, as well as providing some services for other airlines. The primary market for third party service providers are foreign airlines, which are currently prohibited from self-handling their own operations. If Indian airlines had been prohibited from self-handling at metropolitan airports, as was proposed in the 2007 regulation, the size market for third party ground handling services would have increased significantly. However, the 2015 draft policy document states that Indian airlines are free to self-handle any airport, which means they will continue to dominate the Indian ground handling market.

7.36 Table 7.6 indicates the agencies that are authorised ground handlers at the metropolitan airports. There are a number of EU companies active in the ground handling market in India, as indicated in the table, including Worldwide Flight Services (France), NOVIA (Denmark), Globeground (Germany), and Menzies (UK). This involvement tends to take the form of a partnership with a local company, which another ground handling company stated to us was standard practice for them when operating outside of the EU, as it helped with the management of local issues, such as labour laws.

**Table 7.6: Authorised Ground Handlers at Metro Airports**

| Metro Airport | Authorised Ground Handlers | Additional Comments |
|---|---|---|
| Delhi | AISATS | 50:50 joint venture between Air India Limited and Singapore Airport Terminal Services (SATS Ltd) |
| | Bird – Worldwide Flight Services | Consortium of French based Worldwide Flight Services and an Indian company The Bird Group |
| | Cambata Aviation | Indian Firm |
| | Celebi Ground Handling Delhi | Turkish ground handling firm |
| Mumbai | Air India | |
| | Cambata Aviation | |
| | Celebi – NAS Airport Services | |
| Chennai | Air India | |
| | Bhadra International | Indian based company partnered with NOVIA (from Denmark) |
| | Cambata Aviation | |
| Bangalore | AISATS | |
| | GlobeGround | Joint venture between GlobeGround (German company) and the Indian company Bird Group |
| Hyderabad | AISATS | |
| | Menzies Bobba Ground Handling | Joint venture between Menzies Aviation headquartered in London (Menzies Aviation is a full subsidiary of John Menzies Plc established in Edinburgh) and an Indian company Bobba Group. |
| Kolkata | Air India | |
| | Bhadra International | |

Source: CAPA[116]

[116] http://centreforaviation.com/analysis/third-party-ground-handling-business-in-india-could-increase-by-usd130-million-overnight-161630

# 8 Case study: Japan

## Introduction

8.1 In this chapter we provide the market analysis for airport ownership and management and ground handling in Japan.

## Context

8.2 As of April 2015, there are 97 airports in Japan. The 20 busiest commercial airports in Japan by passenger numbers are listed in Table 8.1.

**Table 8.1: Busiest 20 commercial Service Airports by passenger numbers in Japan, CY 2014**[117]

| Rank | Prefecture | Airport | Passengers (total) |
|---|---|---|---|
| 1 | Tokyo | Tokyo International Haneda | 74,214,987 |
| 2 | Chiba | Narita International | 32,659,711 |
| 3 | Fukuoka | Fukuoka | 20,004,320 |
| 4 | Osaka | Kansai International | 19,931,720 |
| 5 | Hokkaido | New Chitose | 19,530,561 |
| 6 | Okinawa | Naha | 17,530,709 |
| 7 | Osaka | Osaka International | 14,620,934 |
| 8 | Aichi | Chubu Centrair International | 9,812,827 |
| 9 | Kagoshima | Kagoshima | 5,171,676 |
| 10 | Miyagi | Sendai | 3,239,570 |
| 11 | Kumamoto | Kumamoto | 3,106,918 |
| 12 | Nagasaki | Nagasaki | 3,008,599 |
| 13 | Miyazaki | Miyazaki | 2,857,500 |
| 14 | Ehime | Matsuyama | 2,843,575 |
| 15 | Hiroshima | Hiroshima | 2,721,204 |
| 16 | Hyogo | Kobe | 2,446,455 |
| 17 | Okinawa | Ishigaki | 2,320,699 |
| 18 | Ishikawa | Komatsu | 2,314,347 |
| 19 | Oita | Oita | 1,769,647 |
| 20 | Kagawa | Takamatsu | 1,761,608 |

[117] MLIT, Report on airport operation situation, accessed 15th March, 2016. http://www.mlit.go.jp/common/001100617.pdf

8.3 Historically, Japanese airports are classified under the ownership and management of the Japanese Ministry of Land, Infrastructure, Transport and Tourism (MLIT). [118] In 2008, under the New Airport Act 2008, the airports were re-classified into six categories according to the operator/owner of the airport, listed following and described further in Table 8.2:

- corporatisation airports;
- central government airports;
- specific local government airports;
- local government airports;
- joint-use airport; and
- others.

**Table 8.2: Classification of airports in Japan according to Airport Law**

| Classification | | Number | Characteristic |
|---|---|---|---|
| Major airports | Corporatisation airports | 4 | Managed by airport corporation: Narita International, Kansai International , Osaka International Airport, Chubu Centrair International Airport |
| | Central government119 airports | 19 | Owned and managed by MLIT |
| | Specific local government airports | 5 | Owned by MLIT but managed by local government |
| Local government airports | | 54 | Owned and managed by local government |
| Joint-use airports | | 8 | Shared by Japan Self-Defence Forces or U.S. Armed Forces and scheduled flight as civil aviation |
| Others | | 7 | Managed by MLIT and local government |

Source: MLIT[120], Steer Davies Gleave analysis

## Japan: Airport ownership

### Overview

8.4 In this section we provide an overview of the airport ownership and management at Japan's airports. The legal framework has evolved, and over the last two years private sector involvement has been introduced for the first time though long term concession agreements.

### Regulatory situation

8.5 Following the introduction of the Airport Development Act in 1967, the majority of airports in Japan are owned and operated by public entities (i.e. central and local government). Following the introduction of the Act there were a small number of 'corporatisation' airports, which are airports that are publically owned but operated and managed on a commercial basis:

- Kansai International Airport;
- Narita International Airport;
- Chubu Centrair International Airport (which was privatised in 1998); and

[118] Airport location map, accessed 20th March 2016. http://www.mlit.go.jp/common/001085993.pdf

[119] Kato et al. (2011) Current accounts of Japanese airports, Journal of Air Transport Management 17, pp.88-93.

[120] Airport location map, accessed 20th March 2016. http://www.mlit.go.jp/common/001085993.pdf

- Osaka International airport.

8.6 With the exception of these corporatisation airports, there was no example in Japan of a single entity that fully operates and manages the entire airport. A.Graham in *Managing Airports* describes the situation for Japanese airports, historically, as follows:

*"Japanese airports are unusual in that their scope of business is limited by law, which means that the non-aeronautical facilities (such as the passenger or cargo terminal buildings and car parking) are managed by different entities from the basic aeronautical facilities (such as runways, taxiways and aprons). These commercial assets are usually run by mixed public/private corporations, primarily as a result of the shortage of available government funding for terminals when the airport industry in Japan began to expand rapidly in the 1950s and 1960s. It is only at Narita International Airport, Kansai International Airport and Chubu Centrair International Airport where there is integrated management that has responsibility for both the airfield and terminal facilities."*[121]

8.7 An overview of the different operating and management entity models is provided in Table 8.3. For central government airports which are owned and operated by central government, basic facilities, including the airport's beacon, air traffic control, and security facilities are managed by central government. Passenger terminals, cargo terminals, parking lots, and other facilities are operated/managed by private corporations, foundations (General Incorporated Foundations), and the third sector[122]. Where airport terminal buildings are concerned, third sector usually consists of local government, local companies and airlines.

**Table 8.3: Entities of operating and managing airports in Japan[123]**

| Airport infrastructure | | Airport classification | Owner | Operator/administrator |
|---|---|---|---|---|
| Entire airport | Basic facility, terminal building, etc. | Corporatisation airports | Airport corporation | Narita International Airport Corporation<br>New Kansai International Airport Corporation<br>Chubu Centrair International Airport Corporation |
| Aeronautical facilities | Basic facility (runway, taxiway, apron) | Central government airports, Joint-use airports | MLIT | MLIT, Ministry of Defence |
| | | Specific local government operated airports, local government airports, others | Prefectures and cities | Local government of each prefecture and cities |
| | Airport security facilities | All airports | MLIT | MLIT |
| | Airport beacon | Central government airports, joint-use airports | MLIT | MLIT |

[121] Graham, A: Managing Airports 4th Edition – An international perspective, Routledge (2014)

[122] In the Japanese context, "first sector" refers to government, "second sector" to private corporations, and "third sector" to mixed corporation with private and public sector

[123] 加藤一誠・引頭雄一・山内芳樹 編著:空港経営と地域ー航空・空港政策のフロンティア、成山堂書店(2014) (Book "Airport Management and Region – Airline/Airport Policy Frontier")

| Airport infrastructure | | Airport classification | Owner | Operator/administrator |
|---|---|---|---|---|
| | | Specific local government airports, local government airports, others | Prefectures and cities | Local government of each prefecture and cities |
| Passenger facilities | Terminal building | All airports except for corporatisation airports | Private corporation including third sector[124] | Passenger terminal building corporation (a number of small sized airports are operated by local public corporations) |
| | Parking lot | Central government airports | Foundation, private corporation | Airport environment improvement general incorporated foundation, Passenger terminal building corporation, other private corporations (partially run by airport owner if it is free to use, such as a free parking lot) |
| | | Specific local government airports, local government airports, others, and joint-use | Foundation, private corporation | Passenger terminal building corporation, and other private corporations (partially run by airport owner if it is free to use, such as a free parking lot) |

8.8 The current revision of the Local Autonomy Law has resulted in a number of Public-Private Partnerships (PPP) being introduced, for example Shizuoka Airport, where partial management and administrative processing jobs are conducted by Shizuoka Airport Corporation under contract management.

*Regulatory framework for private investment*

8.9 The Airport Law in Japan covers matters concerning the establishment, management, and sharing of airport costs and promotion of the development of civil aviation. The law was passed as Law No. 80 on April 20, 1956 and was significantly revised on June 18, 2008 when it was renamed the Airport Law[125]. Airport ownership is defined in detail in this law.

8.10 Whilst there are a small number of corporatisation airports in Japan, ownership of these airports remains with Japanese central government. As an example, Narita International Airport Corporation is a 100% government owned entity. Indeed, the Japanese government has retained ownership of all airports in Japan, with the exception of Chubu Centrair International Airport (discussed further below). Beyond Chubu Centrair International Airport, all private sector involvement in Japanese airports is through a conventional 'concession' arrangement; these arrangements therefore are discussed under the following section on Airport Management.

8.11 Air traffic control facilities at all Japanese airports, regardless of airport classification, are operated by central government, and basic facilities such as runways, taxiways and aprons, are operated by airport establisher/owner.

[124] Third sector: corporations established jointly by MLIT or local governments and the private sector,Definition and Management of the Third Sector in Japan, Fusao Ushihiro. (2011). (available online at http://www.rieti.go.jp/jp/publications/dp/11j027.pdf)

[125] NRI report, Iakyara vol. 198, Shingo Mochimaru, 10th June, 2014, Infrastructure investment by Japanese institutional investors poised to grow, https://www.nri.com/~/media/PDF/global/opinion/lakyara/2014/lkr2014198.pdf

*2011 Private Finance Initiative Law*

8.12 The adoption of the 2011 Private Finance Initiative Law (PFI Law) and the public infrastructure concession framework has enabled private investment in airports[126] in Japan. A review of the PFI Law has shown that there are no particular legal conditions or specific barriers relating to private investment in airports in Japan, and there are no limits to the share in the capital of an airport that can be privately owned. There are also no legal restrictions for private investments into airports based on the nationality of the investor or the place of establishment of investor.

8.13 However, in practice, as described in this section, any private investment in airports in Japan is limited to the government's (as owner) decision regarding the scope of any PPP venture.

**Market situation**

8.14 There are no fully privately owned airports in Japan. With the exception of Chubu Centrair International Airport, private involvement in Japanese airports remains limited to concessions, and those few airports with private investment remain partially or fully owned by government and 'corporatised'.

*Corporatised and privatised: Chubu Centrair International Airport*

8.15 The Chubu Centrair International Airport (near Nagoya) project was Japan's first real venture into privatisation by way of a private finance initiative. The Central Japan International Airport Corporation (CJIAC) was established in 1998 with capital of almost US$ 1 billion. Consortium arrangements were split approximately 40% central government; 10% local authorities and 50% the private sector, including national banks, prominent companies based in the Nagoya region and major national companies such as Toyota[127]. In 2012, ownership details were as follows:

- 39.99% central government;
- 5.87% Aichi Prefecture;
- 3.22% Mitsubishi Tokyo UFG Bank;
- 2.98% Chubu Electric Power;
- 2.98% Tokai Passenger Rail;
- 2.98% Toyota;
- 2.98% Nagoya Rail;
- 2.83% Nagoya City;
- 0.89% Mizuho Corporate Bank;
- 0.71% Denso;
- 0.71% Toho Gas; and
- 0.71% Nihon Gaishi.[128]

8.16 All members of the consortium are Japanese.

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[127] Kansai and Osaka Itami lead Japan's ambitious airport privatisation programme – with 2020 the target (7th September, 2014), http://centreforaviation.com/analysis/kansai-and-osaka-itami-lead-japans-ambitious-airport-privatisation-moves---with-2020-the-target-185261

[128] 2012 Marketable Securities Report: Chubu International Airport Corporation. Available at: http://www.centrair.jp/corporate/ir/pdf/hr2012.pdf

## Japan: Airport management

8.17 Japan has different management structures for airports depending on their classification. An overview of the management arrangements for Japanese airports is provided in Table 8.3.

8.18 Any private involvement in airport management in Japan is via a time-limited concession.

8.19 The PFI (Private Finance Initiative) law was established in 1999 as part of the Japanese government's fiscal reconstruction measures. The 2011 amendment[129] [130] introduced concession schemes for the first time in Japan.

8.20 Along with the PFI law amendment in 2011, the "law concerning the operation and others of central government airports and other airports utilising private sector's capability"[131] was implemented from 25 July, 2013. This specific legislative action covering characteristics of airport operation such as safety and user protection was required to ensure the applicability of the PFI law to private management for airports via concessions. As a result, during the 2015 fiscal year, for the first time in Japan two "corporatised airports" were specified for concessions: Kansai International Airport and Osaka International Airport[132], with Sendai Airport following shortly afterwards.

8.21 Under the concession arrangements in Japan, a time-limited transfer of infrastructure assets occurs from the previous owner to the new concessionaire. However this is limited to terminals only; in all cases, the aeronautical infrastructure (runways, aprons, etc.) remains managed by the government.

8.22 Under a concession arrangement, the concessionaire has the authority to make decisions regarding airline/airport marketing, as well as landing and parking charges for aircraft. Terminal building design and future infrastructure investment is also within the remit of the concessionaire. The concessionaire may also independently make management decisions regarding matters such as setting user fees, maintenance and management of the facility, and replacement of equipment.

8.23 No investors from foreign countries have been involved in airport infrastructure developments, in Japan, however, as described in this section, foreign investors have been involved in airport concessions. There are currently no BOT models in practice in Japan, although as noted above, concessionaires may make infrastructure decisions within the remit of their concession contract.

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[129] MLIT, Reforming airport management for regional activation, accessed 15th March, 2016. (available at http://www.mlit.go.jp/common/000993911.pdf)

[130] 運輸・交通インフラと民力活用 : PPP/PFIのファイナンスとガバナンス (Book: "Transportation and Infrastructure and National Resources Utilization: Finance and Governance of PPP/PFI ")

[131] 民間の能力を活用した国管理空港などの運営等に関する法律、平成二十五年法律第六十七号 (Law: law concerning the operation and others of central government airports and other airports utilizing private sector's capability), **http://law.e-gov.go.jp/htmldata/H25/H25HO067.html**, accessed March 31st, 2016

[132] いよいよ始まる国内インフラ事業の投資機, 2015年7月号, 経営革新コンサルティング部 上席研究員 持丸伸吾, **http://fis.nri.co.jp/ja-JP/publication/kinyu_itf/backnumber/2015/07/201507_06.html** (Report: Beginning of Investment Stage in Domestic Infrastructure Business )

8.24 There are currently five airports in Japan that are either corporatised, or corporatised and have private involvement to an extent:

- Corporatisation: Narita International Airport
- Corporatisation and privatisation: Chubu Centrair International Airport
- Corporatisation and concession: Kansai International Airport, Osaka International Airport and Sendai Airport.

8.25 Details of the arrangements for Chubu Centrair are provided under airport ownership above, and for Narita and the concessioned airports, below.

*Corporatised and remaining government owned: Narita International Airport*

8.26 Narita International Airport is corporatised, meaning that the airport is publicly owned but operated and managed on a commercial basis. The airport was previously owned and managed by a public corporation, the New Tokyo International Airport Authority, until the adoption of the Narita International Corporation Act (2003) to prepare for the corporatisation of the airport. Following this a new authority, the Narita International Airport Corporation (NIAA) took over ownership and management of the airport in 2004[133]. NIAA remains a 100% government-owned public corporation[134].

*Concession: Kansai International Airport and Osaka International Airport*

8.27 In the 2010 National Transportation Growth Strategy, Kansai International Airport was advised to raise its value by enhancing its operational capability and strengthening its position as an international hub, with a concession arrangement and solution to its debt burden recommended. As a result, the New Kansai International Airport Corporation (NKIAC) was established on 1 April 2012 in order to integrate the operation of Kansai International Airport and Osaka International Airport. Osaka International Airport was included in the entity as a profitable airport that would improve the appeal of the entity for private organisations interested in taking on the concession.

8.28 Whilst the NKIAC remains a 100% government-owned public corporation, a competition was held to appoint a private concessionaire in 2015. The NKIAC announced the selection of a consortium led by ORIX and VINCI Airports, with 30 other companies, to take over the concession of Kansai International Airport and Osaka International Airport on 10 November 2015.

8.29 ORIX and VINCI Airports each hold a 40% shareholding and local minority shareholder companies from the Kansai region hold the remaining 20%[135]. The consortium contracted a basic agreement in December 2015, and started operating on 1 April 2016. The concession

[133] Graham, A: Managing Airports 4th Edition – An international perspective, Routledge (2014)

[134] Kansai and Osaka Itami lead Japan's ambitious airport privatisation programme – with 2020 the target (7th September, 2014), http://centreforaviation.com/analysis/kansai-and-osaka-itami-lead-japans-ambitious-airport-privatisation-moves---with-2020-the-target-185261

[135] The concessionaire company formed by ORIX and VINCI Airports has signed the agreement for the concession of Osaka and Kansai International Airports (Japan), Accessed 20th March 2016. http://www.vinci-airports.com/en/news/concessionaire-company-formed-orix-and-vinci-airports-has-signed-agreement-concession-osaka-and

period lasts until 31 March, 2060[136]. The new operator will pay 49 billion yen annually (approximately €380 million) for 44 years to run the two airports[137]. The total contract amount is 2.2 trillion yen.

*Concession: Sendai Airport*

8.30 Sendai Airport will begin its operation as a concession in June 2016. Its operator, "Sendai International Airport Corporation", was established by Toyota Tsusho and Tokyu group Maeda Construction Corporation[138][139].

8.31 Operational rights to the airport have been sold for a total 2.2 billion yen deal (approximately €17 million).[140] The transaction is recognised as the first time that the Japanese government has used a public-service concession to sell operational rights to a key piece of infrastructure to the private sector. The project period for these concessions is expected to be 30 years, with an option to extend to 65 years.

8.32 Consortium members are as follows:

- Tokyu Group has a 54% stake in the new airport operator. Tokyu's railway operating arm, Tokyu Corporation, has a 42% stake, with the remainder of Tokyu Group's stake held by Tokyu Land, advertising arm Tokyu Agency, Tokyu Construction and Tokyu Community.
- General contractor Maeda has a 30% stake; and
- Trading house Toyota Tsusho holds 16%.[141]

*Future plans*

8.33 It has been reported in Japanese media that the Japanese government is considering selling concessions for nearly 10 other airports throughout Japan, including those in Kobe, Fukuoka, Takamatsu, Hiroshima and Shizuoka[142].Hokkaido is also under consideration, with MLIT and

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[136]関空と伊丹空港の運営権売却、オリックス連合に,山田 雅子＝ライター, 11th November, 2015. **http://www.nikkeibp.co.jp/atcl/tk/15/433782/111100154/** (Report: Selling Operation Rights of Kansai International Airport and Itami International Airport to Orix coalition)

[137] Can privatization turn KIA around? The Japan Times, November 24th, 2015. http://www.japantimes.co.jp/opinion/2015/11/24/editorials/can-privatization-turn-kia-around/#.VvJbEOKLSM8

[138] Report, My Navi News, 「空港民営化元年」関空・伊丹と仙台はどう変わる? - 利用者メリットの行方, 武藤康史　[2016/03/11] (News: First Year of Airport Privatization in Japan: How will Kansai International Airport/Itami International Airport and Sendai Airport change?)

[139] Sendai airport and Tokyu Dentetsu: http://www.tokyu.co.jp/company/news/list/?id=2355, http://response.jp/article/2015/09/25/260645.html, http://www.aviationwire.jp/archives/69770

[140] 東京商工リサーチ（TSR）「2014年度 空港ターミナルビル経営動向」調査 **http://blogos.com/article/148092/**, (Investigation on Current State of 2014 Airport Terminal Management)

[141] Consortium hopes to create a Northeast Asian hub, Yoichiro Hiroi, **http://asia.nikkei.com/Business/Trends/Consortium-hopes-to-create-a-Northeast-Asian-hub** (December 20th, 2015) Accessed at March 23rd, 2016.

[142] NRI report, Iakyara vol. 198, Shingo Mochimaru, 10th June, 2014, Infrastructure investment by Japanese institutional investors poised to grow, https://www.nri.com/~/media/PDF/global/opinion/lakyara/2014/lkr2014198.pdf

the Hokkaido local government considering selling concessions in 4 or more airports as one group company, due to Hokkaido being an island region.

*Foreign ownership*

8.34 As noted above, private involvement of companies based outside Japan is possible under concession arrangements. Some issues with non-Japanese investment in airports were raised when the Japan Airport Terminal Corporation raised foreign funds in 2007[143], however recent practice has proven otherwise, with the award of the Kansai concession to a consortium including ORIX and VINCI, a French airport operator.

8.35 Despite this practice, it has been noted that the Japanese government does not necessarily welcome significant participation of foreign companies in Japan's infrastructure business, due to concerns about national issues such as security.[144]

## Japan: Ground handling

**Regulatory framework**

8.36 No legislation regulating the access to the ground handling market in Japan was found, either at national or regional level.

8.37 No formal restriction concerning nationality and place of establishment for ground handling providers was found to be in place in Japan.

8.38 In Japan, historically, the ground handling market has been mainly comprised of local companies and it has been difficult for foreign companies to enter the market. This is because the usual practice to obtain a ground handling contract is based on a negotiation between ground handling companies and airline companies, with the major airlines (JAL and ANA) dominating the ground handling market themselves[145]. Usually, airports do not control access to ground handling services.

8.39 However, the situation changed in 2006 when Swissport International took over the business activities of Japan-based ground handling company ShinMaywa Ground Services. This company operates at many of Japan's major airports, including Chubu Centrair International Airport, Narita International Airport, and Kansai International Airport.[146] Despite this change, there remains almost no other international ground handling organisation presence in the Japanese market; the market is difficult for foreign operators to access in practice due to the dominance of the local airlines.

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[143]加藤一誠・引頭雄一・山内芳樹 編著:空港経営と地域ー航空・空港政策のフロンティア、成山堂書店(2014) (Book "Airport Management and Region – Airline/Airport Policy Frontier")

[144] いよいよ始まる国内インフラ事業の投資機, 2015年7月号, 経営革新コンサルティング部 上席研究員 持丸伸吾, **http://fis.nri.co.jp/ja-JP/publication/kinyu_itf/backnumber/2015/07/201507_06.html** (Report: Beginning of Investment Stage in Domestic Infrastructure Business )

[145] Difference in ground handling in the global market, project, department of automotive and aeronautical engineering, Yik Lun Tan, 1st December, 2010, Hamburg University of Applied Sciences, http://www.fzt.haw-hamburg.de/pers/Scholz/arbeiten/TextLunTan.pdf

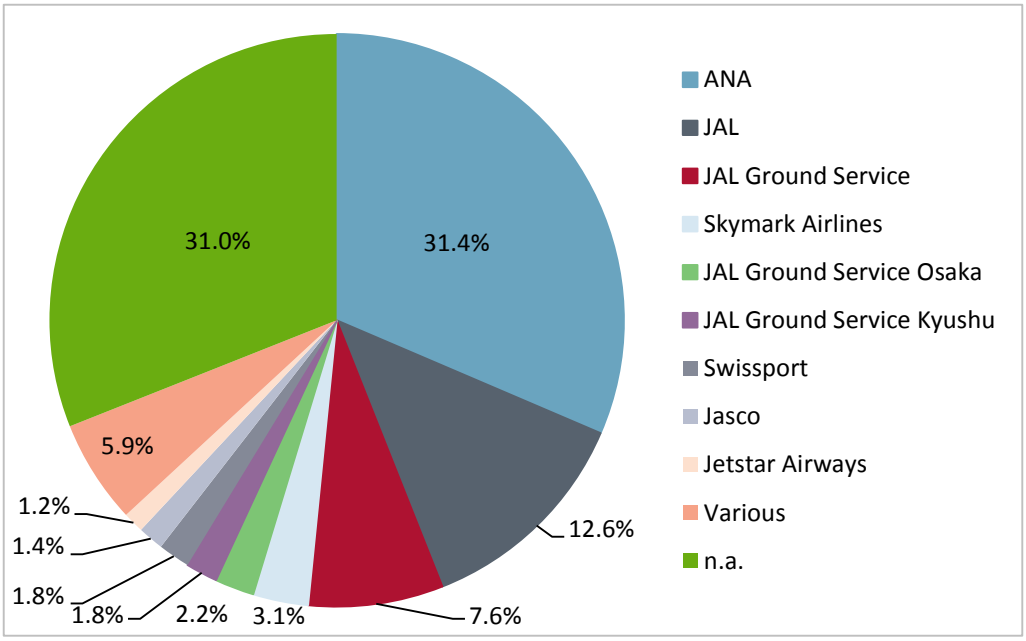
[146] Swissport Strengthens its Asian presence by Acquiring a Ground Handling Company in Japan, AUG 3, 2006, http://www.aviationpros.com/news/10437786/swissport-strengthens-its-asian-presence-by-acquiring-a-ground-handling-company-in-japan

### Market information

*Market size and shares*

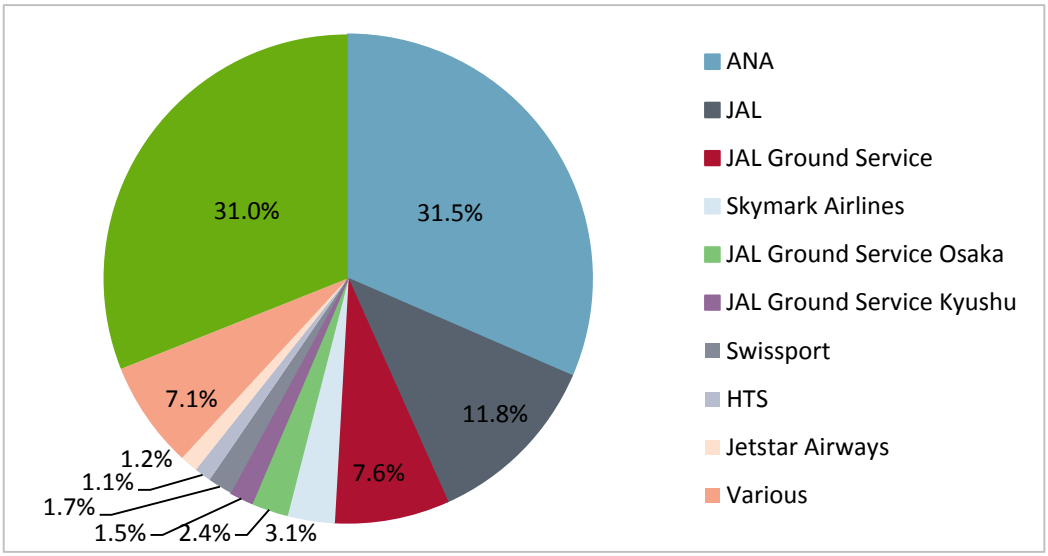
8.40 The market shares of the major companies in the Japanese ground handling market for ramp and passenger services are shown in Figure 8.1 and Figure 8.2 respectively.

**Figure 8.1: Japanese ground handling market share by company (ramp)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 30,000 passengers per year

**Figure 8.2: Japanese ground handling market share by company (passenger)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 30,000 flights per year

8.41 We estimate the total value of the Japanese ground handling market to be €2.1 billion for ramp and passenger services combined.

8.42 Market share and size estimates have been developed in line with the methodology described on page 34.

*Airline self-handling*

8.43 In Japan, major airlines such as Japan Airlines (JAL) and All Nippon Airways (ANA) have established ground handling subsidiaries, usually by airport (as shown in Table 8.4, Table 8.5 and Table 8.6).

8.44 At major international airports where foreign airlines operate, such as Tokyo International Airport, Narita International Airport, Kansai International Airport, and Chubu Centrair International Airport, it is common for foreign airlines to request local airlines (such as JAL or ANA) to perform ground handling services under contract. The subsidiary ground handling companies owned by the major local airlines then conduct the service. On occasion, foreign airlines may directly contract with domestic ground handling companies.

*Overview of activities of major ground handling companies*

8.45 As noted above, the major ground handling companies in Japan tend to be subsidiaries of airlines (JAL and ANA). Airline practice tends to be to establish separate companies at one or more airports. Locations of the major ground handling companies in Japan are presented in the tables following.

**Table 8.4: JAL Group ground handling companies**

| Company | | Airport |
|---|---|---|
| JAL Ground Service* | JAL Ground Service Tokyo | Tokyo International Airport, Narita International Airport |
| | JAL Ground Service Osaka | Osaka International Airport |
| | JAL Ground Service Kyushu | Fukuoka International Airport |
| JAL Sky** | | Tokyo International Airport, Narita International Airport |
| JAL Sky Osaka | | Osaka International Airport |

* mainly provides passenger handling, freight/luggage handling, marshalling, cabin service
** provides counter service, traffic handling, luggage claim service, airline lounge service, load control of air cargo and luggage.

**Table 8.5: ANA Group ground handling companies**

| Company | Airport |
|---|---|
| ANA Narita Airport Service | Narita International Airport |
| ANA Airport Service | Tokyo International Airport |
| ANA Centrair Airport | Chubu Centrair International Airport |
| ANA Kansai Airrpot | Kansai International Airport |
| ANA Fukuoka Airport | Fukuoka International Airport |

**Table 8.6: Other ground handling companies**

| Company | | Airport |
|---|---|---|
| Haneda Airport Service Group (Nb. Company is | Haneda Airport Service | Tokyo International Airport |

| Company | | Airport |
|---|---|---|
| completely separate from the Airport) | Haneda Airport Global Service | Tokyo International Airport |
| Taiyo Maintenance | | Tokyo International Airport, Narita International Airport |
| Suzuyo Group (Japanese logistics company) | | Subsidiaries serve mainly Chubu Centrair International Airport and other regional airports. |
| Kounoikegumi Group | | Subsidiaries serve mainly Kansai International Airport and Tokyo International Airport |

8.46 There are also a number of independent ground handling companies in operation in Japan, including:

- Showtoku Corporation[147], providing services at Narita International Airport and Tokyo International Airport;
- Japan Airport Service Corporation (JASCO)[148];
- Kansai Air Cargo Center;
- Haneda Air Ground handling;
- Haneda Turtle Service[149]: Fukuoka Airport, Tokyo International Airport, and others; and
- FMG Corporation[150]: provision of services at Narita International Airport, Tokyo International Airport, Kansai International Airport, and other major airports in Japan. Major clients are Aeroflot Russian Airlines, Aeromexico, Air France, Alitalia, ANA, Austrian, Cathy Pacific, Delta Airlines, and etc.

8.47 Currently, only two international ground handling companies are present in Japan: Universal Aviation[151] (USA) and Swissport (Switzerland). As noted above, Swissport International took over the business activities of Japan-based ground handling company ShinMaywa Ground Services in 2006. Swissport now operates at many of Japan's major airports through this local partner, including Chubu Centrair International Airport, Narita International Airport, and Kansai International Airport and Tokyo International Airport.[152] Details are provided in Table 8.7.

**Table 8.7: Swissport Japan's operations and customer airlines in Japan**

| Airport | Customer airline |
|---|---|
| Chubu Centrair International Airport | Northwest Airlines, Finnair , Cathaypacific, Jeju Air, Jetstar Japan, Cebu Pacific Air, Lucky Air, V Air |

[147] Showtoku Corporation, http://www.syoutoku.co.jp/ , accessed at 31st March, 2016

[148] Japan Airport Service Corporation: **http://www.jasco-ghs.co.jp/**, accessed 31st March, 2016

[149] Haneda Turtle Service: **http://www.haneda-turtle.co.jp/**, accessed 31st March, 2016

[150] FMG Corporation: **http://fmg.sc/07_english/**, accessed 31st March, 2016

[151] Universal Aviation Japan: **https://www.universalaviation.aero/ground-support-locations/japan/tokyo/RJTT/#tabs**, accessed 31st March, 2016

[152] Swissport Strengthens its Asian presence by Acquiring a Ground Handling Company in Japan, AUG 3, 2006, http://www.aviationpros.com/news/10437786/swissport-strengthens-its-asian-presence-by-acquiring-a-ground-handling-company-in-japan

| Airport | Customer airline |
|---|---|
| Kansai International Airport | FedEx, Northwest Airlines, Delta Air Lines, Turkish Airlines, Jetstar Japan, Jetstar Airways, Jetstar Asia, Hongkong Airlines, Alitalia Airline, Panalpina, Beijing Capital Airlines, Air Asia X, Thai AirAsia X, Far Eastern Air Transport, Eastar Jet, HK Express, Qatar Airways, V Air |
| Narita International Airport | Cathaypacific, Turkish Airlines, Virgin Atlantic Airways, Jetstar Asia , S7 Airlines, Jeju Air, Panalpina, Asia Atlantic Airlines, Expeditors, Cebu Pacific Air, Air Incheon, Aurora, Air Asia X, Thai AirAsia X, Hainan Airlines, LOT Polish Airlines |
| Tokyo International Airport | American Airline |

8.48 Many of ground handling service operators are subsidiaries of major Japanese airlines, with ANA and JAL each having over 10 subsidiaries. Most subsidiaries are named as combination of holding company name and airport name and usually serve a targeted airport. However these companies are not always limited to operations at one airport, and instead are active at several airports. For example, JAL Sky Kyushu provides ground handling services at Fukuoka International Airport, Nagasaki Airport, Kumamoto Airport, Miyazaki Airport and Oita Airport.

8.49 In Japan, airports have almost no presence in the ground handling market, and whilst there might be one or two exceptions to the rule, airports tend not to provide ground handling themselves.

8.50 Japanese airports, in particular the larger airports, tend to have a number of ground handling companies in operation at the airport. As an example, major ground handling operators for Narita International Airport are shown in Table 8.8. Interestingly the list includes one foreign airline (Delta) that self-provides at the airport.

**Table 8.8: Ground handling operators[153][154] at Narita Airport**

| Ground handling Company | Origin |
|---|---|
| All Nippon Airways | Japan |
| Delta Airlines | USA |
| Japan Airlines | Japan |
| Japan Airport Service | Japan |
| Swissport | Switzerland |

8.51 The domination of the major Japanese airlines in the provision of ground handling services at airports in Japan does result in situations where competition is limited, even if there are multiple ground handlers at an airport. This is more likely to occur at smaller airports than the larger ones according to a number of stakeholders' views.

[153] The IATA Ground Handling Council (IGHC) Directory, **http://www.iata.org/publications/ighc-directory/Pages/index.aspx?all=all**, accessed 31st March, 2016

[154] Companies Providing Ground Handling Services, **http://www.naa.jp/en/b2b/fap/handling/companies.html**, accessed 31st March, 2016

# 9 Case study: Mexico

## Introduction

9.1 In this chapter we provide an analysis of the airport ownership and management and ground handling regulatory framework and market information in Mexico.

## Context

9.2 Mexico is the second biggest country in Latin America by population with over 120 million inhabitants. The current government's National Development Plan[155] has as an objective to make Mexico the most important logistical hub in the region. To achieve this, several infrastructure programmes are underway; the largest is the construction of a new Mexico City airport, which is scheduled to be completed in 2020 and projected to handle over 50 million passengers per year in the short term. In addition Mexico is an important tourist and business destination for which air travel is an important mode of transport.

9.3 The above is reflected in the consistent growth of air travel within and to the country; numerous international airlines having scheduled flights to multiple cities in Mexico and new air routes constantly being opened.

9.4 Mexico has 58 commercial airports, of which 4 (6.9%) are domestic, and 54 (93.1%) are international, which includes 5 international airports in the top 30 busiest airports in Latin America[156].

9.5 In 2015, Mexico's commercial airports handled more than 113 million passengers. Mexico City international Airport is the largest airport in Mexico and handled more than 38 million passengers[156] in 2015. Table 9.1 lists the twenty busiest airports in Mexico by 2015 passenger numbers.

**Table 9.1: Commercial Service Airports with highest number of arriving and departing passengers in 2015**

| Rank | City | Airport Name | 2015 Arriving & Departing Passengers | Annual Growth |
|---|---|---|---|---|
| 1 | Mexico City | Mexico City International Airport | 38,430,494 | 12.2% |
| 2 | Cancun | Cancun International Airport | 19,596,485 | 12.3% |
| 3 | Guadalajara | Guadalajara International Airport | 9,758,516 | 12.2% |
| 4 | Monterrey | Monterrey International Airport | 8,461,917 | 18.7% |
| 5 | Tijuana | Tijuana International Airport | 4,853,797 | 11.0% |

[155] http://pnd.gob.mx/

[156] http://marcopolos21.com/2015/04/30-aeropuertos-america-latina-mas-importantes/

| Rank | City | Airport Name | 2015 Arriving & Departing Passengers | Annual Growth |
|---|---|---|---|---|
| 6 | Puerto Vallarta | Puerto Vallarta International Airport | 3,517,801 | 15.8% |
| 7 | San Jose del Cabo | Los Cabos International Airport | 3,523,010 | 12.5% |
| 8 | Merida | Merida International Airport | 1,663,616 | 15.8% |
| 9 | Silao | Bajio International Airport | 1,472,811 | 22.4% |
| 10 | Culiacan | Culiacan International Airport | 1,432,315 | 9.5% |
| 11 | Hermosillo | Hermosillo International Airport | 1,309,796 | 2.5% |
| 12 | Villahermosa | Villahermosa International Airport | 1,273,140 | 13.5% |
| 13 | Veracruz | Veracruz International Airport | 1,249,914 | 8.0% |
| 14 | Tuxtla Gutierrez | Tuxtla Gutierrez International Airport | 1,121,332 | 20.8% |
| 15 | Chihuahua | Chihuahua International Airport | 1,110,513 | 15.5% |
| 16 | Toluca | Toluca International Airport | 865,037 | -0.2% |
| 17 | Ciudad Juarez | Ciudad Juarez International Airport | 863,760 | 12.3% |
| 18 | Mazatlan | Mazatlan International Airport | 853,409 | 8.1% |
| 19 | Tampico | Tampico International Airport | 763,744 | 10.9% |
| 20 | Acapulco | Acapulco International Airport | 730,382 | 15.6% |

Source: Prepared by Steer Davies Gleave with information from Secretaría de Comunicaciones y Transportes, see footnote[157]

## Mexico: Airport ownership

### Regulatory situation

9.6 The "Ley de Aeropuertos" [Airports Law] provides legislation for all matters regarding airports and aerodromes[158], and the "Ley de Aviacion Civil" [Civil Aviation Law] provides legislation for all matters regarding aviation[159].

9.7 According to federal law all matters related to construction, administration and operation of civil aerodromes falls under the federal jurisdiction of the Secretaria de Comunicaciones y Transportes [Ministry of Communications and Transport] (SCT), via the Direccion General de Aeronautica Civil [Directorate General of Civil Aviation] (DGAC). The DGAC has the following responsibilities[160]:

- To plan and establish programmes for the development of the national airport network in accordance to the country's needs.
- To build, administer and operate airports where needed.
- Grant concessions as well as supervising the concessionaires.

[157] http://www.sct.gob.mx/transporte-y-medicina-preventiva/aeronautica-civil/estadisticas/

[158] Camara de Diputados del H. Congreso de la Union, Ley de Aeropuertos, Ultima reforma publicada DOF 21-01-2009

[159] Camara de Diputados del H. Congreso de la Union, Ley de Aviacion Civil, Ultima reforma publicada DOF 05-07-2006

[160] Capitulo II De la Autoridad Aeroportuaria, Ley de Aeropuertos, Ultima reforma publicada DOF 21-01-2009

- Establish air traffic regulations as well as minimum operation conditions and determine take-off and landing schedules.

9.8 In line with our approach to attributing private investment arrangements to ownership or management as described in chapter 4, paragraph 0, we discuss the concession model arrangements for Mexican airports under airport management.

## Mexico: Airport management

9.9 Private investments in airports are mentioned in the airports law, which states that the Ministry (SCT) can grant concessions to private companies to administer, operate and, when necessary, build an airport. Concessions may be granted to companies, which must be established under Mexican law, and will be regulated by SCT. The duration of the concession is for a period of up to 50 years, with the potential to extend for another 50 years, in cases where the concessionaire has fulfilled all the requirements established by the SCT[161].

9.10 The concession process will be a public tender process, for which the SCT will publish the basis under which the bidding process will be undertaken. Concessionaires must demonstrate they have the legal, technical, administrative and financial capability to participate.

9.11 The SCT may also grant permits to a specific person or company, established under Mexican laws, to administer, operate and construct civil aerodromes for general aviation (non-commercial use) that differ to airports used for scheduled airline services[162].

9.12 Foreign investors interested in bidding for concessions or permits in Mexico may possess up to 49% of the bidding company's capital. Anything larger must be approved by the Foreign Investments National Commission, taking into consideration the regional and technological development benefits arising from the investment, the local environment, and whether national sovereignty will not be put at risk[163].

9.13 Before granting concessions and permits, a special commission, formed of the National Defence Ministry, the Attorney General and presided over by the Transport Minister, will review and determine that the concessionaire fulfils all the requirements established by law[164].

**Concessioning of airports in Mexico**

9.14 Historically, airports in Mexico have been managed and operated by a range of different entities, including military, state and private organisations. Together they form the National Airports System.

9.15 Up until 1998, 58 airports in Mexico were administered and operated by a state-owned company Aeropuertos y Servicios Auxiliares (ASA). However in 1998, the Federal Government

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[161] Capitulo III, Seccion Primera, De las Concesiones, Ley de Aeropuertos, Ultima reforma publicada DOF 21-01-2009

[162] Capitulo III, Seccion Segunda, De los Permisos, Ley de Aeropuertos, Ultima reforma publicada DOF 21-01-2009

[163] Capitulo III, Seccion Tercera, Disposiciones comunes, Ley de Aeropuertos, Ultima reforma publicada DOF 21-01-2009

[164] . Capitulo III, Seccion Tercera, Disposiciones comunes, Ley de Aeropuertos, Ultima reforma publicada DOF 21-01-2009

launched a concessions scheme to grant 34 of the most profitable airports to private companies.

9.16 In that year concessions were granted for 34 airports. These airports were split into three groups with each of the three concession groups to be managed by a single concessionaire. The concession groups were as follows:

- 12 airports were granted to Grupo Aeroportuario del Pacifico (GAP);
- 13 airports were granted to Grupo Aeroportuario Centro Norte (OMA); and
- 9 airports were granted to Grupo Aeroportuario del Sureste (ASUR).

9.17 Each concession was granted for a 50 year period and, though belonging to a concession group, each airport concession was let to the overall concessionaire individually. Further information on each of these concession groups is provided in the following section (Private Investors). The airports administered and operated by the different groups are as shown in Table 9.2[165]:

**Table 9.2: Airports administered and operated by each private concessionaire**

| Grupo Aeroportuario del Pacifico (GAP): | Grupo Aeroportuario Centro Norte (OMA): | Grupo Aeroportuario del Sureste (ASUR): |
|---|---|---|
| Aguascalientes Airport | Acapulco Airport | Huatulco Airport |
| Guadalajara Airport | Chihuahua Airport | Cancun Airport |
| Hermosillo Airport | Ciudad Juarez Airport | Cozumel Airport |
| La Paz Airport | Culiacan Airport | Merida Airport |
| Bajio Airport | Durango Airport | Minatitlan Airport |
| Los Mochis Airport | Zihuatanejo Airport | Oaxaca Airport |
| Manzanillo Airport | Mazatlan Airport | Tapachula Airport |
| Mexicali Airport | Monterrey Airport | Veracruz Airport |
| Morelia Airport | Reynosa Airport | Villahermosa Airport |
| Puerto Vallarta Airport | San Luis Potosi Airport | |
| San Jose del Cabo Airport | Tampico Airport | |
| Tijuana Airport | Torreon Airport | |
| | Zacatecas Airport | |

Source: Concesiones de Aeropuertos, Direccion General de Aeronautica Civil, Secretaria de Comunicaciones y Transportes.

9.18 Each group was created to have at least one major airport, to ensure a more competitive playing field between each of the concessionaires.

9.19 Mexico City International Airport was not included in any of the groups due to the significant volume of passengers that it handles every year. Instead, the Grupo Aeroportuario de la Ciudad de Mexico was created, which is a concession owned by the State[166].

9.20 The remaining airports, not included in the concessions, stayed under the control of ASA and are listed in Table 9.3.

[165] Concesiones de Aeropuertos, Direccion General de Aeronautica Civil, Secretaria de Comunicaciones y Transportes.

[166] http://www.aicm.com.mx/aicm/acerca-del-aicm/breve-historia

**Table 9.3: Airports administered and operated by the state owned concessionaire ASA**

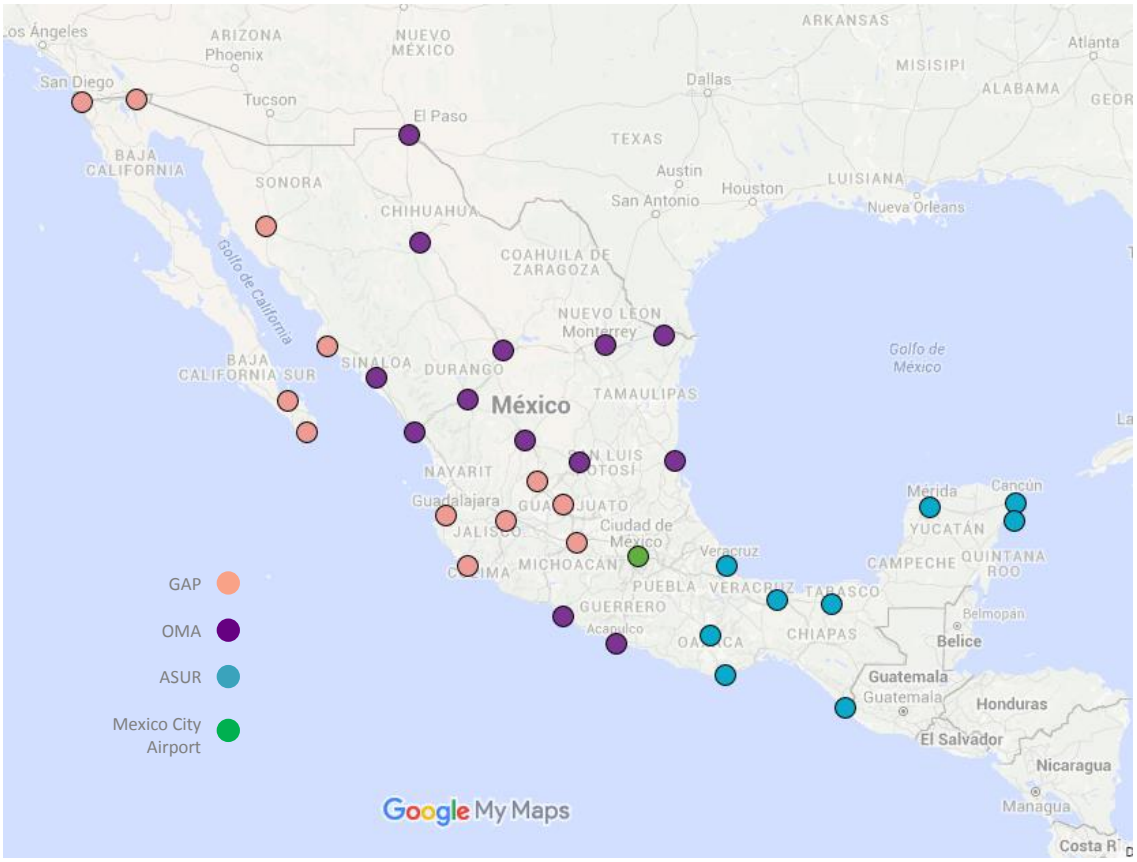
| Airports and Auxiliary Services | | |
|---|---|---|
| Campeche Airport | Chetumal Airport | Ciudad del Carmen Airport |
| Ciudad Obregon Airport | Ciudad Victoria Airport | Colima Airport |
| Cuernavaca Airport | Guaymas Airport | Loreto Airport |
| Matamoros Airport | Nogales Airport | Nuevo Laredo Airport |
| Poza Rica Airport | Puebla Airport | Puerto Escondido Airport |
| Queretaro Airport | Tampico Airport | Tehuacan Airport |
| Tepic Airport | Toluca Airport | Uruapan Airport |

Source: http://www.asa.gob.mx/swb/ASA/Aeropuertos_red_ASA

9.21 ASA has an Administration Counsel which, together with the Director General, is in charge of the administration of the company. It is the highest level authority and is in charge of the administration of ASA and the airports that it handles.

9.22 ASA's main task is to operate airports and the operations team is in charge of planning, organising, executing and supervising everything related to the airports, operational areas, airport and operations safety, buildings, construction and extension to infrastructure that is needed[167].

**Figure 9.1: Location of the three main concessionaires' airports and Mexico City International Airport**




Source: Prepared by Steer Davies Gleave with information from GoogleMyMaps©

[167] http://www.asa.gob.mx/es/ASA/Administracion_Aeroportuaria

9.23 All other airports (i.e. not part of a concession, and not managed by the ASA) are administrated and operated by State governments.

- Tuxtla International Airport and Palenque International Airport (1.1 million passengers in 2015), both in the southern state of Chiapas. These airports belong to the Grupo Aeroportuario de Chiapas, owned by the State of Chiapas with 51% and ASA with 49%[168] of the shares.
- Queretaro International Airport (0.5 million passengers in 2015), is also owned jointly by the State of Querétaro with 75% and ASA with the 25% of the shares.
- Cuernavaca International Airport (0.007 million passengers in 2015) is a state owned company with 51% of the shares owned by the Morelos State Government and 49% by ASA.
- Toluca International Airport (0.7 million passengers in 2015) is managed and operated by Administradora Mexiquense, with 49% of the shares owned by OHL México, 26% by the State of Mexico Government and 25% by ASA.

9.24 Table 9.4 presents the volume of passengers for each concessionaire group in 2015. Mexico City International Airport has more passengers than any other concession group, with 38.4 million. Concessionaires GAP and ASUR are next largest, with 27.1 million and 26.1 million respectively.

**Table 9.4: Volume of passengers by concessionaire group, 2015**

| Main Concessionaires | 2015 Arriving & Departing Passengers | Percentage of total passengers in Mexico |
|---|---|---|
| AICM | 38,430,494 | 33.8% |
| ASA | 2,468,159 | 2.2% |
| ASUR | 26,140,986 | 23.0% |
| GAP | 27,138,648 | 23.9% |
| OMA | 16,922,143 | 14.9% |
| STATE PARTNERSHIPS | 2,515,241 | 2.2% |

Source: Prepared by Steer Davies Gleave with information from Table 6.1

9.25 The most recent concession was granted in January 2015, to build, administrate and operate the New International Mexico City Airport. This Airport was granted to Grupo Aeroportuario de la Ciudad de México.

9.26 There are no other new greenfield Build-Operate-Transfer concessions currently in Mexico. All the previously granted concessions were already constructed, however the present concessions allow for the construction of additional infrastructure needed for the growth of the airport. A good example of this is Cancun International Airport, which has had large growth since the beginning of the concession. In this case ASUR has been responsible for the construction of new terminals and a runway in association with the local and federal governments.

[168] http://www.valmans.com.mx/GACSite/quienes-somos.html

**Concessionaire arrangements**

9.27 In Mexico, for those airports under concession agreements (as listed above in Table 9.2), the concessionaire is responsible for the management and operation of these airports. The different priorities of each concessionaire determine the objectives and actions that each group follows; some concessionaires have partners who specialise in airport operations and management (e.g. GAP and OMA, where respectively Spain's AENA, and France's ADP are involved).

9.28 Concession titles are the legal documents by which the Federal Government grants the right of administration and operation of the airports to the concessionaire. It is therefore the concessionaire's responsibility to adhere to the agreements. These arrangements are regulated by the Ley de Aeropuertos (Airports Law) and the Reglamento de la Ley de Aeropuertos (Airports Law Regulation). As airports are of federal interest, there are no state laws or lower level laws that legislate in this area[169].

9.29 The concessionaires are also obliged to undertake maintenance and conservation works and have an annual conservation programme as well as a supervision of infrastructure, and equipment programme.

9.30 In addition to the concession title, the concessionaires must have a written approval from Secretaria de Comunicaciones y Transportes to begin operations, according to the Reglamento de la Ley de Aeropuertos.

9.31 In the case of BOT, arrangements can be made with the governments in order to approve some public funding or improve the concession schemes for the concessionaire not to have financial constraints. After the concession period is over, the assets will be transferred to the Federation.

**Overview of private investors in Mexico's airport concessions**

9.32 Foreign private investment is permitted under concession arrangements up to a limit of 49% of the company's capital.

9.33 **Grupo Aeroportuario del Pacifico (GAP)** is one of the three major concessionaires in Mexico. It operates 12 airports in the central and western areas of the country, and includes important cities like Guadalajara and Tijuana, as well as important tourist destinations such as La Paz, Los Cabos and Puerto Vallarta.

9.34 The group is listed in the New York Stock Exchange (NYSE) as well as the Mexican Stock Exchange (BMV) where 85% of the group's shares are owned by the public and the other 15% is owned by Aeropuertos Mexicanos del Pacifico (AMP), which is a joint venture between the following companies[170]:

- 5% is Desarrollo de Concesiones Aeroportuarias (DCA): in 2015 GAP bought all the shares from the Spanish company Abertis. DCA also has a 74.5% of the Jamaican MBJ Airports Limited and 14.77% of Chile's SLC Terminal Aereo Santiago.
- 5% is Corporación Mexicana de Aeropuertos: a Mexican company and it is key to the concession by being the Mexican part of the concessionaire.

[169] http://www.sct.gob.mx/JURE/doc/ley-aeropuertos.pdf

[170] https://www.aeropuertosgap.com.mx/es/grupo-gap.html

- 5% is AENA International: a Spanish state-owned company, which handles all the operations in the Spanish Airports and acts as the operations partner in GAP.

9.35 GAP is managed by the Administration Council which has representatives designated by the different shareholders, including Grupo Mexico. The Board of Directors is leaded by Fernando Bosque Mohino who is the General Director, Saul Villareal Garcia is the Administration and Finance Director and Jose Ignacio Ascacibar is the Operations Director, who previously worked at AENA[171].

9.36 GAP has investment from international companies, including Aena International. Aena International is present in 15 airports in three countries: United Kingdom, Mexico and Colombia. Aena International is the operating partner of AMP[172].

9.37 **Grupo Aeroportuario Centro Norte (OMA)** operates 13 airports in the central and northern region of the country, serving important cities such as Monterrey and Ciudad Juarez and tourist destinations like Acapulco and Mazatlán. OMA shares are listed in the NYSE and the BMV. The ownership of the company is distributed as follows[173]:

- 81.4% of the shares are owned by the public.
- 16.7% owned by Servicios de Tecnologia Aeroportuaria, a company jointly owned by the following:
    - Aeroinvest ICA (74.5%), the largest engineering and construction company in Mexico, and
    - Aeroports de Paris Management (25.5%), a company owned by Aeroports de Paris, which is the second largest airport operator in Europe.
- 1.9% owned by Aeroinvest ICA. Directly and indirectly, ICA owns 14.34% of OMA's shares.

9.38 OMA has a board of directors and a chief executive officer who are responsible for the management of the business and are the legal representatives of the Company. The board has 11 members, including 5 independent directors. The Securities Market Law provides that the board of directors shall be assisted by one or more committees in order to carry out its responsibilities with regards to corporate practices and audit. The main operations partner is Aeroports de Paris Management, a subsidiary of Aeroports de Paris.

9.39 **Grupo Aeroportuario del Sureste (ASUR)** operates 9 airports in the southeast of Mexico and owns a 50% of Aerostar Airport Holdings LLC which operates the San Juan International Airport in Puerto Rico. The shares are listed on the New York Stock Exchange as well as the BMV and are distributed as follows[174]:

- 92.35% of shares are owned by the public.
- 7.65% is owned by Inversiones y Tecnicas Aeroportuarias (ITA) which is owned by the following investors:
    - 50% by Fernando Chico Pardo, the CEO of the company, and

[171] https://www.aeropuertosgap.com.mx/es/equipo-directivo.html

[172] http://www.aena.es/csee/Satellite/conocenos/en/Page/1237548053512//Airport-Activity.html

[173] http://ir.oma.aero/es/aboutus.cfm

[174] http://www.asur.com.mx/es/inversionistas/herramientas-de-ri/faqs-es.html

- 50% by Corporativo Galafe, which is a company owned by Grupo ADO, one of the most important Mexican bus companies.

9.40 ASUR is managed the Board of Directors and a Management team[175] and is internally regulated by the corporate governance includes an annual shareholders' meeting according to Mexican law.

## Mexico: Ground handling

9.41 Mexico's ground handling market is served by a number of local and international providers of ground handling services. International operators have registered local companies to service the market.

**Regulatory framework**

9.42 Airport Ground Handling Services and Operations are legislated for within the Airports Law, which regulates on all matters regarding airports in Mexico. Airports are considered as strategic infrastructure for the nation's safety, therefore they are under federal jurisdiction and thus there is no legislation lower than the federal law on ground handling. It is the Concessionaire's or operator's obligation to ensure that its airports are fully operational with infrastructure, equipment, signalling and systems that provide a safe operational environment.

9.43 A stakeholder consulted during the course of the study stated that there is no difficultly in entering or operating in the country's ground handling market including for foreign companies. This is legislated for within the Airports Law, Chapter VII, Operation and Services, where it states that there are three service groups that the concessionaire may provide:

- **Airport Services:** Use of runways, taxiways, platforms, visual aids, lightning, passengers and cargo buildings, and all that related to safety at the airport, fire and emergency crews.
- **Complimentary Services:** Ramp, traffic, fuel supply, catering, cargo loading and handling, aircraft repair and maintenance.
- **Commercial Services:** Restaurants, car hires, advertisement, banks, hotels, etc.

9.44 According to this classification, Ground Handling falls under Complimentary Services which may be provided by the concessionaire or be awarded to a third party designated by the concessionaire or permittee, and the ground handling subcontractor must comply with what is established in Mexican Law. Third party providers may not sub contract any services[176].

9.45 The Ground Handling companies with operations in airports must follow what the concessionaire or permittee and the Ministry establish for the safe and effective operation of the airport[177].

9.46 The concessionaires or permittees may only limit the number of service providers at the airport for reasons of limited space, or operating efficiency and safety, so long as this decision is accompanied by an evaluation from the operations committee and is approved by SCT.

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[175] http://asur.com.mx/en/investor-relations/corporate-governance.html

[176] Capitulo III, De la contratacion, Reglamento de la Ley de Aeropuertos DOF17-02-2000

[177] Capitulo VII, De la operación y los servicios, Ley de Aeropuertos, Ultima reforma publicada DOF 21-01-2009

9.47 As mentioned above, the law allows concessionaires or permittees to provide airport and complimentary services themselves, but only if this is done on a competitive basis, with equal opportunities for other service providers to compete, this also means that in cases that there are no ground handling companies that provide complimentary services, the concessionaire is required to provide these services.

9.48 Airport and complimentary services must be provided in line with safety criteria and other procedures that are established in the basic safety regulations and the quality control parameters included in the Airports Law. The airport concessionaire or permittee is responsible for ensuring that the airport provides all required services that ensure operation within the safety levels and requirements of the airport's classification and category.[178]

9.49 Every air transport and operations company at the airport must have a written contract with the airport concessionaire or permittee in place, in which terms and conditions regarding use of the airport and the manner in which complimentary services will be provided must be included. Should a transport company choose a ground handling company to provide these services, it must comply with the previous stipulations and have the authorization from SCT[179].

**Market information**

9.50 A number of ground handling companies have activities in many airports in Mexico with their operations not usually limited to a single airport. At most airports in Mexico there are several ground handling companies operating within the same airport. This depends on the agreements ground handling companies have with the concessionaires or the airlines.

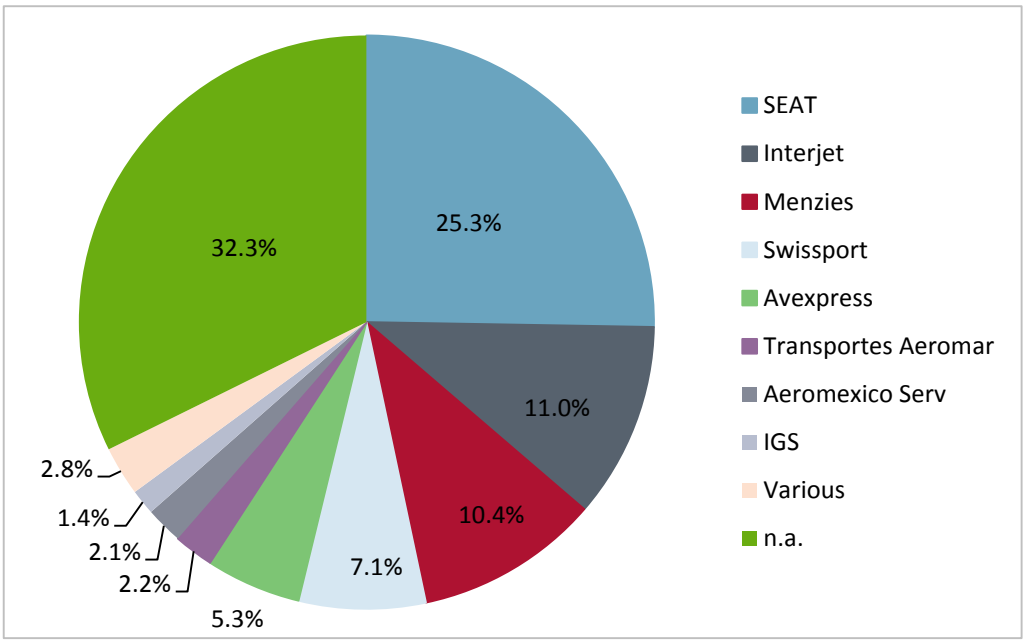
*Market size and share*

9.51 The market shares of the major companies in the Mexican ground handling market for ramp and passenger services are shown in Figure 9.2 and Figure 9.3 respectively.

[178] Capitulo I, De los servicios aeroportuarios y complementarios, Reglamento de la Ley de Aeropuertos DOF17-02-2000

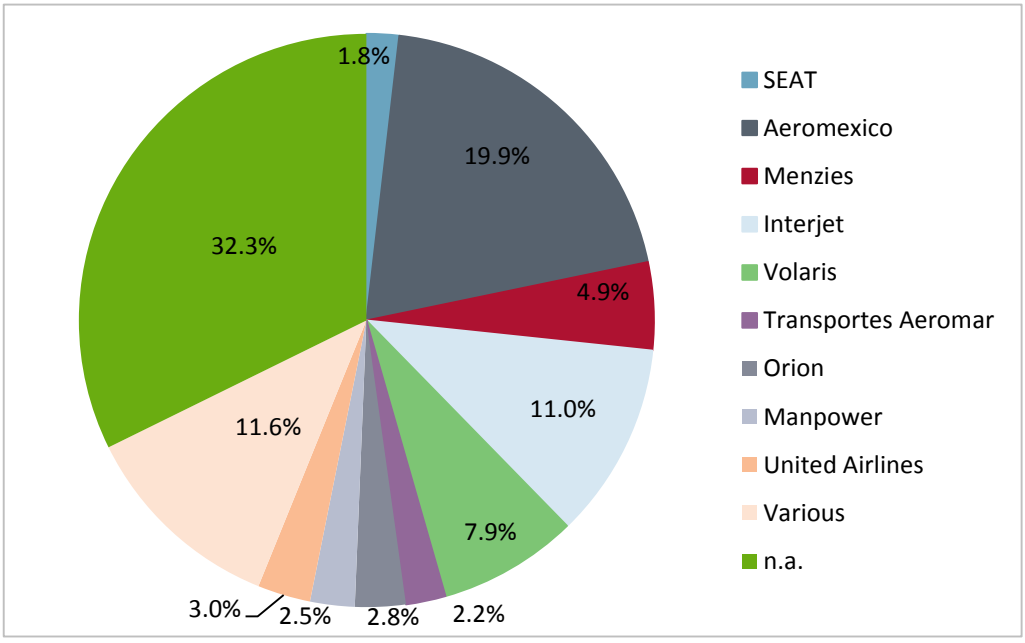
[179] Capitulo IV, De la prestacion de los servicios aeroportuarios y complementarios a los transportistas aereos, Reglamento de la Ley de Aeropuertos DOF17-02-2000

**Figure 9.2: Mexican ground handling market share by company (ramp)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 15,000 passengers per year

**Figure 9.3: Mexican ground handling market share by company (passenger)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 15,000 flights per year

9.52 We estimate the total value of the Mexican ground handling market to be €377 million for ramp and passenger services combined.

9.53 Market share and size estimates have been developed in line with the methodology described on page 34.

*Overview of ground handling companies in Mexico*

9.54 International ground handling companies have a big presence in Mexico airports, including EU-based companies. This shows that there are no significant barriers to providing services.

9.55 Although airport operators are allowed to undertake Ground Handling activities in their airports, it is not common. The only instance of this happening in Mexico is at Toluca Airport, where OHL Mexico has a share of the Toluca International Airport whilst also providing ground handling services. However, it is not the only ground handling operator in the airport[180].

9.56 The main ground handling companies operating in Mexico, along with their area of activity (passenger, cargo or ramp), are shown in Table 9.5.

**Table 9.5: Main ground handling companies operating in Mexico**

| Name | Nationality of Company | Passengers | Cargo | Ramp Handling |
|---|---|---|---|---|
| Aerocharter de Mexico | Mexico | ✔ | | ✔ |
| Aeromexico Servicios (SEAT) | Mexico | ✔ | ✔ | ✔ |
| Aeromexpress | Mexico | | ✔ | ✔ |
| Aeronaves TSM | Mexico | | ✔ | |
| Air Operations & Ground Handling Mexico | Mexico | ✔ | ✔ | ✔ |
| AGN Aviation Services SA de CV | Mexico | ✔ | ✔ | ✔ |
| ASMCORP | Mexico | ✔ | ✔ | ✔ |
| Avion Representaciones y Servicios-ARS | Mexico | ✔ | | ✔ |
| Cargo Service Center de Mexico | Mexico | | ✔ | |
| Ground Control Mexico | Mexico | ✔ | ✔ | ✔ |
| Groundforce Mexico | Spain | ✔ | ✔ | ✔ |
| ICCS Mexico & Latin America | Mexico | ✔ | ✔ | ✔ |
| Menzies Aviation (Mexico) | UK | ✔ | | ✔ |
| Mercurio Cargo | Mexico | | ✔ | |
| Passenger Handling Services | Mexico | ✔ | ✔ | ✔ |
| Pegasus Flight Support | USA | | ✔ | ✔ |
| Swissport de Mexico | Switzerland | ✔ | ✔ | ✔ |
| Universal Aviation | USA | | | |

Source: **http://www.airlineupdate.com/content_subscription/gha/index/mexico.htm**

9.57 Table 6.6 shows the ground handling operators operating at the top ten busiest airports in Mexico (as shown in Table 6.1). The table shows that several ground handling companies operate at each airport without having any competition restraints. Both national and international companies have ground handling operations providing services at Mexican airports, the market is distributed according to the capacity of each provider. The only limitation, as described in the legal framework, is regarding airport operations and safety, in which case the concessionaire will determine the maximum number of GH companies.

[180] http://www.ohlmexico.com.mx/Plantillas/concesionesdet.aspx?IdF=107&IdL=108&Fich=678&idM=177_678&nvl=2&lan=en

9.58 A more detailed description of each of the ground handling companies, their services and airports they operate is described below.

**Table 9.6: Companies operating at the most important airports in Mexico**

| No. | Airport | GH Companies | Services Provided | | | |
|---|---|---|---|---|---|---|
| | | | Cleaning | Load Control | Passenger Services | Ramp |
| 1 | Mexico City | Swissport | ✔ | ✔ | ✔ | ✔ |
| | | Aeromexico Servicios | ✔ | ✔ | ✔ | |
| | | Ground Control Mexico | | ✔ | | ✔ |
| | | Menzies | ✔ | ✔ | ✔ | ✔ |
| | | Groundforce | ✔ | ✔ | ✔ | ✔ |
| 2 | Cancun | Swissport | ✔ | | ✔ | ✔ |
| | | Aeromexico Servicios | ✔ | ✔ | ✔ | ✔ |
| | | Ground Control Mexico | | ✔ | | ✔ |
| | | Menzies | ✔ | ✔ | ✔ | ✔ |
| | | Groundforce | ✔ | ✔ | ✔ | ✔ |
| 3 | Guadalajara | Swissport | ✔ | | | ✔ |
| | | Aeromexico Servicios | ✔ | ✔ | ✔ | ✔ |
| | | Ground Control Mexico | | ✔ | | ✔ |
| | | Menzies | ✔ | ✔ | ✔ | ✔ |
| 4 | Monterrey | Swissport | ✔ | ✔ | ✔ | ✔ |
| | | Aeromexico Servicios | ✔ | ✔ | ✔ | ✔ |
| | | Ground Control Mexico | | ✔ | | ✔ |
| | | Menzies | ✔ | ✔ | ✔ | ✔ |
| 5 | Tijuana | Swissport | ✔ | ✔ | ✔ | ✔ |
| | | Aeromexico Servicios | ✔ | ✔ | ✔ | ✔ |
| | | Menzies | ✔ | ✔ | ✔ | ✔ |
| 6 | Puerto Vallarta | Swissport | ✔ | | | ✔ |
| | | Aeromexico Servicios | ✔ | ✔ | ✔ | ✔ |
| | | Menzies | ✔ | ✔ | ✔ | ✔ |
| 7 | Los Cabos | Swissport | ✔ | ✔ | ✔ | ✔ |
| | | Aeromexico Servicios | ✔ | ✔ | ✔ | ✔ |
| 8 | Merida | Swissport | ✔ | | | ✔ |
| | | Aeromexico Servicios | ✔ | ✔ | ✔ | ✔ |
| | | Menzies | ✔ | ✔ | ✔ | ✔ |
| | | Groundforce | ✔ | ✔ | ✔ | ✔ |

Source: Prepared by Steer Davies Gleave with information from GH companies

9.59 **Aeromexico Servicios** is one of the biggest ground handling companies in Mexico, handling over 372,000 flights annually, representing 67% of all ground handling flight operations in

Mexico. It has 70 customer airlines from a number of different countries, and 4,000 qualified staff working at 42 airports in Mexico[181].

9.60 Aeromexico Servicios is a subsidiary of Aeromexico, the flag carrier airline of Mexico. It operates scheduled services to more than 56 destinations in Mexico, North, South, and Central America, the Caribbean, Europe, and Asia. Its main base and hub is Mexico City International Airport, with a secondary hub at Monterrey.

9.61 Aeromexico Servicios offers the following services in Mexico:

- Passenger and Baggage (departures, arrivals, baggage handling, intermodal transportation, ground security coordination);
- Ramp (Baggage handling, marshalling, parking, communications, aircraft loading/unloading, aircraft towing and pushback, interior cleaning, toilet services, cooling, de-icing);
- Load control, communications and flight operations;
- Cargo and mail services;
- Support services;
- Security;
- Aircraft maintenance; and
- Representation (ground handling consulting in Mexico, development of manuals, courses, etc.)

9.62 Table 9.7 provides a list of all airports served by Aeromexico Servicios.

**Table 9.7: Airports served by Aeromexico Servicios**

| Aeromexico Servicios Airport Stations System | | | |
|---|---|---|---|
| Acapulco | Durango | Minatitlan | Tampico |
| Aguascalientes | Guadalajara | Monterrey | Tijuana |
| Bahias de Huatulco | Hermosillo | Morelia | Torreon |
| Cancun | La Paz | Nuevo Laredo | Tuxtla Gutierrez |
| Chetumal | Leon / Bajio | Oaxaca | Veracruz |
| Chihuahua | Los Cabos | Puebla | Villahermosa |
| Ciudad del Carmen | Los Mochis | Puerto Escondido | Zacatecas |
| Ciudad de Mexico | Manzanillo | Puerto Vallarta | Zihuatanejo |
| Ciudad Juarez | Mazatlan | Queretaro | |
| Cozumel | Merida | Reynosa | |
| Culiacan | Mexicali | San Luis Potosi | |

Source: http://www.aeromexicoservicios.com.mx/net.php

9.63 Ground Control Mexico is another major ground handling company in Mexico, providing ground handling services for commercial and government aviation needs in Mexico, Central America and the Caribbean. Services offered by Ground Control Mexico include:

- Representation services;

[181] http://www.aeromexicoservicios.com.mx/service.php

- Supervision services;
- Ramp handling services;
- Catering;
- Baggage and lost and found;
- Government affairs; and
- Dispatch.

9.64 Table 9.8 provides a list of all airports served by Ground Control Mexico.

**Table 9.8: Airports served by Ground Control Mexico**

| Airports served by Ground Control Mexico | |
|---|---|
| Monterrey | Guadalajara |
| San Jose del Cabo | Toluca |
| Cancun | Mexico City |

Source: http://www.groundcontrol.com.mx/Offices.asp

9.65 Several international companies provide ground handling services at Mexican airports. In all cases these companies have established a Mexican subsidiary. Examples of these companies are as follows (and described in more detail below):

- Menzies Aviation;
- Groundforce Mexico; and
- Swissport.

9.66 **Menzies Aviation** is a global provider of passenger, ramp and cargo handling services. Menzies has grown rapidly since its conception in 1995 in Scotland, it is a significant company in the international ground handling industry.

9.67 Menzies operates in 149 stations in 31 countries. It serves over 500 airline costumers handling over one million flights and 1.6 million tonnes of cargo per annum[182]. The services they provide are listed in Table 9.9 operating in the Mexican airports shown in Table 9.10.

**Table 9.9: Menzies ground handling services**

| Menzies Ground Handling Services | | |
|---|---|---|
| Ticketing | Aircraft ground power and start-up | LZ Storage and Management |
| Check-in | De-icing | Freighters |
| VIP lounges | Pushback and towing | Chartered flights |
| Load Control | Customer Services | Meet & Greet |
| Aircraft loading and unloading | Independent call centres | Executive services |
| Cabin cleaning | Airside and landside bussing | Secure cleaning |
| Toilet and water services | Lost & Found services | |

Source: http://www.menziesaviation.com/index/page/p/9/ref/Services

[182] http://www.menziesaviation.com/index/page/p/2/ref/About-Us

**Table 9.10: Mexico Airports in which Menzies has operations**

| Menzies Operations | | | |
|---|---|---|---|
| Aguascalientes | Culiacan | Mexico City | San Jose del Cabo |
| Bajio | Guadalajara | Monterrey | San Luis Potosi |
| Campeche | Hermosillo | Morelia | Tampico |
| Cancun | Huatulco | Oaxaca | Tijuana |
| Chihuahua | Ixtapa/Zihuatanejo | Puerto Escondido | Torreon |
| Ciudad del Carmen | La Paz | Puerto Vallarta | Tuxtla Gutierrez |
| Ciudad Juarez | Loreto | Queretaro | Veracruz |
| Cozumel | Mazatlan | Reynosa | Villahermosa |
| Cuernavaca | Merida | Saltillo | |

Source: http://www.menziesaviation.com/network/list/p/16/ref/Network

9.68 Groundforce Mexico is part of Globalia Handling, an independent business unit of Globalia Corporation since its establishment in 2003. The services provided by Groundforce Mexico are shown in Table 9.11 at Mexico City Airport, Merida and Cancun Airports[183]:

**Table 9.11: Services provided by Groundforce Mexico**

| Groundforce Ground Handling Services | | |
|---|---|---|
| **Services to Passengers:** | **Flight Operations:** | **Ramp Services:** |
| Ticket desk | Crew briefing | Aircraft loading/unloading |
| Check-in and boarding | Communications | Baggage sorting and transportation |
| Flight arrival and connections | Centralized load planning | Cabin cleaning |
| Baggage assistance | Ramp supervision | Crew transportation |
| Special passengers and VIP service | ULD control | Apron bus |
| | Bunkering Supervision | GPU, aircraft pushback, ASU |
| | Catering and cleaning services | ULD |
| | | Toilet and water services |
| | | De-icing |

Source: http://www.groundforce.aero/en/servicios/handling.html

9.69 **Swissport** is another mayor service provider in Mexico. It is the world's largest provider of ground and cargo handling services in the aviation industry.

9.70 The services that Swissport provides are shown in Table 9.12.

**Table 9.12: Services Swissport provides in Mexico**

| Swissport Ground Handling | | |
|---|---|---|
| **Station Management and Administration:** | **Passenger Services:** | **Aircraft Servicing and Ramp Handling:** |
| AFP Filing | Airport Ticketing Sales Desk | Aircraft Loading/Unloading |
| Flight Operations Assistance | Arrival and Transfer Services | Baggage Sorting and Transportation |
| Irregularity Operations Support | Check-in Services | Cabin Cleaning |
| Liaising with various port authorities | Dedicated Passenger Services | Crew Transport |

[183] http://www.groundforce.aero/en/red_aeropuertos/handling_mex.html

| Swissport Ground Handling | | |
|---|---|---|
| Load Control | Gate Services | De/Anti-Icing |
| Station Control | Lost and Found Services | GPU, Push-Back |
| Station Representation and Supervision | Lounge Services | Unit Load Device Control |
| Weather Briefing | Special Passenger and VIP Services | Toilet and Water Services |

Source: http://www.swissport.com/products-services/products-services/ground-handling/

9.71 The airports in which Swissport provides ground handling services in Mexico are shown in Table 9.13.

**Table 9.13: Swissport Network in Mexico**

| GH Company | Airport | Services Provided | | | |
|---|---|---|---|---|---|
| | | Cleaning | Load Control | Passenger Services | Ramp |
| Swissport | Acapulco | ✔ | ✔ | ✔ | ✔ |
| Swissport | Aguascalientes | ✔ | | ✔ | ✔ |
| Swissport | Huatulco | ✔ | | | ✔ |
| Swissport | Cancun | ✔ | ✔ | ✔ | ✔ |
| Swissport | Chihuahua | ✔ | ✔ | ✔ | ✔ |
| Swissport | Culiacan | ✔ | | | ✔ |
| Swissport | Durango | ✔ | ✔ | ✔ | ✔ |
| Swissport | Guadalajara | ✔ | | | ✔ |
| Swissport | Hermosillo | ✔ | | | ✔ |
| Swissport | Juarez | ✔ | ✔ | ✔ | ✔ |
| Swissport | La Paz | ✔ | | | ✔ |
| Swissport | Bajio | ✔ | | | ✔ |
| Swissport | Los Mochis | ✔ | ✔ | ✔ | ✔ |
| Swissport | Mazatlan | ✔ | ✔ | ✔ | ✔ |
| Swissport | Mexico City | ✔ | ✔ | ✔ | ✔ |
| Swissport | Monterrey | ✔ | ✔ | ✔ | ✔ |
| Swissport | Morelia | ✔ | | | ✔ |
| Swissport | Oaxaca | ✔ | ✔ | ✔ | ✔ |
| Swissport | Obregon | ✔ | ✔ | ✔ | ✔ |
| Swissport | Puebla | ✔ | ✔ | ✔ | ✔ |
| Swissport | Puerto Vallarta | ✔ | ✔ | | ✔ |
| Swissport | San Jose del cabo | ✔ | ✔ | ✔ | ✔ |
| Swissport | Toluca | ✔ | ✔ | ✔ | ✔ |
| Swissport | Torreon | ✔ | | | ✔ |
| Swissport | Zacatecas | ✔ | ✔ | ✔ | ✔ |

Source: http://www.swissport.com/index.php?id=4&level=country&continentId=3&countryId=147

9.72 Swissport has been operating in Mexico City Airport since 2014 with a total number of employees of 520, handling an average of 4 million passengers and 22,000 A/C each year, providing their services to the following airlines[184]:

- Jet Blue Airlines;
- Lan Chile;
- Lan Peru;
- MasAir;
- TAM; and
- Volaris.

9.73 Aeropuertos y Servicios Auxiliares (ASA) is the only jet fuel provider in Mexico airports. With over 34 years' experience, it supplies jet fuel through a network with over 60 stations and one supply point[185].

9.74 In 2015 a constitutional reform, relating to the provision of energy, was approved by the Mexican Congress in which it allows companies different from the state owned PEMEX to explore, obtain and produce fuels and oil derives, this means that companies different from ASA may now obtain permits to buy, produce and distribute jet fuel to airports, ASA supplies 3,800 million litres of jet fuel of which 40% goes to Mexico City Airport and 18% to Cancun Airport as the two main consumers[186].

[184] http://www.swissport.com/network/network-detail/?busId=904&cHash=f64e172b6ec82cccf16127188bec845a

[185] http://asa.gob.mx/es/ASA/Combustibles

[186] http://www.elfinanciero.com.mx/empresas/asa-dejaria-de-ser-el-unico-distribuidor-de-turbosina-en-mexico.html

# 10 Case study: Morocco

## Introduction

10.1 In this chapter we provide the analysis of the regulatory environment and market analysis for airport ownership and management and ground handling in Morocco.

## Context

10.2 The Moroccan airport network comprises 25 commercial airports, 19 of them international airports. They can be categorised as follows:

- Large international airports: Casablanca (the largest national airport), Rabat (airport in Morocco's political capital) and Benslimane (airport in the greater Casablanca region);
- International and emerging airports: Marrakech (main tourist airport), Agadir (second tourist airport), Fes, Nador, Oujda, Tanger, etc.; and
- Smaller (national) airports.

**Table 10.1: Largest commercial airports of Morocco (2014)**

| Rank | City | Airport name | 2014 Passengers (total, departing and arriving) |
|---|---|---|---|
| 1 | Casablanca | Mohammed V International | 7,971,705 |
| 2 | Marrakech | Menara | 4,034,410 |
| 3 | Agadir | Massira | 1,467,447 |
| 4 | Fes | Saiss | 791,564 |
| 5 | Tanger | Ibn Battouta | 766,364 |
| 6 | Rabat | Sale | 684,213 |
| 7 | Nador | Nador International | 604,013 |
| 8 | Oujda | Angad | 515,896 |
| 9 | Laayoune | Hassan 1er | 123,356 |
| 10 | Dakhla | Dakhla | 96,746 |
| 11 | Essaouira | Mogador | 62,591 |
| 12 | Ouarzazate | Ouarzazate | 59,062 |
| 13 | Al-Hoceima | Cherif Al Idrissi | 44,841 |
| 14 | Others | | 72,663 |

Source: Office National Des Aeroports (ONDA) 2015

10.3 The largest airports in Morocco are located in the northern part of the country.

10.4 The air transport liberalisation policy adopted by Morocco has supported a continuous growth in air traffic in recent years. During the period 2006-2014, the number of passengers increased at a compound annual average rate of 6.6%, rising from 10.4 million passengers in 2006 to 17.3 million passengers in 2014.

10.5 In 2014, total air passenger traffic was 4.8% higher than that in 2013 (from 16.5 million in 2013 to 17.3 million). During 2014, Moroccan airports handled 4.0% more aircraft movements than in 2013 (156,140 vs 150,134).

10.6 Europe is the main destination for air services from Moroccan airports, with the number of passengers traveling to or from Europe amounting to 80% of total international passenger traffic in 2014.

10.7 Moroccan air transport passenger traffic is forecast to reach 52 million passengers by 2030 according to the national airport development plan.

## Morocco: Airport ownership

10.8 In Morocco, the airport sector remains under a public monopoly, with no private investment. The Office National des Aéroports (ONDA) is the owner and manager of all airports in Morocco.

10.9 The ONDA was established on 13 December 1989 by law 14-89 promulgated by Dahir n° 1-89-237 of 30 December 1989, to replace Office des Aéroports de Casablanca (OAC), as a public, industrial and commercial concern with a legal status and financial autonomy.

10.10 ONDA's remit covers all the country's airports that are open to commercial air traffic, and includes the following responsibilities[187]:

- Construction, operation, maintenance and development of airports open to public air traffic;
- Control of air navigation; and
- Passenger and freight transport.

10.11 To this end, the ONDA collects airport duties and taxes as well as fees for services rendered in connection with air navigation and related aspects, such as baggage handling.

10.12 Decree n°2-89-480 of 30 January 1989 concerning application of law n°14-89 defined the units in charge of administration and management of ONDA. ONDA is under the technical supervision of the Ministry of Transport and the financial supervision of the Ministry of Finance. It is administered by a Board of Directors, comprising, under the chairmanship of the Prime Minister or the Government authority delegated by the Prime Minister, representatives of several ministries, a representative of the Royal Army, and a representative of Royal Air Maroc. The Managing Director of ONDA attends Board meetings as a rapporteur (i.e. to report on the proceedings of the meetings).

10.13 An airport capacity report[188] by the African Development Bank states that *"the law establishing ONDA provides that the organization will have the immovable property necessary to run the airports that it manages and operates. For movables, the same law and its enabling decree provide for transfer of the items to the organization, on the basis of an inventory*

[187] ONDA website, accessed 24 March 2016. www.onda.ma

[188] Appraisal report, improvement and extension of airport capacity, African Development Bank, 2000

*containing figures and approved by the Ministries of Transport and Finance. The items were transferred from the Government to ONDA in 1996, by transfer decrees jointly signed by the Minister of Transport and the Minister of Finance".*

## Morocco: Airport management

10.14 As explained above, all airports in Morocco are owned and managed by ONDA, an autonomous, 100% government-owned state company. There is currently no private sector involvement in the management of airports in Morocco, but this may change in the future, as described further below.

**Future changes**

10.15 There are ongoing discussions at the Moroccan Ministry of Equipment, Transport and Logistics as well as at the Moroccan Ministry of Economy and Finance regarding the launch of a number of Public Private Partnership (PPP) airport projects. The potential move towards PPPs in airports is supported by the recent enactment of Law 86-12 on such partnerships. Law 86-12 establishes a legal framework for PPPs in Morocco and sets out principles for PPP best practice[189]. In this context, ONDA has reviewed[190] a number of different airport PPP scenarios and relevant models that could be adopted, including:

- PPPs for individual airports;
- PPPs for airport groupings;
- A single PPP for all airports in the country; and
- Capital opening of ONDA, which would require a transfer of airport property from the State to ONDA.

10.16 Whilst there are no firm indications as to the model that will be eventually selected, ACI Africa stated during stakeholder consultation for this study that any private role with respect to Morocco's airports would likely be more focussed on management, with the airports remaining State-owned.

10.17 The ONDA has a number of current and future projects under consideration, including:

- the specialisation of Tit Mellil airport (located between Rabat and Casablanca) into a business aviation airport;
- the development of an Aérotropolis (airport with city attached to it) in Benslimane; and
- the construction of a new airport in Marrakech in the medium term.

10.18 The financial model for these projects has not yet been decided, however ONDA has stated that it will take the form of one of the options mentioned above[191] in paragraph 8.15.

10.19 Stakeholders consulted during the course of this study stated that there would be potential interest in Morocco, depending on the model chosen by ONDA (it appears that ONDA want to

[189] Morocco Ministry of Economics and Finance website, accessed 24 March 2016. www.finances.gov.ma,

[190] ONDA: Etude pour la definition de la strategie d'introduction du PPP dans le secteur aeroportuaire au Maroc - 2015

[191] ONDA: Etude pour la definition de la strategie d'introduction du PPP dans le secteur aeroportuaire au Maroc -2015

continue having a say in the management of airports, which may limit interest due to governance issues).

## Morocco: Ground handling

### Regulatory framework

10.20 The process of liberalising the ground handling market in Morocco began in 2004, with the formal liberalisation by Decree (law) in 2005[192]. In this context, the relationship between the airport authority (ONDA) and ground handling organisations are governed by national laws and regulations that set the conditions for the provision of support services on the ground.

10.21 The 2005 Decree (Decree n° 2-05-1399 dated 2 December 2005) is the only legislative document regulating ground handling activities in Morocco. This is a national law; there are no lower level (e.g. regional) laws or regulations regarding the ground handling market.

10.22 Article 3 of the 2005 ground handling decree requires ground handling companies to be established in Morocco, but there are no nationality requirements beyond this. Ground handling licences are granted for a period of up to 7 years and are able to be renewed.

10.23 Article 3 of the ground handling decree states that the number of ground handlers can be limited for a number of service types in cases of limited physical space or security/safety requirements. These service types are as follows:

- baggage handling;
- runway operation handling;
- fuel and oil handling; and
- freight and post handling.

10.24 Article 4 states that self-handling by airlines is permitted at a number of airports (list is provided in paragraph 10.26), but that the number of carriers permitted to self-handle may be limited to the four service types listed above in paragraph 10.23, for the same reasons as listed above. The 18 largest Moroccan airports all permit self-handling by airlines.

10.25 Article 6 lists the documents that must be submitted to obtain licences, whilst article 12 states that the remuneration received by the airport manager for access to facilities as part of ground handling services shall be determined according to “relevant, objective, transparent and non-discriminatory” factors.

10.26 In Morocco, ONDA is responsible for the tendering of ground handling licences through international calls for tender. Individual airports do not have the freedom to make decisions regarding the ground handling organisations that operate at their airports. In the most recent tender in 2012, licences were granted for 3 groups of airport operations:

- Mohammed V airport in Casablanca;
- “South Zone” (airports located in the south of the country), including Marrakech, Agadir, Essaouira, Laayoune, Ouarzazate, Dakhla, Guelmim, Tan-Tan and Zagora;
- “North Zone”, including Tangier, Rabat, Fez, Oujda, Nador, Al Hoceima, Tétouan, Errachidia and Bouarfa.

10.27 The ground handling decree allows ONDA to reduce the number of ground handlers at airports based on space or based on safety/security concerns. It does not mention any market volume

[192] Decree n° 2-05-1399 dated 2 December 2005

requirements and their relationship to the number of ground handling organisations at an airport, but the grouping of airports into three groups for the tender procedure corresponds in practice a market volume criteria.

10.28 There are no specific nationality requirements in the ground handling decree and the companies who bid in 2012 were mainly large international operators: Swissport, Globalia, Servisair, Aviapartner, Menzies Aviation and Groupement Ease[193]. However, according to Article 3, these businesses must already be established in Morocco (requiring at least a business address in Morocco). To this end Swissport established Swissport Maroc SA in October 2012 as a subsidiary company based in Agadir, operating on behalf of Swissport on Moroccan territory. Globalia, a Spanish ground handling company also created a subsidiary "Morroco GHS", based in Casablanca, in order to provide ground handling services at Casablanca airport[194].

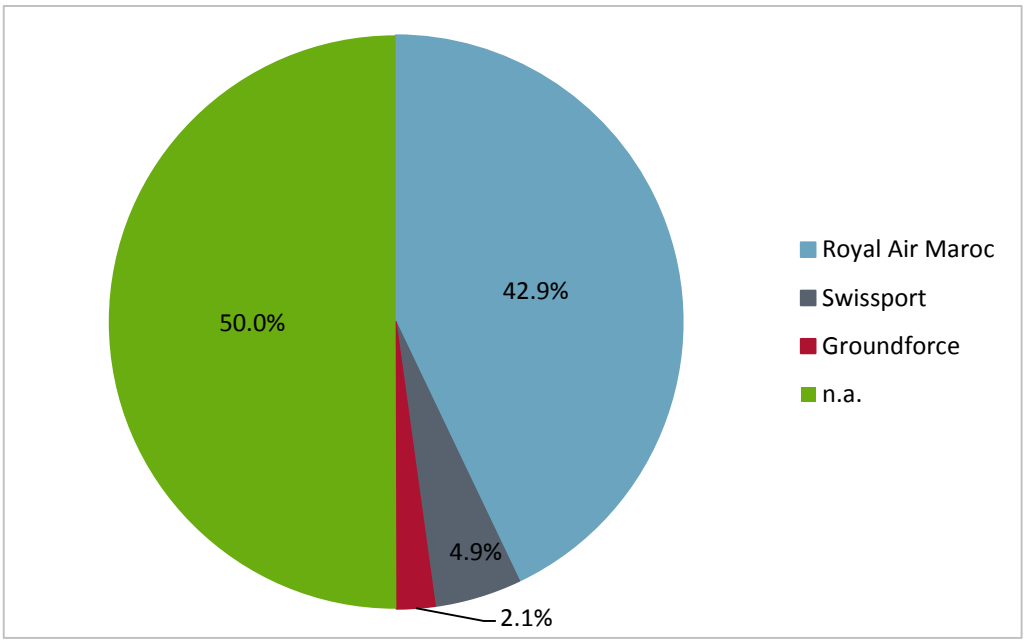
10.29 We understand from our discussions with stakeholders that the practice of establishing a local operation for ground handling service provision is normal for the business and presents no barriers to market entry.

**Market Information**

*Market size and shares*

10.30 The market shares of the major companies in the Moroccan ground handling market for ramp and passenger services are shown in Figure 10.1 and Figure 10.2 respectively.

**Figure 10.1: Moroccan ground handling market share by company (ramp)**

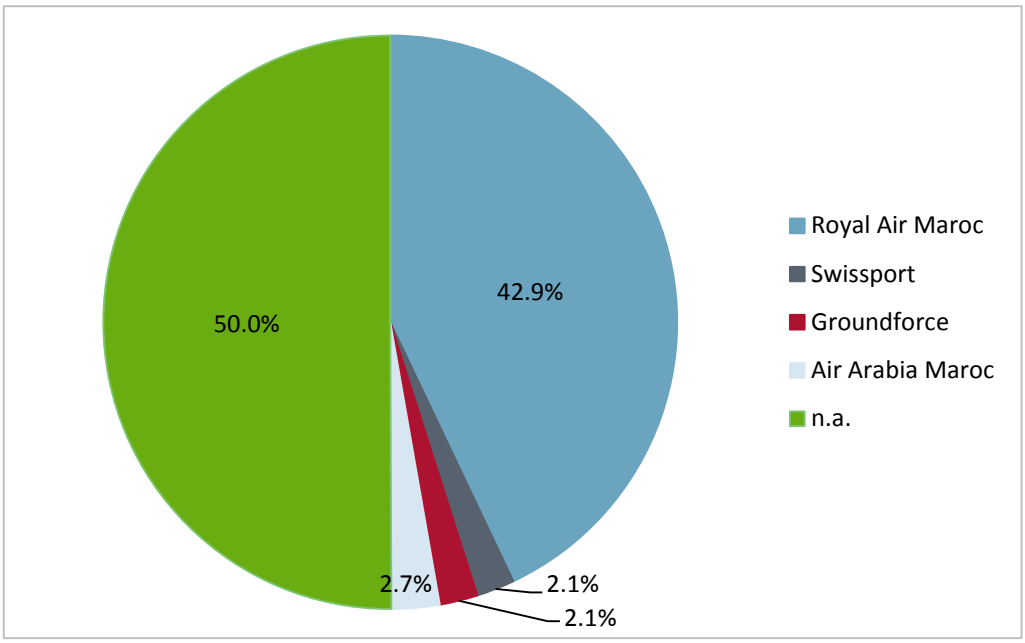



Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 15,000 passengers per year

[193] Accessed 24 March 2016. http://www.aeronautique.ma

[194] Accessed 24 March 2016. http://lasociete.ma/morocco-ghs/casablanca-140377/

**Figure 10.2: Moroccan ground handling market share by company (passenger)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 15,000 flights per year

10.31 We estimate the total value of the Moroccan ground handling market to be €53 million for ramp and passenger services combined.

10.32 Market share and size estimates have been developed in line with the methodology described on page 34.

*Operators and tenders*

10.33 In ONDA's 2012 (most recent) international call for tender for ground handling service licences in Morocco, three international tenders were launched as follows:

- Two licenses for the Mohammed V airport in Casablanca. Six offers were received and the selected handlers were Swissport and Globalia. Swissport is a very large international handler and Globalia is a Spanish handler operating in 3 countries.
- One license for the "South Zone". Five offers were received and resulted in Swissport being selected;
- One license for the "North Zone". Five offers were received and resulted in Swissport being selected; and
- Unsuccessful bidders included Servisair (now part of Swissport), Aviapartner (Belgium), Menzies Aviation (UK) and Ease grouping.

**Table 10.2: Services offered by ground handlers in Morocco**

| Swissport | Globalia | RAM-Handling |
|---|---|---|
| Operates in **9 airports** in Morocco*<br>• Station management and administration;<br>• Passenger services;<br>• Aircraft services and Ramp handling; and<br>• Does not provide cargo handling. | **Operates at Casablanca airport only** [195]<br>• Check-in and Boarding;<br>• Ramp: Loading and unloading;<br>• Ramp equipment maintenance (in-house hangar);<br>• Operations: Start up and load sheet;<br>• Special Assistance Service;<br>• Cleaning;<br>• GPU Services;<br>• Taxiing of luggage and goods; and<br>• Does not provide cargo handling. | Royal Air Maroc self handles as well as providing services to third parties. |

* The remaining 10 airports in the group have very few/no scheduled flights other than Royal Air Maroc.
Source: Swissport[196], Globalia websites[197][198], Steer Davies Gleave analysis

10.34 Swissport and Globalia began activities in Morocco on 1 July 2012, competing alongside Royal Air Morocco (RAM-Handling) whose contract continued until the end of 2014, and is understood to continue with regard to both self-provision and provision ground handling services for third parties. The Moroccan airports therefore have two or, in the case of Mohammed V airport, three ground handling service providers.

10.35 By 2014 RAM Handling employed 942 employees. In late October 2014, RAM had provided self-handling on behalf of Royal Air Morocco for 65% of its 90,000 operations handled in Morocco, and 35% of third-party customers' operations. RAM Handling's turnover in 2014 was 373 million DH (or approximately €34 million) and recorded an operating profit of 23 million DH (approximately €2.2 million), and net profit of 16.4 million DH (approximately €1.5 million).

10.36 The result of the 2012 tender was not welcomed by Ryanair[199] which protested against the "monopolistic offer" of ground handling at the airports it serves. Nevertheless, the airports served by Ryanair have two ground handling service providers, including RAM-Handling. The airline decided to withdraw 34 flights per week between Morocco and Europe as a result of its "strong increase in ground handling charges". ONDA responded that the price of handling services is not under its responsibility as it "has no authority to interfere in commercial

[195] Ground Force website, Accessed 24 March 2016. http://www.groundforce.aero/en/contacto/contacto.html

[196] Swissport website – ground handling services, Accessed 24 March 2016. http://www.swissport.com/products-services/products-services/ground-handling/

[197] Ground Force website, http://www.groundforce.aero/en/pdf/pdf-marroc.pdf, accessed March 2016

[198] Ground Force website, **http://www.groundforce.aero/index_eng.html**, accessed March 2016

[199] Accessed 24 March 2016. http://www.quellecompagnie.com/News/ryanair-ryanair-quitte-oujda-maroc-et-supprime-34-vols-au-maroc-vols-low-cost-0450.php

negotiations between airlines and handlers". It also clarified that "only a ceiling price may be fixed in order to secure the airlines".[200]

10.37 There had also been some issues with the previous ground handling tender (in 2003) which resulted in a lawsuit from one of the 6 bidders (Flightcare-Celebi-Finamco). This bidder, a consortium comprised of Spanish handler Flightcare, Celebi from Turkey and Moroccan company Finamco, scored the highest number of points (90 points), but was not selected in favour of Portuguese-Spanish bidder (Tap-Globalia-Finance.Com-Atlanta) who scored 71 points[201].

10.38 The number of people employed in ground handling activities in Morocco was expected to double after 2012's tender. Recruitment and training was planned to be a rigorous process, including the creation in Morocco of a Swissport academy closely monitored by ONDA[202] (no further updates on progress were found).

[200] ONDA website, accessed 24 March 2016. http://www.onda.ma/content/download/3164/22214/version/1/fichier/Communiqu%C3%A9ONDA260612.pdf

[201] Accessed 24 March 2016. www.aujourdhui.ma/maroc/economie/l-onda-perd-la-premiere-manche-9894

[202] ONDA website, accessed 24 March 2016. http://www.aeronautique.ma/L-ONDA-vers-un-nouveau-modele-d-assistance-en-escale_a2541.html

# 11 Case study: Philippines

## Introduction

11.1 In this chapter we provide market analysis for airport ownership and management and ground handling in the Philippines.

## Context

11.2 In the Philippines, there are 85 airports that fall under The Civil Aviation Authority of the Philippines' (CAAP) classification system[203] that handle the vast majority of commercial aviation. In addition to these there are a number of small aerodromes which are generally not used for commercial aviation. The airports under CAAP's classification system consist of the following:

- 10 international airports;
- 15 "Class 1" principal airports, which are capable of serving jet aircraft with a capacity of at least 100 seats;
- 19 "Class 2" principal airports, which are airports capable of serving propeller aircraft with a capacity of at least 19 seats; and
- 41 community airports, which are used primarily for general aviation.

11.3 The 10 busiest airports, in terms of number of passengers, are shown in Table 11.1.

**Table 11.1: Commercial airports in the Philippines with highest number of passengers, 2014**

| Rank | City | Airport | CY12 Passengers* | Passengers (most recent year) | Year |
|---|---|---|---|---|---|
| 1 | Manila | Ninoy Aquino International Airport | 31,878,935 | 36,681,601 | 2015 |
| 2 | Cebu | Mactan-Cebu International Airport | 6,712,293 | 13,550,343 | 2015 |
| 3 | Davao | Francisco Bangoy International Airport | 2,963,243 | 3,452,479 | 2014 |
| 4 | Iloilo | Iloilo International Airport | 1,854,427 | 1,677,632 | 2014 |
| 5 | Kalibo | Kalibo International Airport | 1,832,168 | 2,321,162 | 2014 |
| 6 | Cagayan de Oro | Laguindingan Airport | 1,614,157 | 1,553,346 | 2014 |
| 7 | Bacolod | Bacolod-Silay International Airport | 1,518,417 | 1,317,841 | 2014 |
| 8 | Puerto Princesa | Puerto Princesa International Airport | 1,322,925 | 1,378,580 | 2014 |
| 9 | Angeles | Clark International Airport | 1,309,883 | 877,757 | 2014 |
| 10 | Tacloban | Daniel Z. Romualdez Airport | 1,149,592 | 863,634 | 2014 |

[203] CAAP Airports, accessed 8th March 2016, **http://www.caap.gov.ph/index.php/contact-us/directory/finish/22-contact/163-caap-airport-directory**

| Rank | City | Airport | CY12 Passengers* | Passengers (most recent year) | Year |
|---|---|---|---|---|---|
| 11 | Zamboanga | Zamboanga International Airport | 904,668 | 901,041 | 2014 |
| 12 | Tagbilaran | Tagbilaran Airport | 734,207 | 651,837 | 2014 |
| 13 | General Santos | General Santos International Airport | 611,274 | | |
| 14 | Malay | Boracay Airport | 595,564 | | |
| 15 | Legazpi | Legazpi Airport | 578,767 | | |
| 16 | Butuan | Bancasi Airport | 524,194 | | |
| 17 | Dumaguete | Sibulan Airport | 451,112 | | |
| 18 | Ozamiz | Labo Airport | 272,850 | | |
| 19 | Cotabato | Awang Airport | 246,209 | | |
| 20 | Tuguegarao | Tuguegarao Airport | 223,907 | | |

*Passenger data for more recent years was not available for a number of major airports
Source: CAAP[204], airport websites

## Philippines: Airport ownership

11.4 All CAAP-classified airports are owned by the government. There is no market or regulatory framework in the Philippines for private investments in airport ownership, only airport management.

11.5 In line with the our approach to attributing private investment arrangements to ownership or management as described in chapter 4, paragraph 0 we discuss the Build-Operate-Transfer (BOT) airport management model arrangements for the Philippines under airport management.

## Philippines: Airport management

11.6 Private involvement in airport management in the Philippines occurs under the Build-Operate-Transfer (BOT) airport management model arrangements.

**Regulatory situation**

11.7 Since the establishment of the CAAP in 2008, all major commercial airports in the Philippines have been managed by the CAAP with exception of Ninoy Aquino (Manilla), Mactan-Cebu (Cebu), and Clark (Angeles) international airports, along with Subic Bay Airport, a very small airport. These airports are managed by independent state owned enterprises[205] which were created by the CAAP's forerunner, the Air Transport Office (ATO).

11.8 The primary piece of legislation regulating the privatisation of airport management in the Philippines is Republic Act No. 6957 2006 (RA 6957) as amended by Republic Act No. 7718 2012 (RA 7718), or The Philippine Amended BOT Law, which provides a framework for PPP infrastructure development. RA 6957 allowed local government organisations to enter into contractual arrangements with private sector organisations to fund infrastructure projects on a Build-Operate-Transfer (BOT) or Build-Transfer-Operate (BTO) basis. RA 7718 extended the provisions of RA 6957 to include a larger number of government implementing agencies and

[204] CAAP Statistics, accessed 8th March, http://www.caap.gov.ph/index.php/downloads/viewcategory/13-statistics

[205] Clark International Airport Corporation, Mactan–Cebu International Airport Authority, Manila International Airport Authority and Subic Bay Metropolitan Authority

included other contractual arrangements to implement PPP projects. The Public-Private Partnership (PPP) Program was created in 2010 in order to facilitate infrastructure development and coordinate with the appropriate implementing agency.

**Private management of airports in the Philippines**

11.9 To date, Mactan-Cebu International is the only airport to have been let to a private operator by Department of Transportation and Communications (DOTC) through the PPP program. GMR Infrastructure Limited (GMR) and Megawide Construction Corporation (MCC), (an Indian-Filipino consortium) were awarded the Mactan-Cebu project through a tendering process in April 2014 with a winning bid of PHP 17.52 billion (approximately €0.34 billion) and took operational control of the airport in November 2014. The operation of the airport, which includes the construction of a new terminal building, has been let on a Build-Operate-Transfer (BOT) basis for a period of 25 years. Soon after the contract was awarded in 2014, the Supreme Court was petitioned[206] by a senator and business leaders not to award the contract on the grounds of unfair bidding procedures and the poor financial position and track record of GMR-Megawide. However, in January 2016 the Supreme Court dismissed these petitions on lack of merit grounds.

11.10 The PPP Center's project database[207] lists five further airports, shown in Table 11.2, that are currently in the process of being let on an 'Operate-Add-Transfer' basis for a period of 30 years. The PPP Center states that the winning bidder will be required to operate and maintain the airport as well as provide additional facilities and necessary improvements.

**Table 11.2: Philippine PPP airport projects under procurement for OAT concessions (current in March 2016)**

| Airport | City | CY12 Passengers | Project Cost |
|---|---|---|---|
| Bacolod–Silay | Bacolod | 1,518,417 | PhP 20.26 Billion (€ 0.39 Billion) |
| Francisco Bangoy | Davao | 2,963,243 | PhP 40.57 Billion (€ 0.79 Billion) |
| Iloilo | Iloilo | 1,854,427 | PhP 30.40 Billion (€0.59 Billion) |
| Laguindingan | Cagayan de Oro | 1,614,157 | PhP 14.62 Billion (€0.28 Billion) |
| Tagbilaran | Panglao | 734,207 | PhP 2.34 Billion (€ 0.05 Billion) |

Source: PPP Center[208]

11.11 The start date for these concessions is not clear; a bulletin[209] issued on the 22 February 2016 stated that the bid submission date for these projects, originally set for 29 February 2016, has been delayed until further notice.

11.12 The five consortia, shown in Table 11.3, have pre-qualified as bidders for the PPP airport projects shown in Table 11.2.

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[206] G.R. No. 214756, accessed 9th March 2016, http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2016/january2016/211737.pdf

[207] PPP Center project database, accessed 9th March 2016, http://ppp.gov.ph/?page_id=26068&search=true&implementing_mode=Both&region=0&project_sector=1492&project_status=0&keyword=

[208] PPP airport projects, accessed 9th March, http://ppp.gov.ph/?page_id=26068&search=true&implementing_mode=Both&region=0&project_sector=1492&project_status=0&keyword=

[209] General Bid Bulletin No. 25-2016, accessed 31st March, http://ppp.gov.ph/wp-content/uploads/2016/02/DILPBABO-RegionalAirports-GBB-No-25-2016.pdf

**Table 11.3: Pre-qualified bidders for Philippine PPP airport projects under procurement (March 2016)**

| Consortium | Company | Origin Country |
|---|---|---|
| Filinvest-Jatco-Sojitz Consortium | Filinvest | Philippines |
| | Japan Airport Terminal | Japan |
| | Cyberzone Properties | Philippines |
| | | |
| GMR Infrastructure and Megawide Consortium | Megawide Construction | Philippines |
| | GMR | India |
| | Delhi International Airport | India |
| | | |
| Maya Consortium | Aboitiz Equity Ventures | Philippines |
| | VINCI | France |
| | ANA-Aeroportos de Portugal | Portugal |
| | Therma South | Philippines |
| | Hedcor Sibulan | Philippines |
| | | |
| Philippine Airports Consortium | Metro Pacific Investments | Philippines |
| | Aeroports de Paris | France |
| | | |
| SMHC-IIAC Airport Consortium | San Miguel Holdings | Philippines |
| | Incheon International Airport | South Korea |
| | Star Infrastructure Development | Philippines |
| | Citra Metro Manila Tollways | Philippines |

Source: PPP Center

11.13 In the Philippines there are restrictions on how much involvement foreign companies can have in operating airports. The Securities and Exchange Commission issued an opinion[210] in November 2015 which stated that airports are considered a public utility, and the foreign investment negative list[211] states that up to 40% foreign equity is permitted in the operation of public utilities. All the consortia in Table 11.3 therefore contain a majority share of Filipino companies. Other than this limitation there does not appear to be any issues with European companies' involvement, as three European companies have a place in one of the 5 shortlisted consortia:

- VINCI Airports (France) and ANA (Portugal) are members of the Maya Consortium (NB. VINCI now owns ANA, the company that holds a fifty-year concession for Portugal's airports); and
- Aeroports de Paris (France) is a member of the Philippine Airports Consortium.

11.14 The development of Ninoy Aquino International Airport is also listed in the PPP Center's project database. We understand that this project is still in early stages of development and that The Department of Transportation and Communications and Manila International Airport Authority are still awaiting approval from the National Economic and Development Authority.

[210] SEC Opinion No. 15-14, accessed 9th March 2016, http://www.sec.gov.ph/investorinfo/opinions/ogc/cy%202015/15-14.pdf

[211] Executive Order No. 184 Promulgating the Tenth Regular Foreign Investment Negative List, accessed 9th March 2016, http://www.gov.ph/downloads/2015/05may/20150529-EO-0184-BSA.pdf

## Philippines: Ground handling

### Regulatory framework

11.15 CAAP Regulation[212] on ground handling states that air service providers must seek permission from CAAP to use a third party ground handling service provider. At least 15 days prior to the use of a new provider, air service providers must submit evidence containing the proposed agreements for the services provided, CAAP then accepts or rejects these arrangements based on whether the ground handling service provider is deemed to be able to provide an adequate service.

11.16 The regulation also states that air service providers may, but are not obliged to, use service providers for most of their ground handling needs. If some ground handling is provided by service providers, the air service provider is required to monitor any external providers to ensure ground handling operations are undertaken at the required standard.

11.17 The regulation does not explicitly mention the role of airports in granting access to ground handling service providers. However, given all but 4 airports in the Philippines are operated by CAAP, and CAAP grants permission to ground handling service providers to operate, the implication is that service providers are required to gain permission to operate from the airport operator in CAAP managed airports.

11.18 In response to an enquiry on whether 100% foreign owned companies could undertake ground handling services, The Securities and Exchange Commission stated[213] in November 2015 that ground handling services are essential to airport operations and are therefore part of providing a public utility. This means that, like airport management, up to 40% foreign equity is permitted in the operation of these services and therefore 100% foreign owned companies are not permitted to provide airport ground handling services.

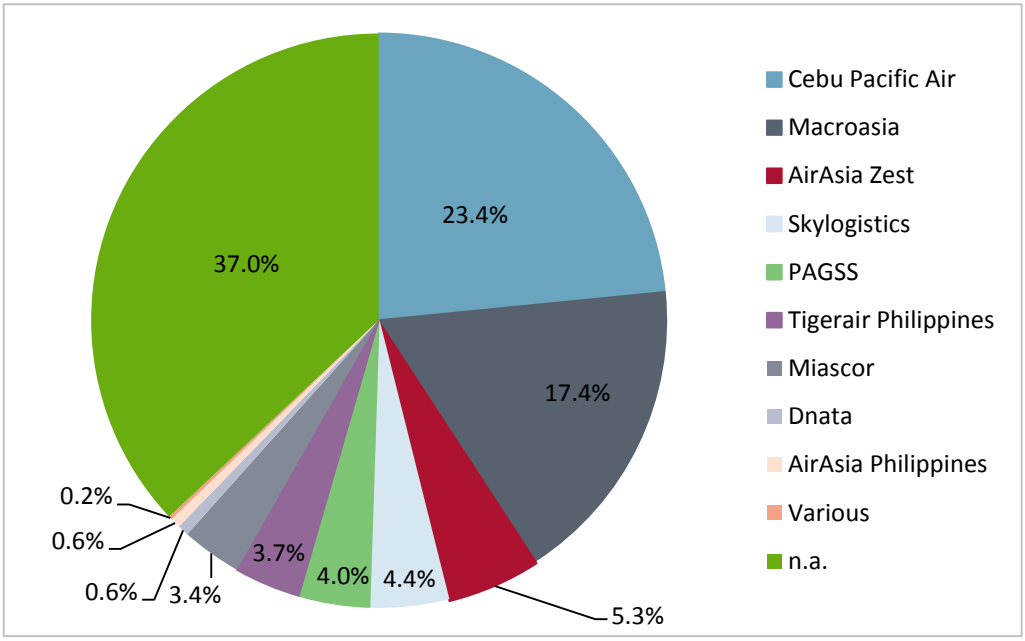
### Market information

11.19 The market shares of the major companies in the Filipino ground handling market for ramp and passenger services are shown in Figure 11.1.

[212] ACCEPTABLE GROUND HANDLING ARRANGEMENTS, accessed 9th March 2016, http://www.caap.gov.ph/index.php/downloads/finish/25-advisory-circular-ac/136-ac-09-007-acceptable-ground-handling-arrangements

[213] SEC Opinion No. 15-14

**Figure 11.1: Filipino ground handling market share by company (ramp and passenger)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 30,000 passengers per year

11.20 We estimate the total value of the Filipino ground handling market to be €163 million for ramp and passenger services combined. Market share and size estimates have been developed in line with the methodology described on page 34, however company specific turnover information was not available.

11.21 The airports at which the major ground handling companies are active in the Philippines is shown in Table 11.4. The major companies appear only to be active at the three busiest airports - Ninoy Aquino (Manilla) , Mactan-Cebu (Cebu), Francisco Bangoy (Davao) International Airports, plus Clark (Angeles) International Airport, which is currently undergoing development work to become the largest airport in the Philippines (see Table 11.4).

11.22 There are currently no EU owned ground handling companies operating in the Philippines. Dnata, a United Arab Emirates based company (fully owned by the Emirates Group), is the only major foreign owned company operating in the Philippines and operates through a Philippines based subsidiary. It appears that Dnata operates through a Philippines based subsidiary in order to avoid breaching the 40% foreign equity rule. However, in February 2016 The Manila Times reported[214] that the general manager of Manila airport had been charged with corrupt practices before the Office of the Ombudsman for awarding ground handling contracts to Dnata. The structure and legality of Dnata's operations in the Philippines therefore remains unclear. An international ground handling operator (based in the EU) consulted during the course of this study stated that they consider the Philippines to be a "highly competitive market" and that they do not perceive any regulatory issues relating to access to the market (although they are not present in the market themselves).

[214] MIAA general manager charged with graft, date accessed 25th April 2016, http://www.manilatimes.net/miaa-general-manager-charged-with-graft/245990/

**Table 11.4: Ground handling companies at major airports in the Philippines**

| Company | Country of Ownership | Locations | | | |
|---|---|---|---|---|---|
| | | Ninoy Aquino | Clark | Mactan-Cebu | Francisco Bangoy |
| Dnata | UAE | ✓ | ☐ | ☐ | ☐ |
| MacroAsia | Philippines | ✓ | ☐ | ✓ | ☐ |
| Miascor | Philippines | ✓ | ✓ | ✓ | ✓ |
| PAGS | Philippines | ✓ | ✓ | ✓ | ☐ |
| Sky Logistics | Philippines | ✓ | ☐ | ✓ | ☐ |

Source: The IATA Ground Handling Council Directory, Handbook of Business Aviation[215], company websites

11.23 Information on ground handling companies operating at other airports in the Philippines is not easily available; The IATA Ground Handling Council (IGHC) Directory[216] does not list any service providers for the majority of airports shown in Table 11.1. However, it is not clear whether this is because ground handling services are provided by the airport itself, or by smaller ground handling companies which may not be members of the IGHC. The overall role of airport operators in providing ground handling services, as well as the existence of any monopolies within an airport, is therefore unclear.

11.24 Figure 11.1 indicates that airlines have a significant share of the ground handling market in the Philippines. The number of airports at which these airlines are present is shown in Table 11.5. However, it is not clear whether these airlines only self-handle, whether this is at all their destinations in the Philippines or only some, or if they provide ground handling services for other airlines.

**Table 11.5: Major airlines in the Philippines with a notable share in the ground handling market**

| Airline | No of Philippine airports |
|---|---|
| AirAsia | 9 |
| Cebu Pacific | 34 |
| Tigerair | 4 |

Source: Company websites

[215] Handbook of Business Aviation, date accessed 14th March 2016, http://www.handbook.aero/hb_philippines.html

[216] The IATA Ground Handling Council (IGHC) Directory, date accessed 14th March 2016, http://www.iata.org/publications/ighc-directory/Pages/index.aspx

# 12 Case study: Turkey

## Introduction

12.1 In this chapter we present the market analysis for airport ownership and management and ground handling in Turkey.

## Context

12.2 As of March 2016, there were 55 commercial airports in Turkey. In 2015, the Turkish air transport market served a total of 181.3 million passengers, 97.4 million domestic, and 83.8 million international. The two Istanbul airports combined serve half of this traffic, as shown in Table 12.1.

**Table 12.1: Air transport passenger traffic in Turkey, 2015**

| Total Passenger Traffic (millions)...comprising | 181.3 |
|---|---|
| Domestic Passenger Traffic (millions) | 97.4 |
| International Passenger Traffic (millions) | 83.8 |
| Domestic Share In Total Traffic | 53.8% |
| Top 10 Airports' Share In Total Passenger Traffic | 88.8% |
| İstanbul Airports' Share In Total Passenger Traffic | 49.3% |

Source: DHMI, Steer Davies Gleave analysis

12.3 Table 12.2 lists the twenty Turkish airports with the highest number of passengers in 2015.

**Table 12.2: Passenger Traffic at the 20 busiest Turkish Airports ( 2015 )**

| Rank | Airport Name | CY15 Passengers |
|---|---|---|
| 1 | İstanbul Atatürk | 61,322,729 |
| 2 | İstanbul Sabiha Gökçen | 28,112,438 |
| 3 | Antalya | 27,724,249 |
| 4 | Ankara Esenboğa | 12,326,869 |
| 5 | İzmir Adnan Menderes | 12,139,788 |
| 6 | Adana | 5,369,260 |
| 7 | Muğla Dalaman | 4,377,101 |
| 8 | Muğla Milas-Bodrum | 3,877,603 |
| 9 | Trabzon | 3,361,450 |
| 10 | Gaziantep | 2,480,979 |
| 11 | Diyarbakır | 2,071,089 |
| 12 | Kayseri | 1,980,247 |

| Rank | Airport Name | CY15 Passengers |
|---|---|---|
| 13 | Samsun Çarşamba | 1,716,993 |
| 14 | Van Ferit Melen | 1,394,328 |
| 15 | Hatay | 1,171,484 |
| 16 | Erzurum | 1,085,117 |
| 17 | Konya | 1,067,753 |
| 18 | Elazığ | 955,988 |
| 19 | Gazipaşa Alanya | 915,046 |
| 20 | Malatya | 767,701 |

Source: DHMI, **http://www.dhmi.gov.tr/istatistik.aspx**

12.4 The Turkish Ministry of Transport plans to build 6 new airports in the coming years, including Artvin-Rize, Yozgat, Edirne-Kırklareli, Niğde Aksaray, Karaman and Batı Antalya airports, in addition to İstanbul's New Airport, planned to be the largest airport in the world once construction is complete, with an annual capacity of 150 million passengers[217].

## Turkey: Airport ownership

### Overview

12.5 In Turkey, all airports are owned by state or public entities; there are no privately owned commercial airports and there is no private investment in airports.

### Regulatory situation

12.6 Airports in Turkey are owned by state and public entities, with no privately owned airports. This is due to Article 34 of Turkish Civil Aviation Law No.2920 which states that:

*"Airports are established and operated by state or public legal entities. The need and the standards to build airports, hangars, runways, service and operational facilities regarding civil aviation are detected by Ministry of Transport in coordination with General Command of Turkish Armed Forces. The permit for building airports by private individuals and private legal entities is subject to the allowance of Ministry of Transport with positive deliberation of General Command of Turkish Armed Forces."*[218]

### Public entities' ownership of Turkish Airports in 2015

12.7 Turkish airports are owned by state and public entities as follows:

- **The State Airports Authority (DHMI)** is a state economic enterprise (SEE), which has its own legal identity, autonomy over its activities, is liability limited with its capital, and is associated with Ministry of Transportation[219]. DHMI has expressed a wish to become

[217] Airkule, **http://www.airkule.com/haber/6-YENI-HAVALIMANI-YOLDA/22773**, accessed 10 March 2016

[218] Turkish Civil Aviation Law No.2920, **http://www.mevzuat.gov.tr/MevzuatMetin/1.5.2920.pdf** , accessed 10 March 2016

[219] DHMI, **http://www.dhmi.gov.tr/DHMIPageEN.aspx?PageID=34#.Vsy397SLSa8** , accessed 10 March 2016

more commercial, to separate the ANSP function and perhaps to take on some private shareholders in the medium term[220].

- **The Turkish Armed Forces (TSK)** owns many airports which are operated both for civil aviation purposes and military purposes in coordination with DHMI[221].
- **The Treasury Undersecretariat** is a government body working under the Prime Ministry of Turkey[222].
    - **Istanbul Sabiha Gökçen International Airport** is owned by a public capital based joint stock company called **Airport Management and Aviation Industries Inc. (HEAŞ).** Initially, HEAŞ managed the airport under the 96.4% capital share of the airport held by the Undersecretariat for Defence Industries (SSM). HEAŞ was originally established in partnership with the Turkish Undersecretariat for Defence Industries (SSM) (prime position), TUSAŞ Aerospace Industries Inc. (TAI), Turkish Armed Forces Foundation (TSKGV), Turkish Air Association (THK), ASELSAN Electronics Industry and Trade Inc. (ASELSAN) and Air Electronic Industry and Trade Inc. (HAVELSAN). Since December 2014, TAI, ASELSAN and HAVELSAN transferred their HEAŞ shares to TSKGV, and HEAŞ has continued its activities as a 3-partner company[223].
- **Anadolu University**, a state university, owns Eskişehir Anadolu University Airport, a small airport hosting commercial as well as training flights[224].

12.8 A complete list of the ownership, status and management details of commercial airports in Turkey is provided in Annex B.

## Turkey: Airport management

12.9 Private management of airports is linked to management rights given to private companies via concessions and BOTs. Private management of airports is not linked to any (partial or otherwise) privatisation of the airport; as noted above private ownership of airport infrastructure is not possible in Turkey under Turkish Civil Aviation Law 2920.

12.10 Currently (March 2016), 11 of the 55 commercial airports in Turkey are under private management (Table 12.3). Management rights of these airports are temporarily allocated via BOT or ROT (Rent-Operate-Transfer) arrangements. Ten are leased by DHMI to private companies, and the management rights of İstanbul Sabiha Gökçen (İSG) airport is leased to HEAŞ (former İSG later MAHB) by the Defence Industries Undersecretariat (SSM), which owns İSG airport. The remaining 43 airports in Turkey are under the public management of DHMI alone, or, for airports with civil-military status, co-management by DHMI & TSK. Eskişehir Airport is managed by the government via Eskişehir Anadolu University.

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[220] Airport Business, "My vision is for DHMI to operate globally", **http://www.airport-business.com/2015/10/vision-dhmi-operate-globally/**, published 8 October 2015, accessed April 2016

[221] TSK, **http://www.tsk.tr/20_ingilizce_tsktr/index.html** , accessed 10 March 2016

[222] Turkish Treasury, **http://www.treasury.gov.tr/en-US/Mainpage**, accessed 10 March 2016

[223] HEAŞ, **http://www.sgairport.com/corporate/history-and-establishment-of-heas**, accessed 10 March 2016

[224] Turkish DGCA, **http://web.shgm.gov.tr/tr/haberler/644-eskisehir-anadolu-universitesi-havaalani-isletme-ruhsati-aldi** , accessed 10 March 2016

12.11 All airports except İstanbul Sabiha Gökçen and Eskişehir airports are supervised by DHMI and the CAA. DHMI supervises the airports it manages and the privately managed airports at Gazipaşa, Zafer, Aydın and Zonguldak are supervised via auditors from DHMI General Directorate in Ankara. All other commercial airports with private or public management are also subject to CAA supervision according to SHY-14A.

**Table 12.3: Privately managed airports in Turkey (2016)**

| Airport | Management | Contract type (BOT or ROT) | Oversight |
|---|---|---|---|
| Gazipaşa Alanya | DHMI<br>(TAV holds management rights until 2034) | ROT<br>(TAV Gazipaşa Yatırım, Yapım ve İşletme A.Ş." won the management concession in 2007) | DHMI + CAA |
| Zafer | DHMI<br>(IC İçtaş İnşaat Sanayi ve Ticaret A.Ş holds management rights until 2044) | BOT<br>(Tendered in 2010 with BOT model for 2 million ppac domestic and international terminal built by joint venture "IC İÇTAŞ) | DHMI + CAA |
| Zonguldak Çaycuma | DHMI<br>(Zonguldak Özel Sivil Havacılık Sanayi ve Ticaret A.Ş. holds management rights until 2034) | ROT<br>(Zonguldak Özel Sivil Havacılık Sanayi ve Ticaret A.Ş." won the management rights concession in 2007) | DHMI + CAA |
| Aydın Çıldır | DHMI<br>(Turkish Airlines Flight Academy holds management rights until 2032) | ROT<br>(Handover of management rights in 2012) | DHMI + CAA |
| İstanbul Sabiha Gökçen | HEAŞ<br>(ISG = Malaysia Airports Holdings Berhad holds management rights until 2028) | BOT (HEAŞ)<br>(Limak-GMR-Malaysia Airports won the BOT tender in 2008. İSG holds operational rights for 20 years from 31 December 2014 as Limak; GMR Group transferred its shares to MAHB in 2014. | Undersecretariat for Defence (SSM) + CAA |
| İstanbul Atatürk | DHMI<br>(TAV holds management rights until 2021) | BOT + ROT<br>Following the end of the BOT management period, TAV won the concession for management rights of the domestic and international terminals, multistorey carpark and general aviation terminal starting in 2005 for a period of 15 years) | DHMI + CAA |
| Ankara Esenboğa | DHMI<br>(TAV holds management rights until 2023) | BOT<br>(Tendered in 2004 with BOT model for 10 million ppac international terminal) | DHMI + CAA |
| İzmir Adnan Menderes | DHMI<br>(TAV holds management rights until 2032) | BOT + ROT<br>(Tendered in 2004 with BOT model for 5 million ppac international terminal, in service in 2006. The original operation period ended in 2015, however facilities' management was handed over in 2012 with DHMI's ROT condition to build a new domestic terminal) | DHMI + CAA |
| Antalya | DHMI<br>(IC- Fraport holds management rights until 2024) | BOT + ROT<br>(Antalya Airport International Terminal: Tendered in 1993 with BOT model for building 5 million passenger per annum capacity (ppac), in service by 1998. The original operation period ended in 2007, but a new domestic terminal was built under an additional contract between DHMI and Fraport–IC in 2009) | DHMI + CAA |

| Airport | Management | Contract type (BOT or ROT) | Oversight |
|---|---|---|---|
| Muğla Dalaman | DHMI<br>(YDA holds management rights until 2040) | BOT + ROT<br>(Muğla Dalaman Airport International Terminal: Tendered in 2003 with BOT model for 5 million ppac international terminal, in service in 2006. The original operation period ended in 2015, and following this the bid for management rights of the domestic and international terminals was won by YDA.) | DHMI + CAA |
| Muğla Milas-Bodrum | DHMI<br>(TAV holds management rights until 2034) | BOT + ROT<br>(Milas-Bodrum Airport International Terminal: Tendered in 2006 under BOT model for 5 million ppac domestic terminal, in service by 2012. The original operation period ended in 2015. Following this, as a result of the bid in 2014, TAV Havalimanları Holding A.Ş won the management concession) | DHMI + CAA |

Source: DHMI Activity Report 2014 **http://www.dhmi.gov.tr/getBinaryFile.aspx?Type=9&dosyaID=573** (NB. No change between 2014 and 2016)

**Regulatory situation**

12.12 Private management rights for airports are provided to private companies via concessions and BOTs, as laid out in Law No 5335: The Law On Making Amendments On Some Laws (Article 33):

Article 33: *"DHMI can handover the airports operated by DHMI and the terminals or other airport facilities that are allocated to private sector via BOT projects and after the end of BOT operation period by the methods as renting or concession of management rights specified at The Law On The Privatisation Practices No 4046 / Article 18A-b, 18A-c via bids to private legal entities for a period no more than 49 years. Depending on the project, DHMI can use one or more methods together with the decision of DHMI Executive Board. The overhaul of the operations, transparency of bid processes and the realisation of international standards are made by DHMI. The value evaluation at bids are made by related departments of DHMI as Finance Department, Research Planning and Coordination Department, Revenue Department, Construction Department and head of related DHMI airport according to at least one of the assessment methods specified in Law No: 4046/18B-c."*[225]

12.13 Airport management is regulated by the Turkish CAA and DHMI regulations as follows:

- Civil Aviation Authority Directive **SHY-14A**: Airport Building, Operation and Certification, and
- DHMI Airport Management & Operation Directive[226].

12.14 SHY-14A covers all airports regardless of whether they have private or public management, and the DHMI directive covers only those airports managed by DHMI.

**Market situation**

12.15 According to the DHMI activity report for 2014:

[225] Law No 5335, **http://www.mevzuat.gov.tr/MevzuatMetin/1.5.5335.pdf**, accessed 10 March 2016

[226] DHMI, **http://www.dhmi.gov.tr/kanunyonetmelik.aspx#.Vtx9wbSLRdg**, accessed 10 March 2016

*"By the end of 2014 the number of DMHI's airport PPP projects in Turkey has reached 18. Among those 18 projects, 10 of them are Build Operate Transfer projects under Law No.3996 and 8 of them are concessions as the handover of airport management rights of present facilities under Law No.5335. "*

12.16 Private management of airports in Turkey includes the management of terminal buildings, ground handling, cargo operations and facilities, car parking, aircraft refuelling and electrification operations, airport hotels, airport advertisement areas depending on the management contract. Private management of airports in Turkey excludes air traffic control services and related facilities which are managed and controlled by DHMI as the responsible authority in Turkey for the provision of Air Traffic Services (ATS) within the entire territory of Turkey[227].

12.17 The role of private management in Turkish airports is limited by law under the Civil Aviation Authority Directive SHY-14A: Airport Building, Operation and Certification and the DHMI Airport Management & Operation Directive. Turkish CAA oversight covers all airports and DHMI oversight covers airports managed by DHMI, and international oversight is in accordance with ICAO and ECAC standards.

12.18 These regulations and audits set out the responsibilities, operational standards, violations and penalties, airport charges, airport investments and upgrades, and relations among airport managers, airport users and regulators.

12.19 The management rights given to private airport operators whether via BOTs or ROTs include a management freedom within a limited framework drawn by DHMI and CAA regulations. Hence private operators' managements are subject to conditions settled by DHMI and CAA.

12.20 Management rights do not ensure a full laissez-faire freedom to private operators. For example, operators cannot set airport charges without the approval of Transport Ministry (DHMI and CAA), nor can they build new facilities or runways without DHMI or CAA approval. DHMI and CAA set the conditions and audit for quality standards of airport operations and there are various regulations on groundhandling services including rules on maximum number of GHs at an airport, GH operation licences, etc. There are penalties for airport operators for the violations of DHMI and CAA regulations.

12.21 Airport operators may negotiate contracts with airlines, organise airside and land areas (location of boarding gates by destinations and airlines, and space allocation for check-in shops, restaurants ,etc.), and can select contractors for various services including airport security, cleaning, utilities, and so on. Airport operators may also lease various airport units as shops, advertisement boards, car parks, etc. DHMI and CAA are the authorities responsible for the audit of airport operations in line with national and international standards, all of which are written in comprehensive contracts with the related private airport operator.

**Turkish airport management concessions**

12.22 Concessions in Turkey are awarded following a bidding process for a maximum duration of 49 years.

[227] DMHI, **http://www.ssd.dhmi.gov.tr/page.aspx?mn=23**, accessed 10 March 2016

12.23 To date in Turkey there have been 8 airport management concessions[228] agreed between DHMI and private companies (as noted in paragraph 12.15), and 1 concession between the Under Secretariat Of Defence (HEAŞ) and İSG (after 2014, MAHB). The scope of the concessions is laid out in the contract, and varies in coverage of terminal and/or other airport facilities and duration of management rights. In line with Law 5335/ Article 33, a number of concessions started after the end of a BOT project with a new bidding process (e.g. İstanbul Atatürk Airport) and others include requirements to build new airport facilities (e.g. İzmir Airport).

12.24 According to Law 5335/Article33, DHMI is authorised to hand over management rights of airports operated by DHMI, as well as airports that are constructed under a BOT model and after the last BOT operation period, to private legal entities via a bidding process for a maximum of 49 years. A list[229] of the private management contracts controlled by DHMI via Rent Operate Transfer model is provided following:

- **Atatürk Airport Passenger Terminals**: Following the end of a BOT management period, TAV Istanbul Terminal Işletmeciliği A.Ş. won the concession for management rights of the domestic and international terminals, multistorey carpark and general aviation terminal at the airport, starting in 2005 for a period of 15 years for $3.01 billion (approximately €2.6 billion).
- **Antalya Airport 1st and 2nd Phase International Terminal, CIP, Domestic Terminal:** Fraport-IC Içtaş Antalya Havalimani Terminal Yatirim ve Işletmeliği A.Ş. won the 2007 bid for management rights with a bid of €2.4 billion (VAT included) for a concession lasting until the end of 2024. In addition, a new domestic terminal was built under an additional contract between DHMI and Fraport-IC, signed in 2009 and operational from 2010.
- **Zonguldak Çaycuma Airport:** Zonguldak Özel Sivil Havacilik Sanayi ve Ticaret A.Ş. won the management rights concession via a bidding process in 2007 for a period of 25 years.
- **Gazipaşa Alanya Airport:** TAV Gazipaşa Yatirim, Yapim ve Işletme A.Ş. won the management concession bid in 2007, with handover in 2009 and concession period until 2034. The annual rent includes 65% of the airport's net profit and a $50,000 (approximately €44,000) facility usage cost.
- **Izmir Adnan Menderes Airport International Terminal, CIP, Domestic Terminal:** TAV Ege Terminal Yatirim Yapim ve Işletme A.Ş. won the management rights with a bid of €610 million, which included a condition from DHMI to build a new domestic terminal at the airport. Handover of facilities' management is from 2012 to 2032. TAV completed construction of the new domestic terminal in 2014 with an investment cost of €269 million.

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[228] Private management can be allocated via BOTs or ROTs and there are grey areas between the two arrangements. There are 11 airports under private management. Eight are currently privately managed via DHMI ROT concessions and a number of those ROTs were the transformation of previous BOTs (see Table 12.3). The airports under private management only by BOTs (Ankara, Zafer and İSG) are not included in this list of 8. There are also airports which had ROT management concessions that included special conditions to build additional airport facilities. The transformation from BOT to ROT at the end of BOT period is enabled by Law 5335. Finally, there are cases where DHMI applied special construction conditions to ROT contracts made with private airport operators.

[229] DHMI Activity Report 2014, p.145-148, **www.dhmi.gov.tr/getBinaryFile.aspx?Type=9&dosyaID**=, accessed 12 March 2016

- **Aydin Çildir Airport:** The 2012 bid for management rights was won by THY A.O. Management rights included conditions for recreational aviation, pilot training, and other flights for aircraft suitable for the existing runway, for an annual cost of 7% of the airport's net profit and a $20.000 (approximately €18,000) charge for annual facility usage. Concession period is 2012 - 2032.
- **Muğla Milas - Bodrum Airport International Terminal, CIP, Domestic Terminal:** Following the end of a BOT management period in 2015, and as a result of the 2014 bid, TAV Havalimanlari Holding A.Ş won the management concession rights, covering the period up to 2036.
- **Muğla Dalaman Airport International and Domestic Terminal:** Following the end of BOT building and operation period in 2015, the bid for management rights of the domestic and international terminals of Dalaman Airport was won by YDA INŞAAT SANAYI VE TICARET A.Ş. with a bid of €705 million plus VAT.

12.25 An overview of these concessions is provided in Table 12.4.

**Table 12.4: DHMI Rent-Operate-Transfer projects (concessions)**

| Airport & Project | Rent Cost | Operation Period | Concession end date |
|---|---|---|---|
| Atatürk Airport Passenger Terminals | $2,543,000,000 + VAT | 15.5 years | 03/01/2021 |
| Antalya Airport Passenger Terminals | €2,010,000,000 + VAT | 1st phase 17 years 3 months<br>2nd phase 15 years 3 months | 31/12/2024 |
| Zonguldak Çaycuma Airport | Rent cost is a multiple of 1.06 of its revenue + annual $32,291 facility usage cost | 25 years | 20/08/2032 |
| Gazipaşa Alanya Airport | Rent cost is 65% of its net profit + $50,000 annual facility usage cost | 25 years | 13/07/2034 |
| İzmir Adnan Menderes Passenger Terminals | €610,000,000 + VAT | Domestic: 20 years 11 months<br>International: 17 years 11 months | 31/12/2032 |
| Aydın Çıldır Airport | Rent cost is 7% of its annual net profit + $20,000 annual facility usage cost | 20 years | 20/07/2032 |
| Milas-Bodrum Airport Passenger Terminals | €717,000,000 + VAT | Domestic: 21 years 5 months<br>International: 20 years 2 months | 31/12/2035 |
| Dalaman Airport Passenger Terminals | €705,000,000 + VAT | Domestic: 26 years 4 months<br>International: 25 years 8 months | 31/12/2040 |

Source: DHMI Activity Report 2014

### BOT projects

12.26 There have been 8 BOT projects concluded between DHMI and private companies under Law 3996 Build Operation Transfer Investments, with 1 BOT project currently underway (Istanbul New Airport). One BOT project (Çukurova Airport) was cancelled by government due to the

financial problems of the private company winning the bid. Details[230] are as follows and are summarised in Table 12.5:

- **Antalya Airport International Terminal:** Tendered in 1993 under the BOT model to build a terminal with 5 million passenger per annum capacity (ppac). Completed and in service by 1998, and the operation period of the terminal ended in 2007.
- **Atatürk Airport International Terminal:** Tendered in 2007 under the BOT model for a 14 million ppac terminal and in service in 2000. Capacity was expanded to 20 million ppac with an additional terminal facility that entered operation in 2004. The operation period ended in 2005.
- **Antalya Airport 2nd International Terminal:** Tendered in 2003 under the BOT model to construct a 2nd international terminal with 5 million ppac, in order to meet additional traffic demand at the airport. Completed and in service by 2005. The operation period of the terminal ended in 2009.
- **Muğla Dalaman Airport International Terminal:** Tendered in 2003 under a BOT model to construct a 5 million ppac international terminal. Terminal in service in 2006 and the operation period ended in 2015.
- **Ankara Esenboğa Airport Domestic and International Terminal:** Tendered in 2004 under a BOT model to construct a 10 million ppac international terminal. Terminal in service in 2006 and the operation period is until 2023.
- **Izmir Adnan Menderes International Terminal:** Tendered in 2004 under a BOT model for a 5 million ppac international terminal. Terminal in service in 2006, and the operation period ended in 2015.
- **Milas-Bodrum Airport International Terminal:** Tendered in 2006 under a BOT model for a 5 million ppac domestic terminal. Terminal in service in 2012 and the operation period ended in 2015.
- **Zafer Airport:** Tendered in 2010 under a BOT model for a 2 million ppac domestic and international terminal to be constructed under a joint venture IC IÇTAŞ Zafer Bölgesel Havaalani Yatirim ve Işletme A.Ş. In service by 2012 and the operation period ends in 2023.
- **Istanbul New Airport:** Tendered in 2013 with a €10.2 billion BOT investment value and €22.1 billion plus VAT to be paid over the 25 year operation period by the joint venture company IGA Havalimani Işletmesi Anonim Şirketi" (including Limak Inş. San. ve Tic., A.Ş./Kolin Inş.Tur., San. ve Tic. A.Ş./Cengiz Inş.San. ve Tic. A.Ş./, Mapa Inş. ve Tic. A.Ş./Kalyon Inş. San. Tic. A.Ş. Ortak Girişimi).
- **Cancelled BOT Project - Çukurova Airport:** This BOT project contract was cancelled by government due to financial problems experienced by the joint venture company after the bid period. The airport is now planned to be constructed by government.

[230] DHMI Activity Report 2014, p.145-148 **www.dhmi.gov.tr/getBinaryFile.aspx?Type=9&dosyaID**=

**Table 12.5: DHMI BOT projects**

| Airport & Project | Investment & Rent Cost | Operation Period | End date |
|---|---|---|---|
| Antalya Airport 1st International Terminal | 75.902.000 $ | 9 years 45 days | 13 / 09 / 2007 |
| Antalya Airport 2nd International Terminal | 85.386.000 $ | 3 years 5 months | 22 / 09 / 2009 |
| Atatürk Airport International Terminal | $397,793,500 | 4 years 10 months | 02/07/2005 |
| Dalaman Airport International Terminal | $91,997,688 | 8 years 2 months | 28/04/2015 |
| Adnan Menderes Airport International Terminal | $181,941,685 | 7 years 4 months | 10/01/2015 |
| Ankara Esenboğa Airport Domestic & International Terminal | $247,200,350 | 15 years 8 months | 24/05/2023 |
| Milas-Bodrum Airport International Terminal | $116,122,330 | 3 years 9 months | 22/10/2015 |
| Zafer Airport | $65,500,000 | 29 years 11 months | 21/03/2044 |
| İstanbul New Airport | € 10,247,000,000 Investment Cost<br>€ 22,152,000,000 Rent Cost | 25 Years | 25YearsAfterInitialOperation(2043) |

Note: Çukurova Airport BOT project was cancelled by government decision[231] so it is excluded from this table.
Source: DHMI Activity Report 2014

12.27 In addition to the DHMI controlled BOTs and concessions there is one further airport under private management, Istanbul Sabiha Gökçen Airport. Sabiha Gökçen Airport opened on 8 January 2001 and was the first privately operated airport in Turkey. Management of Sabiha Gökçen Airport was awarded to a public capital based joint stock company that operates within the Turkish Commercial Code. From January 2000, Airport Management and Aviation Industries Inc. (HEAŞ) began managing the airport under the 96.4% capital share held by the Undersecretariat for Defense Industries. As a result of a bid in July 2007, HEAŞ transformed Sabiha Gökçen to ISG (Istanbul Sabiha Gökçen International Airport Investment Development and Operation Inc.), a consortium of Limak-GMR-Malaysia Airports. ISG holds operational rights for Istanbul Sabiha Gökçen International Airport for 20 years, which includes the management of terminal buildings, car park, ground handling, cargo and aircraft refuelling operations, the airport hotel and CIP facilities.

12.28 In addition to the €1.9 billion paid for the operational rights, ISG was required to further invest a minimum €336 million in the airport. A new terminal building was built, increasing the

[231] Haberler, **http://www.haberler.com/cukurova-havalimani-ni-devlet-yapacak-8167731-haberi/,** accessed 6 April 2016

annual passenger capacity of the airport to 25 million passengers per annum, and put into service on 31 October 2009[232].

**Foreign investment**

12.29 There is no regulation prohibiting or discriminating the rights of managing airports on the basis of nationality of private entities. Direct Foreign Investments Law No: 4875 treats foreign private companies equal with Turkish private companies:

4875/Article 3: *"Unless the opposite is obliged by international agreements and special laws: The investment of foreign companies to Turkey is free. Foreign investors are subject to same conditions and treatments with Turkish investors. Direct foreign investments can't be expropriated unless there is a specific public benefit and the worth is paid to foreign investor. Foreign investors can freely transfer their revenues, net profits, credits and interest payments related to their activities in Turkey via banks and financial corporations. In case of any disagreement among the parties of investments national and international courts can be addressed."* [233]

12.30 In order to obtain the right to manage an airport in Turkey, foreign operators must win a bid let by DHMI or another state body (e.g. the Defence Industries Undersecretariat for ISG airport) that owns the relevant airport. Turkish and foreign operators are subject to the same Laws and Directives in relation to this[234] [235] [236].

12.31 There are 2 EU operators which are directly involved with the management of airports in Turkey:

- **Fraport AG:** Fraport has operated International Terminal 1 at Antalya Airport since 1999. Under a separate, new, concession in 2007, Fraport and its partner IC Holding manage International Terminal 1 as well as the Domestic Terminal as ICF Airports. ICF Airports took over management of International Terminal 2 in 2009, and as a result currently operates each terminal at Antalya Airport.[237]
- **Aéroports de Paris Group:** Since 2012, ADP has owned a 38% share of the Turkish airport operator TAV Airports and a 49% share of TAV Construction. TAV Airports is Turkey's global brand in airport operations and currently operates Istanbul Atatürk, Ankara Esenboga, Izmir Adnan Menderes, Milas-Bodrum and Gazipaşa-Alanya Airports in Turkey. In addition to airport operations, the holding also operates, through its affiliates and

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[232] Istanbul Sabiha Gökçen Airport, **http://www.sgairport.com/corporate/history-and-establishment-of-heas**, accessed 12 March 2016

[233] Law No. 4875, **http://www.mevzuat.gov.tr/MevzuatMetin/1.5.4875.pdf**, accessed 10 March 2016

[234] Law 3996: The Law On Built Operate Transfer Model For Some Investments & Services, (Council of Ministers Decision dated 26/4/2011 abolishing former Law dated 8/6/1994), **http://www.dhmi.gov.tr/getBinaryFile.aspx?Type=2&dosyaID=3,** accessed March 2016

[235] Law No 4046: The Law On The Privatisation Practices, **www.mevzuat.gov.tr/MevzuatMetin/1.5.4046.doc**, accessed March 2016

[236] SHY-14A: CAA Directive On Airport Building, Operating and Certification, **www.shgm.gov.tr/doc3/shy14a.doc**, accessed March 2016

[237] Fraport, **http://www.fraport.com/en/the-fraport-group/fraport-worldwide/our-airports/antalya-airport-ayt.html**, accessed March 2016

subsidiaries, auxiliary airport services including duty-free, food and beverage, ground handling services, IT, security and operation services. [238] [239]

12.32 Malaysia Airports Holdings Berhad (MAHB) holds the operation rights at Istanbul Sabiha Gökçen airport. Istanbul Sabiha Gökçen International Airport Investment Development and Operation Inc. (ISG), was founded in partnership by Limak Holding (LIMAK), GMR Infrastructure Limited (GMR), and Malaysia Airports Holdings Berhad (MAHB). ISG holds 20 year operation rights at the airport as of May 1 2008, which includes management of the terminal buildings, car park, ground handling, cargo and aircraft refuelling operations, the airport hotel and CIP facilities. ISG has changed form since the contract award, from 30 April 2014 GMR Group transferred its shares to MAHB. [240]

## Turkey: Ground handling

**Regulatory framework**

12.33 The Turkish ground handling market is regulated by a Civil Aviation Authority Directive named SHY-22[241], which categorises ground handling activities and ground handling company licences. SHY-22 applies to all commercial airports in Turkey. Ground handling activities are grouped as follows:

- Representation;
- Passenger Traffic;
- Freight control and communication;
- Ramp: Ramp, cargo and post, aircraft cleaning, control of unit loading equipment;
- Aircraft line maintenance;
- Flight operation;
- Transport;
- Catering;
- Overhaul and management; and
- Aviation security.

12.34 SHY-22 defines three groups of ground handling licences:

- An **A Group Licence** is provided to companies that operate at a minimum of three international airports in Turkey for all services or at a minimum passenger traffic, freight control and communication, ramp (cargo and post, aircraft cleaning, control of unit loading equipment) services. A Group Licence holders must have a minimum paid capital of $3 million.
- A **B Group Licence** is provided to airlines self-handling for all or some of the ground handling activities defined in the law.
- A **C Group Licence** is provided to companies who undertake representation, overhaul and management, aviation security, catering or flight operation services. C Group Licence holders must have paid capital minimum of $200,000.

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[238] TAV, **http://www.tavhavalimanlari.com.tr/en-EN/Pages/History.aspx**, accessed March 2016

[239] ADP, **http://www.aeroportsdeparis.fr/en/group/group-strategy/international/tav-airports-construction**, accessed March 2016

[240] Sabiha Gökçen, **http://www.sabihagokcen.aero/corporate-info/about-isg**, accessed March 2016

[241] DMHI, **www.dhmi.gov.tr/getBinaryFile.aspx?Type=2&dosyaID=204**, Accessed March 2016

12.35 Apart from SHY-22, DHMI has its own ground handling directives to be applied at airports managed by DHMI. DHMI ground handling directives therefore do not cover all airports in Turkey and excludes airports such as İstanbul Sabiha Gökçen Airport and Eskişehir Airport.

12.36 There are specific DHMI ground handling directives for different services including:

- Minimum Staff and Equipment Requirements of Ground handling Companies;
- Follow-Me and Marshalling Services;
- Airport Snow Intervention;
- Vehicle Use at Runway-Apron-Taxi Areas;
- Passenger Boarding Bridges; and
- Catering Services.

12.37 All DHMI directives refer to the Turkish CAA directives on ground handling (SHY-22) and Airport Building Management and Certification (SHY-14A) as well as ICAO (Annex-14 Airports) and Turkish Civil Aviation Law 2920. The purpose of the DHMI ground handling directives is to specify the principles and standards for ground handling services so that these services are practiced in accordance with ICAO's international standards and are in line with the Turkish CAA directives and Turkish Civil Aviation Law 2920.

12.38 Regardless of the ground handling service type, all handlers are responsible for the full adherence to rules and standards as per the DHMI ground handling directives. If a handler does not confirm compliance with DHMI ground handling standards, no permit would be issued and access to airports would not be possible. In case of any violations during airport operations, DHMI applies penalties including temporarily or permanently prohibiting handlers' access to airports via cancelation of handlers' permits in coordination with Ministry of Transport.

*Granting of permission to operate*

12.39 According to the SHY-22 Directive, permission for a handler to operate at an airport in Turkey is provided by the Ministry of Transport via Preliminary Permissions and following the grant of an Operation Licence. The opinion of DHMI may be sought during this process if necessary for operational reasons (e.g. against criteria such as Runway Apron Taxiway areas, capacity for ground handling vehicle traffic, space allocation availabilities for vehicle parking areas and facilities, physical structure and expected market position, and additional capacity needs.)

12.40 The Turkish CAA also decides on the number of ground handlers to operate at airports, via SHY-22/Article 12, which sets maximum number of Group A ground handlers as follows:

*"For the airports with total (international + domestic) annual passenger traffic less than 1 million passengers maximum 2 ground handlers can have Preliminary Permission and Operation Licence, between 1 million-2 million passengers maximum 3 ground handlers can have Preliminary Permission and Operation Licence, more than 2 million passengers extra 1 ground handler for each extra 2 million passengers can have Preliminary Permission and Operation Licence."*

12.41 Airports have no right to reject or accept the request of a ground handling company to provide its services on the basis that there would not be space or market volume, or on the basis of nationality or place of establishment of the handler - any rejection on these bases can only be made by Ministry of Transport-CAA as explained in SHY-22. This practice is confirmed by a Turkish ground handling provider.

12.42 Regarding the airlines' choice of ground handler, airlines are free to choose their own handler, with the exception of SHY-22/Article 18, which limits airlines' freedom of handler choice for same service: *"For the same ground handling service type airlines cannot settle agreements with more than one ground handler in the same airport".* This also limits the number of handlers at airports over airlines' ground handler options.

*Restrictions on nationality of ground handling companies*

12.43 As ruled by SHY-22, company nationality has an impact on the ability to provide ground handling services in Turkey. Depending on the nationality of the ground handling company or its place of establishment, there are differences in access to the ground handling market and operations:

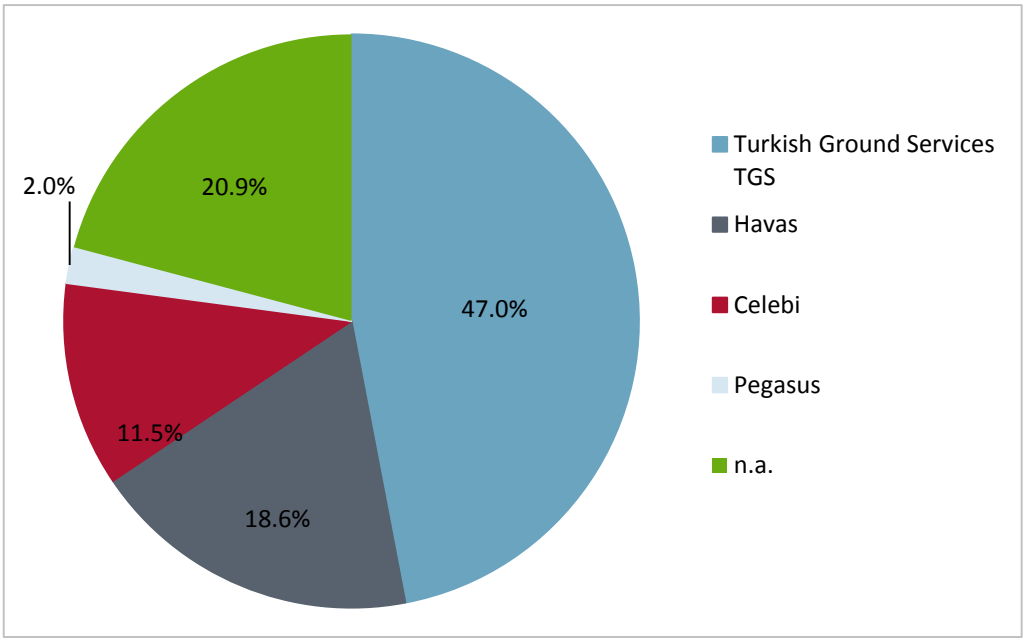
SHY-22/Article7: *"For ground handlers demanding Group A or C operation certificate the majority of the managers or representatives of the company must be Turkish citizens and according to main company contract majority of the company votes must be at Turkish partners. Ground handlers demanding Group A Licence must give bank guarantee letters to DHMI for the amount of 1 million $ for the responsibilities that may occur due to "Service Contract" they will arrange, whereas Group B and Group C Operation Licence demanding ground handlers must give 100.000$ bank guarantee letter to DHMI. However for ground handlers registered to other countries that allow Turkish air carriers to provide the same services abroad they will be treated according to the principle of reciprocity for guarantee letter. Enterprises demanding to have Group A or Group C Operation Licence have to be registered in commercial registration system in Turkey according to Turkish Commerce Law No 6762 and publish their contracts and present it to Ministry of Transport".*

**Market Information**

*Market size and shares*

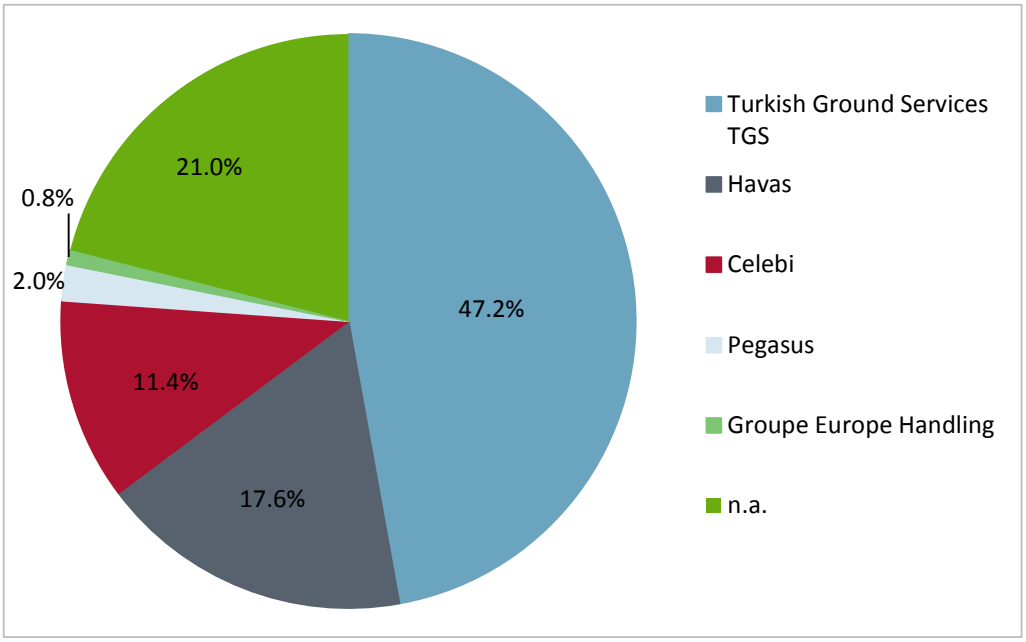
12.44 The market shares of the major companies in the Turkish ground handling market for ramp and passenger services are shown in Figure 12.1 and Figure 12.2 respectively.

**Figure 12.1: Turkish ground handling market share by company (ramp)**



Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 15,000 passengers per year

**Figure 12.2: Turkish ground handling market share by company (passenger)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 15,000 flights per year

12.45 We estimate the total value of the Turkish ground handling market to be €838 million for ramp and passenger services combined.

12.46 Market share and size estimates have been developed in line with the methodology described on page 34. There is currently no official data on total ground handling market size and share in Turkey. Neither DHMI nor TurkStat (the national statistics office) provide this data. CAA Turkey (DGCA) plans to collect this data from July 2016. There is some limited data published by ground handlers themselves, which is provided in Table 12.7 below.

*Spread of activities of ground handling organisations*

12.47 The number of ground handling companies holding Group A, B and C licenses in Turkey is shown in Table 12.6.

**Table 12.6: Number of ground handling companies in Turkey by licence type (2014)**

| Ground handler Type | Number of companies |
|---|---|
| Group A License | 3 |
| Group B License | 17 |
| Group C License | 27 |
| **Total** | **47** |

Group A: Ground handlers authorised at minimum 3 international airports to provide all GH services types.
Group B: Self-handling airlines that are authorised to provide all or some of ground handling service types for themselves or if airline holds A licence to other airlines as well.
Group C: Ground handlers authorised for representation, overhaul and management, security, catering and flight operation services
Source: CAA Turkey (DGCA) Activity Report 2014

12.48 Three ground handling companies hold A-Group licences in Turkey, and the activities of all three are spread across a number of airports in Turkey:

- **Havaş**, which is 100% owned by Turkish airport operator TAV Airports.
- **TGS (Turkish Ground Services),** which is jointly owned by Turkish Airlines and TAV (Havaş), with each holding 50% of the shares.
- **Çelebi Hava Hizmetleri A.Ş,** operating since 1958 and the first private ground handling company in Turkey.

12.49 Company information and airports of operation for these three companies is provided in Table 12.7.

**Table 12.7: Group A licenced ground handlers in Turkey, company information (2014)**

| Company | Market Share By Turnover | Flights Served & Turnover ( € ) | Airports | Shareholders & Nationality |
|---|---|---|---|---|
| TGS (Turkish Ground Services) | not available | 584,520 flights (approx. 50% of all flights in Turkey)<br>60 million pax<br><br>€203 million | 8 airports: İstanbul Atatürk, İstanbul Sabiha Gökçen, İzmir, Adana, Ankara, Bodrum, Dalaman, Antalya[242] | Shareholders:<br>50% THY<br>50% TAV (HAVAŞ)<br>(AéroportDeParis owns 38% of TAV)<br><br>Nationality:<br>Turkish company by country of commercial registration |
| Çelebi Hava Servisi A.Ş. | not available | 193,042 flights | 29 airports: Adana, Ankara, Antalya, Bingöl, Bodrum, Bursa Yenişehir, Çorlu, Dalaman, Diyarbakır, Erzurum, İstanbul Atatürk, İzmir, Isparta, Kars, Kayseri, Malatya, Mardin, Samsun, Trabzon, Van, Denizli, Hatay, Kahramanmaraş, Erzincan, Balıkesir Edremit, Çanakkale, Iğdır, Kocaeli , İstanbul Sabiha G. [243] | Shareholders:<br>78.36% Çelebi Havacılık Holding A.Ş.<br>(Zeus Aviation Services Investments B.V., a Dutch company, owns a 39.18% share in Çelebi Havacılık Holding A.Ş.)<br>21,64% Çelebi Family members<br><br>Nationality:<br>Turkish company by country of commercial registration |

[242] TGS, **http://tr.tgs.aero/**, accessed 15 March 2016

[243] Çelebi, **http://www.celebiyatirimci.com/files/faaliyetraporlari/fr2014.pdf**, accessed 15 March 2016

| Company | Market Share By Turnover | Flights Served & Turnover ( € ) | Airports | Shareholders & Nationality |
|---|---|---|---|---|
| Havaş | not available | not available | 26 airports:<br>İstanbul Atatürk, Ankara, İzmir, Adana, Antalya, Bodrum, Dalaman, Gaziantep, Gazipaşa, Trabzon, Kayseri, Kastamonu, Konya, Şanlıurfa, Şırnak, Sivas, Adıyaman, Muş, Elazığ, Batman, Nevşehir, Sinop, Merzifon, Ağrı, Kütahya, Ordu[244] | Shareholders:<br>100% TAV<br>(Aeroport De Paris owns 38% of TAV shares)<br><br>Nationality:<br>Turkish company by country of commercial registration |

Source: TGS, Turkish Airlines, Celebi, TAV

12.50 The vast majority of Group B and Group C licence holders operate at multiple airports in Turkey, with the exceptions outlined in Table 12.8.

**Table 12.8: Ground handlers operating at only one airport in Turkey**

| Airport | Group B Licensed Ground handlers | Service Type |
|---|---|---|
| Istanbul Atatürk | İran Islam Republic Airlines | 1.Passenger Traffic<br>2.Freight Control And Communication |
| Istanbul Atatürk | Lufthansa Airlines | 1.Freight Control And Communication<br>2.Aircraft Line Maintenance |
| Istanbul Atatürk | Saudi Arabia Airlines | 1.Passenger Traffic<br>2.Freight Control And Communication |
| Istanbul Atatürk | Swiss International Air Lines Ltd. Turkey İstanbul Branch | 1. Aircraft Line Maintenance |
| **Airport** | **Group C Licensed Ground handlers** | **Service Type** |
| Istanbul Atatürk | Airpak Temizlik Hiz. San. Ve Tic. A.Ş | Overhaul And Management |
| Samsun Çarşamba | Akyol Gida Tur.İnş.Pet.Tic.Ltd.Şti. | Catering |
| Kayseri | Beştepe Gida Güvenlik Temizlik İnşaat Tur. San Ve Tic.Ltd.Şti. | Catering |

Source: DHMI, Steer Davies Gleave analysis

*Number of ground handling organisations per airport*

12.51 A list of ground handling organisations at Turkish airports is provided in Annex C.

[244] TAV, **http://www.tavyatirimciiliskileri.com/en-EN/Pages/FactSheet_2.aspx**, accessed 15 March 2016

12.52 The majority of airports in Turkey have at least one Group A and one Group B company, with the largest (Antalya, Istanbul Atatürk) having up to 13 (all three Group A companies, and 10 Group B companies).

12.53 Group C ground handlers tend to concentrate on certain services. THY DO&CO provides catering services only at major airports including İstanbul, Ankara, and Antalya. LGS Sky Chefs also provides catering services at major airports (Ankara, İzmir, Antalya, İstanbul Atatürk), whereas Beştepe Gıda A.Ş. provides catering services at Kayseri Airport only. Gözen Güvenlik A.Ş. provides Aviation Security services only and operates at Ankara, İzmir, Antalya and İstanbul. Sistem Güvenlik provides Aviation Security services only and operates only at İstanbul Atatürk airport. Adriyatik LTD, Airmark, Merkür and Atlasjet companies supply Overhaul and Management and Representation services at multiple airports. ACM Air Charter and Bilen Havacılık companies provide Flight Operation and Overhaul and Management services at various airports.

12.54 There are 28 airports in Turkey with only one Group A licenced ground handler. The majority of these airports are very small, with passenger numbers lower than 0.5 million in 2015. There are only two airports on this list with passenger numbers greater than 2 million in 2015 (the EU ground handling Directive threshold): Diyarbakir with 2.1 million passengers, and Gaziantep with 2.5 million. There are 21 airports in Turkey with only one Group B licenced ground handler. The majority of Turkish airports involve the operations of more than one Group C ground handler and there are only 3 airports with only one:

- Kocaeli (LGS Sky Chief: Catering);
- Sivas (ACM Air: Overhaul and Management); and
- Zafer (Gözen Havacılık: Overhaul and Management).

12.55 There are 30 airports in Turkey with only one ground handler present any of the three licence groups:

- 10 airports with 2 million or more passengers;
- 10 airports with between 0.5 - 2 million passengers; and
- 10 airports with less than 0.3 million passengers.

12.56 Catering, Transport, Aviation Security and Aircraft Line Management services tend to be those services with only one provider at the airport.

12.57 As an indicative example, we provide below a list of the companies providing ground handling services at Istanbul Atatürk Airport in 2015. All three Group A licence holders provide services at Istanbul Atatürk Airport in 2015 (Table 12.9).

**Table 12.9: Ground handling A Group Licences At Atatürk Airport, 2015**

| Ground handling company | Service type |
|---|---|
| Çelebi Hava Servisi A.Ş. | 1. Passenger Traffic<br>2. Freight Control And Communication<br>3. Ramp |
| Çelebi Hava Servisi A.Ş. | Overhaul And Management |
| Havaş | Transport |
| Havaş | 1. Overhaul And Management<br>2. Passenger Traffic<br>3. Freight Control And Communication<br>4. Ramp<br>5. Flight Operations |

| Ground handling company | Service type |
|---|---|
| Tgs Yer Hizmetleri A.Ş. | 1. Overhaul And Management<br>2. Passenger Traffic<br>3. Freight Control And Communication<br>4. Ramp |

Source: DHMI **http://www.dhmi.gov.tr/DHMIPage.aspx?mnuID=35#.VtYtv7SLRdg**

12.58 Five companies that hold ground handling Group B licences (i.e. self-handling licences) provide services at Istanbul Atatürk Airport in 2015 (Table 12.10).

**Table 12.10: Group B ground handling licences at Atatürk Airport By Company & Service Type, 2015**

| Company | Service Type |
|---|---|
| Atlasjet Havacilik A.Ş. | 1.Aircraft Line Maintenance<br>2.Flight Operation |
| İran İslam Cumhuriyeti Hava Yollari | 1.Passenger Traffic<br>2.Freight Control And Coommunication |
| Lufthansa Alman Hava Yollari | 1.Freight Control And Coommunication<br>2.Aircraft Line Maintenance |
| Mng Hava Yollari Ve Taşimacilik A.Ş | Aircraft Line Maintenance |
| Mng Hava Yollari Ve Taşimacilik A.Ş | 1.Freight Control And Coommunication<br>2.Flight Operation |
| Mng Hava Yollari Ve Taşimacilik A.Ş | Ramp |
| Onur Air Taşimacilik A.Ş. | Aircraft Line Maintenance |
| Onur Air Taşimacilik A.Ş. | Flight Operation |

Source: DHMI **http://www.dhmi.gov.tr/DHMIPage.aspx?mnuID=35#.VtYtv7SLRdg**

*Role of airport operators in ground handling*

12.59 In 54 airports in Turkey, ground handling services are provided by ground handling companies via Group A licence holders (TGS, HAVAŞ, Çelebi), self-handling air carriers with Group B licences (Pegasus, İran Airways, etc.) and Group C handlers (Gözen, Turkish DO&CO, Adriyatik, etc.). Whilst a number of these handlers are owned by airport operators (e.g. Havaş is 100% owned by TAV, TGS is 50% -50% owned by TAV & THY) each of ground handling organisations has separate financial accounts and separate legal entities from their parent companies, in accordance with SHY-22/Article 7. Group A ground handling licences are issued to the providers as separate legal entities from their parent companies operating in the market. The Group A ground handling companies therefore have the authority to settle agreements with airlines and carry out their responsibilities to the Ministry of Transport on their own.

12.60 Based on the information provided by consulted stakeholders through the course of this study, Zonguldak Airport appears to be the only airport that provides ground handling services itself. The airport operator Zonguldak Sivil Havacılık A.Ş. (Zonhav) provides ground handling services including passenger traffic, freight control, communication, and ramp services. There are two other active ground handlers at Zonguldak Airport: F.L.Y and Gözen Havacılık, which provide Overhaul and Management services. The driver for these separate providers is linked to SHY-22 Article 18, which requires that:

*"Ground handlers providing passenger traffic, freight control, communication and ramp services to an airline cannot provide overhaul and management to the same airline."*

12.61 The exceptional case of Zonguldak Airport was also confirmed by DHMI and CAA. The CAA stated that the provision of ground handling services by the airport operator is only possible if there is no other ground handler providing the services required at the airport, as is the case at Zonguldak.

12.62 There is no data on Zonguldak Airport revenues however the volume of traffic provides a proxy indication. In 2015, Zonguldak Airport served 210 flights and 28,000 passengers out of Turkey's total 1.2 million flights and 181 million passengers. The Turkish ground handling market share held by airports therefore is very small: 0.018% of flights and 0.015% of passengers.

*Role of airlines in ground handling*

12.63 In Turkey, airlines that wish to self-handle must obtain a Group B licence, as regulated by SHY-22. Both Turkish air carriers (e.g. Pegasus, Onur Air, etc.) and non-Turkish air carriers (e.g. Iran Airways, Saudi Arabia Airlines, etc.) hold these licences.

12.64 Under SHY-22, foreign air carriers have limited ground handling provision opportunities as compared to Turkish air carriers, as foreign air carriers do not have the right to obtain a Group A Licence. They are therefore unable to handle other air carriers. In addition to this, foreign carriers have no right to operate catering services in Turkish airports as ruled by SHY-22/ Article 10.

12.65 CAA Turkey (DGCA) stated that "According to SHY-22 there are two ways for airlines to provide ground handling services to other airlines. Whilst it is possible for an airline to hold a Group A Licence and provide ground handling services to other airlines, there is no airline in Turkey that directly holds a Group A Licence. The second possibility is that an airline can provide a ground handling service to another airline which is operating at the same airport when there is no other ground handler to provide that ground handling service. The only example of this in practice is Eskişehir Airport, where Turkish Airlines provides ground handling services to other international airlines flying to/from Eskişehir airport as there is no other ground handler providing the required services."

12.66 There is no financial or traffic data on the market shares of airlines in ground handling in Turkey.

*International ground handling companies active in Turkey*

12.67 As per SHY-22/ Article 7, international or foreign ground handling organisations may not hold Group A or Group C operation certificates. For ground handlers requesting a Group A or C operation certificate, the majority of the managers or representatives of the company must be Turkish citizens and the majority of company votes must be with Turkish partners. These companies must also be registered in Turkey according to Turkish Commerce Law No 6762.

12.68 There are therefore no international ground handling companies with Group A or Group C certificates in the Turkish market. However, as shown in Table 14.7, a number of European companies are shareholders of the three Group A licence holders in Turkey (TGS, HAVAŞ and Çelebi). Aéroport De Paris holds 38% of TAV's shares, and TAV has 50% share in TGS and 100% share in HAVAŞ. Dutch firm Zeus Aviation Services Investments B.V. holds a 39% share in Çelebi Havacılık Holding.

12.69 Group B Licences concern self-handling operations. A list of the non-Turkish air carriers holding Group B self-handling licences at Turkish airports is shown in Table 12.11. Lufthansa

and SunExpress Deutschland (both Germany) are the only EU carriers holding a Group B licence in Turkey.

**Table 12.11: Non-Turkish Group B ground handlers In Turkey**

| Airport | Self-handling company | Service type |
|---|---|---|
| Antalya | Aeroflot | Overhaul And Management |
| İstanbul Atatürk | Aeroflot | Overhaul And Management |
| Antalya | Aviatsionnaya Kompaniya Transaero | Aircraft Line Maintenance |
| İstanbul Atatürk | İran Airways | 1.Passenger Traffic<br>2.Freight Control And Communication |
| İstanbul Atatürk | Lufthansa Airways | 1.Freight Control And Communication<br>2.Aircraft Line Maintenance |
| Antalya | Sunexpress Deutschland Gmbh | Flight Operation |
| İstanbul Atatürk | Suudi Arabia Airlines | 1.Passenger Traffic<br>2.Freight Control And Communication |
| İstanbul Atatürk | Swiss International Air Lines Ltd. | Aircraft Line Maintenance |

Source: DHMI, Steer Davies Gleave analysis

# 13 Case study: United Arab Emirates

## Introduction

13.1 In this chapter we provide details on airport ownership and management in the United Arab Emirates (UAE). Specific emphasis will be given to private and foreign ownership and any laws and regulations governing this. Additionally, the ground handling market and the major ground handling companies operating in the UAE is also discussed.

## Context

13.2 The UAE is a federation of seven distinct emirates consisting of Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah and Umm Al Quwain[245]. The UAE General Civil Aviation Authority (GCAA) is the sole authority for both regulation and control of the aviation industry in the UAE[246].

13.3 The UAE Aeronautical Information Publication (AIP) produced by the GCAA lists a total of 19 functioning aerodromes from which flights take place[247]. Ten of these operate commercial flights, six of which operate international services.

13.4 The busiest airports in the UAE are Dubai International (DXB), Abu Dhabi International (AUH) and Sharjah International (SHJ). Statistics for the calendar year 2015 are shown in Table 13.1. Statistics for Dubai World Central – Al Maktoum International (DWC) are also shown due to the magnitude of cargo managements at the airport.

**Table 13.1: Busiest airports in UAE by total passenger numbers**

| Airport | Passengers | Cargo (metric tons) |
|---|---|---|
| DXB[248] | 78,014,838 | 2,506,092 |
| AUH[249] | 23,286,632 | 827,456 |

[245] References to the individual cities that have the same names as the Emirates will include "(city)", e.g. Abu Dhabi (city).

[246] Abu Dhabi eGovernment Gateway: General Civil Aviation Authority, accessed 16 March 2016. https://www.abudhabi.ae/portal/public/en/departments/department_detail?docName=ADEGP_DF_142132_EN&_adf.ctrl-state=eslpueal1_4&_afrLoop=3468782946719163#!

[247] UAE Aeronautical Information Publication (AIP) 04 Feb 2016, access 22 February 2016. https://www.gcaa.gov.ae/en/ais/pages/aip.aspx Login required.

[248] Dubai Airports press release, accessed 22 February 2016. http://www.dubaiairports.ae/corporate/media-centre/press-releases/detail/dxb-strengthens-hold-on-top-spot-for-international-traffic-with-78m-passengers-in-2015

| Airport | Passengers | Cargo (metric tons) |
|---|---|---|
| SHJ[250] | 8,505,268 | 295,402 |
| DWC[251] | 463,236 | 888,714 |

13.5 According to Airports Council International, Dubai International airport is the third busiest in the world by passenger numbers and serves more international passengers than any other airport in the world[252]. It was also the fourth busiest airport by international freight traffic in the year ending April 2015[253].

## UAE: Airport ownership

### Regulatory situation

13.6 Airport ownership in the UAE is generally governed by the Commercial Companies Law (Federal Law No. (2) of 2015) at the federal level and by laws at the emirate level such as Abu Dhabi's Emiri Decree No. (5) for 2006[254] which established the Abu Dhabi Airports Company.

13.7 Airports in the UAE are all publically owned entities but are owned by the individual emirate governments rather than the federal government. For example, Dubai Airports, the entity that owns and operates Dubai International and Dubai World Central, is wholly owned by the Government of Dubai[255]. A list of airports serving commercial flights in the UAE and their owners is shown in Table 13.2.

**Table 13.2: Ownership of airports serving commercial flights in the UAE**

| Airport | Owner/Operator (effective owner) |
|---|---|
| AUH (Abu Dhabi International) | Abu Dhabi Airports (Government of Abu Dhabi) |
| AZI (Al Bateen Executive) | Abu Dhabi Airports (Government of Abu Dhabi) |
| AAN (Al Ain International) | Abu Dhabi Airports (Government of Abu Dhabi) |

[249] Abu Dhabi Airports press release, accessed 22 February 2016. http://www.adac.ae/english/media-centre/press-releases/2016/2016-01-31-RECORD-YEAR-FOR-ABU-DHABI-INTERNATIONAL-AIRPORT

[250] Sharjah International Airport Statistics for 2015, accessed 22 February 2016. http://www.sharjahairport.ae/en/business/media-center/airport-statistics/?statistics-for-year-2015

[251] Dubai Airports press release, accessed 22 February 2016. http://www.dubaiairports.ae/corporate/media-centre/press-releases/detail/dwc-freight-traffic-rises-7.7-per-cent-in-2015

[252] Airport World: List of the World's Busiest Airports in 2015, accessed 23 February 2016. http://www.airport-world.com/news/general-news/5421-list-of-the-world-s-busiest-airports-in-2015-beginnng-to-shape.html

[253] ACI International Freight Traffic, accessed 23 February 2016. http://www.aci.aero/Data-Centre/Monthly-Traffic-Data/International-Freight-Traffic/12-months

[254] Emiri Decree No. (5) for 2006 on the Establishment of Abu Dhabi Airports Company "A public joint-stock company", accessed 22 February 2016. https://dot.abudhabi.ae/ckfinder/userfiles/files/Emiri%20Decree%205%20of%202006%20on%20Establish_%20of%20Abu%20Dhabi%20Airports%20Company%20ADAC.pdf

[255] Oxford Economics: Explaining Dubai's Aviation Model, accessed 22 February 2016. http://www.dubaiairports.ae/docs/default-source/Publications/oxford-economics_explaining-dubai's-aviation-model_june-2011.pdf?sfvrsn=4

| Airport | Owner/Operator (effective owner) |
|---|---|
| ZDY (Delma Airport) | Abu Dhabi Airports (Government of Abu Dhabi) |
| DXB (Dubai International) | Dubai Airports Company (Government of Dubai) |
| DWC (Dubai World Central – Al Maktoum International) | Dubai Airports Company (Government of Dubai) |
| FJR (Fujairah International) | Department of Civil Aviation, Fujairah |
| RKT (Ras Al Khaimah International) | Department of Civil Aviation, Ras Al Khaimah |
| SHJ (Sharjah International) | Sharjah Airport Authority (Government of Sharjah) |
| Sir Bani Yas | Abu Dhabi Airports (Government of Abu Dhabi) |

13.8 Federal Law No. (2) of 2015 Article (10) restricts foreign ownership of companies anywhere in the UAE to a maximum of 49%[256] with the exception of "Free Zones", which are geographical areas within the UAE specifically designated for foreign entities to own and operate businesses. Complete foreign ownership of companies is generally permitted in free zones as long as business is only conducted within the Free Zone or abroad and not anywhere else in the UAE[257]. Additionally, the UAE embassy in London indicates that there are some activities that can only be pursued by UAE nationals or companies wholly owned by UAE nationals without stating exactly what these activities are[258]. Attempts to gain clarification on the kinds of activities included in this restriction were unsuccessful.

13.9 There is some differentiation made between Gulf Co-operation Council (GCC) nationals and other nationalities at the emirate level, for example, under Sharjah's Law No. (5) of 2010 GCC nationals are permitted to own property in the emirate[259] and under Abu Dhabi's Law No. (19) of 2005, GCC nationals are permitted to own land within designated investment areas as well as the buildings on the surface of the land which all foreign nationals are permitted to own[260].

13.10 In addition to the federal restrictions on foreign ownership, there are laws in place in the individual emirates. The ownership structures currently in place and the laws governing them are discussed individually in the sections below.

[256] Federal Law No. (2) of 2015 on Commercial Companies, accessed 11 March 2016 (in Arabic only). http://www.dubaided.gov.ae/Arabic/DataCenter/BusinessRegulations/Pages/FederalLaw2of2015.aspx

[257] Embassy of the UAE in London: Free Zones & Special Economic Zones, accessed 11 March 2016. http://uae-embassy.ae/Embassies/uk/Content/579

[258] Embassy of the UAE in London: Establishing a Business, accessed 23 February 2016. http://uae-embassy.ae/Embassies/uk/Content/578

[259] Al Tamimi & Co: Real Estate within the UAE, access 16 March 2016. http://www.tamimi.com/en/magazine/law-update/section-6/june-4/real-estate-within-the-uae-a-summary-of-legislative-development.html

[260] Nabarro: New real estate laws issued for Abu Dhabi Global Market, access 16 March 2016. http://www.nabarro.com/insight/briefings/2015/september/new-real-estate-laws-issued-for-abu-dhabi-global-market/

*Abu Dhabi*

13.11 Abu Dhabi is by far the largest Emirate in the UAE, with an area of 26,000 square miles representing close to 90% of the total land area of the UAE[261], and includes two of the UAE's major population centres, Abu Dhabi (city) and Al Ain. The Emirate also includes the islands of Sir Bani Yas, the largest island in the UAE and a popular tourist destination, and Delma.

13.12 Airports in Abu Dhabi are currently owned and managed by Abu Dhabi Airports Company (ADAC), which is an autonomous corporate body fully owned by the Government of Abu Dhabi. Airport ownership in Abu Dhabi is restricted to the ADAC, which was established and given exclusive rights to operate airports under the Emiri Decree No. (5) for 2006:

*"By virtue of this decree, a public joint-stock company, to be named Abu Dhabi Airports Company, shall be incorporated as an autonomous body corporate which shall enjoy full legal competence to pursue its activities and objectives, and financial and administrative independence to discharge its business."*[262]

*"The Company shall have the exclusive right to carry out the tasks set forth in its basic bylaws, in the Emirate of Abu Dhabi, particularly the following:*
*1. Operate and maintain airport facilities; communications; emergency and rescue equipment; runways, ramps, hangars and stands; transmission, reception and pilotage equipment; meteorology; and traffic control."*[263]

13.13 It is clear from the above decree that no element of private or foreign ownership or management of airports is possible in Abu Dhabi under the current laws.

*Dubai*

13.14 Dubai is the most populous emirate in the UAE and has an estimated population of 2.5m[264]. There are two airports serving commercial flights in Dubai, Dubai International and Dubai World Central, both of which are managed by the Dubai Airports Company. The Dubai Airports Company is an independent entity wholly owned by the Government of Dubai[265].

13.15 Similar to the Emiri Decree governing operation of airports in Abu Dhabi, Dubai Law No. (8) of 2006 also appears to restrict airport ownership and management to the Dubai Airports Company. The exact wording of the law itself is not easily accessible, however, news reports from the time indicate that it is the exclusive right of the company to operate airports in Dubai[266].

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[261] Abu Dhabi Emirate: Facts and Figures, accessed 11 March 2016. https://www.abudhabi.ae/portal/public/en/abu_dhabi_emirate/facts_figure_background?_adf.ctrl-state=114vddv4cs_4&_afrLoop=3028686393166921#!

[262] Emiri Decree No. (5) for 2006: Article (1)

[263] Emiri Decree No. (5) for 2006: Article (4)

[264] Dubai Statistics Centre, accessed on 10 March 2016. https://www.dsc.gov.ae/en-us/Pages/default.aspx

[265] Arabian Business: Dubai Cargo Village announces major restructure, accessed 11 March 2016. http://www.arabianbusiness.com/dubai-cargo-village-announces-major-restructure-193599.html

[266] Al Bayaan Politics: Muhammad bin Rashid Issues Law Establishing Dubai Aviation City, accessed 11 March 2016 (Arabic only). http://www.albayan.ae/economy/1193842522013-2007-11-05-1.804931

13.16 There are some indications that elements of private ownership may be permitted in the future under the recently introduced Law No. (22) of 2015 with speculation that the expansion of Dubai World Central – Al Maktoum International may benefit from private finance[267]. However, Public-Private Partnerships are more likely to involve operation rather than ownership of an asset by a private entity. Additionally, there is no indication that federal restrictions related to foreign ownership will be relaxed at this stage.

*Sharjah*

13.17 Sharjah is the third most populous emirate of the UAE and had an estimated population of 1.2m in 2013[268]. Sharjah International Airport is the only airport operating commercial flights in the emirate of Sharjah and is owned by the Sharjah International Airport Authority, an independent entity wholly owned by the Government of Sharjah.

13.18 The Sharjah International Airport Authority was established by Emiri decree No. (6) for 2002[269]. It is not clear whether the Airport Authority has exclusive rights to operate airports in Sharjah as the powers of the authority were to be specified in another law which was not able to be located. The exact wording of the article (2) of the decree is as follows:

*"A law regulating the objectives, powers and competences of such Authority shall be issued."*[270]

*Other Emirates*

13.19 Of the four remaining emirates, airports with commercial managements are only found in two, Ras al Khaimah and Fujairah. Ras Al Khaimah Airport served 328,000 passengers in 2011[271], according to the most recent statistics available from its website, and while there are plans to expand Fujairah International Airport, official statistics for traffic are not available.

13.20 In both cases, the airports are owned by the emirates' Department of Civil Aviation, however in the case of Fujairah, a Memorandum of Co-management was signed by Fujairah International Airport and Abu Dhabi Airports Company. Interestingly, Abu Dhabi Airports has reportedly requested bids on work to expand Fujairah International Airport suggesting ownership of the airport may be slightly more complex than it first appears and involve Abu Dhabi Airports Company in some capacity[272].

13.21 Both airports are publicly owned and due to the unavailability of the laws governing airport ownership and management in these emirates, it is not known whether private ownership of

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[267] HSBC Global Connections: Dubai PPP law should boost infrastructure projects, access 11 March 2016. https://globalconnections.hsbc.com/uae/en/articles/dubai-ppp-law-should-boost-infrastructure-projects

[268] Sharjah Department of Statics and Community Development: Statistical Yearbook 2014, accessed 11 March 2016. http://www.dscd.ae/Attachments/2014%20year%20book.pdf

[269] Gulf News: Sharjah Issues Decrees, accessed 23 February 2016. http://gulfnews.com/news/uae/general/sharjah-issues-decrees-1.379583

[270] Emiri Decree No. (6) of 2002

[271] Ras Al Khaimah International Airport: About Us, accessed 23 February 2016. http://www.rakairport.com/aboutus.html

[272] Trade Arabia: Fujairah Airport reveals major expansion plans, accessed 11 March 2016. http://www.tradearabia.com/news/CONS_287996.html

airports is possible in either Ras Al Khaimah or Fujairah. Similarly, it is not known if private ownership is possible in the remaining two emirates, Ajman and Umm al-Quwain.

*Summary*

13.22 Business ownership and, in particular, airport ownership and management is restricted in the UAE. Emirate-specific laws exist in both Dubai and Abu Dhabi restricting airport management to publically owned entities established specifically for this purpose and it is suspected that the same is true for Sharjah. While evidence of similar laws has not been located in the case of the remaining emirates, airports operating commercial services are operated by the civil aviation authorities directly and there is no evidence of private ownership of or investment in airports anywhere in the UAE at the current time.

13.23 There are some signs that private investment in the industry will be permitted in Dubai in the future, however, under federal laws foreign ownership will still be restricted to a maximum of 49% outside of Free Zones. There may be additional restrictions on foreign ownership in the industry if it falls under activities which are not permitted for part foreign-owned businesses, however this is not clear from the available legislation.

## UAE: Airport management

13.24 As noted in the sections above, management of airports is restricted in the UAE. In Abu Dhabi, Dubai and Sharjah publicly owned companies have been established by Emiri Decree specifically for the purpose of managing airports and in some cases given the exclusive right to operate airports in the respective emirate. There are currently neither private nor foreign operators involved in the management of airports in the UAE.

13.25 There are a number of private companies that operate as fixed-base operators (FBOs) within the UAE's airports. The FBOs generally provide aviation services including fuelling, hangar facilities, catering, ground handling and customs for business jets and charter services. Due to the restrictions on ownership, the FBOs lease buildings, and in some cases terminals, directly from the airport operator[273] and do not own any of the fixed infrastructure. However, their role in management of airports is restricted to the operation of the executive terminal at most.

13.26 As noted in paragraph 13.16, Dubai has recently introduced a new law related to Public-Private Partnerships (PPP) that may grant access to operation of public assets by private entities. However, the practical outcome of this law is yet to be seen in the airport industry in the UAE although similar laws specific to the energy and water sectors have resulted in significant private and foreign investment including from the EU[274].

13.27 There is a possibility that similar laws permitting PPI in sectors other than the water and energy sectors will also be introduced in the other emirates, particularly considering the need for private investment in Dubai being mainly driven by persistently low oil prices. However,

[273] Interview with Ashley Calaz, Head of Business Development at ADAC. Interviewed on 29 February 2016.

[274] Examples of PPP projects in the energy and water sectors include the Shams solar power station (40% EU ownership), several contracts awarded to Veolia Water to build and operate waste water treatment plants in Abu Dhabi and the building of a solar-powered desalination plant in Ras Al Khaimah for which Utico and Shanghai Electric are partners.

this is currently not the case and in practice there is little opportunity for private and foreign entities to participate in the management of airports in the UAE.

13.28 There is some scope for private and foreign entities to win contracts for the construction of airport infrastructure in the UAE. For example, TAV, a Turkish company, entered a joint venture with Arabtec and Consolidated Contractors Construction to win the $2.9bn contract to build the Midfield Terminal Building at Abu Dhabi International Airport[275]. Similarly, Max Bogl, a German company, entered a joint venture with Arabtec to win contracts worth $140m for the construction for the cargo and passenger terminals and the air traffic control tower at Dubai World Central[276]. There is also some indication that UK-based contractors Carillion, Kier, Balfour Beatty, Laing O'Rourke and Interserve may bid for further work at Dubai World Central after UK Export Finance issued a $2bn letter of interest in support[277].

## UAE: Ground handling

**Regulatory framework**

13.29 There does not appear to be any specific legislation regulating access to ground handling in the UAE. However, the market cannot be said to be open to either private or foreign entities due to the ownership structure of airports and national airlines and what appears to be normal practice in the UAE.

*Abu Dhabi and Dubai*

13.30 In the case of Abu Dhabi and Dubai's airports, the national carriers, Etihad and Emirates, manage the majority of ground handling in the respective emirates. The national carriers are owned by the respective governments through sovereign investment funds as opposed to the airport operators which are owned by the governments directly.

13.31 Ground handling services at Abu Dhabi's airports are provided by Etihad Airport Services, a subsidiary of Etihad Airways, and DhabiJet, which is owned by ADAC and manages ground handling at Al Bateen Executive Airport[278]. There are a number of privately owned FBOs that also provide limited ground handling services from Abu Dhabi's airports including National Aviation Services and Location Flight Services.

13.32 Ground handling services at Dubai's airports are provided by Dnata, a fully-owned subsidiary of the Emirates Group. There are also a number of privately owned FBOs operating from Dubai's airports including Execujet, Jetex and Link Aero Trading Agency.

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[275] Abu Dhabi Airports Company: ADAC Signs AED 10.8 Billion Contract with TAV-CCC-Arabtec Joint Venture for the Construction of the Midfield Terminal Building, accessed 06 April 2016. http://www.adac.ae/english/mtp/MTP/latest-news/2012-06-27-ADAC-Signs-AED-10-8-Billion-Contract-with-TAV-CCC-Arabtec-Joint-Venture-for-the-Construction-of-the-Midfield-Terminal-Building

[276] Gulf News: Arabtec/Max tie-up wins Dh242m Dubai World Central deal, accessed 06 April 2016. http://gulfnews.com/business/aviation/arabtec-max-tie-up-wins-dh242m-dubai-world-central-deal-1.119173

[277] Construction Intelligence Center: Project Detail, accessed 06 April 2016. http://www.construction-ic.com/HomePage/Projects?returnUrl=%2FProjects%2FOverview%2F104884#

[278] Abu Dhabi Airports Company: DhabiJet obtains RA3 certification for cargo operations, accessed 22 February 2016. http://www.adac.ae/english/media-centre/press-releases/2015/2015-07-21-DhabiJet-obtains-RA3-certification-for-cargo-operations

*Sharjah and Fujairah*

13.33 In the case of Sharjah Airport, ground handling services are provided by Sharjah Aviation Services, a subsidiary of the Sharjah Airport Authority[279], which is directly owned by the Government of Sharjah. A number of other companies also provide aviation services at Sharjah including Dnata and Link Aero Trading Agency.

13.34 Information on Fujairah International Airport's website suggests ground handling at Fujairah International Airport is managed directly by the airport[280] although Aurora Aviation operates as an FBO at the airport and leases the executive aviation terminal[281].

*Ras Al Khaimah*

13.35 Ras Al Khaimah is the only airport in the UAE that has outsourced ground handling services. National Aviation Services were awarded the contract to provide ground handling services at the airport in 2012 as part of a plan to focus on operating the airport as a business rather than a service provider. It should be noted that while National Aviation Services is a privately-owned foreign (Kuwaiti) company[282], it is GCC-based and as stated previously, there is a level of differentiation in federal and emirate-level laws between those foreign companies owned by GCC nationals and otherwise.

*Summary*

13.36 There does not appear to be any laws regulating entry into the ground handling market either at the federal or emirate-level in the UAE.

13.37 The major ground handling service providers at individual airports in the UAE are largely directly or indirectly owned by the respective emirate governments with the exception of Ras Al Khaimah which has awarded the contract for provision of ground handling services to National Aviation Services, a GCC-based privately-owned aviation services company.

13.38 There are a number of FBOs operating from the airports in the UAE which generally provide aviation services including ground handling for executive jets and charter services.

13.39 It is not clear whether ground handling companies can bid for or be granted contracts to operate ground handling services at UAE airports with the exception of Ras Al Khaimah. While there does not appear to be any specific law preventing this, in practice, all other airports in the UAE either operate ground handling services directly or a separate entity exists for this purpose that is also publicly owned by the respective emirate's government. It is not known whether this is due to a restriction imposed upon the airport operators or the preference of the airport operators themselves.

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[279] Sharjah International Airport: Sharjah Aviation Services, accessed 17 March 2016. http://www.sharjahairport.ae/en/sharjah-aviation-services-completes-isago-audit-and-registration/

[280] Fujairah International Airport: Airport Management Team, accessed 17 March 2016. http://fujairah-airport.com/ManagementTeam.aspx?CatId=11&Id=25

[281] Aurora Aviation: Co-operation with Fujairah International Airport, access 17 March 2016. http://www.aurora-aviation.aero/2012/05/21/aurora-aviation-sa-announces-co-operation-with-fujairah-international-airport/

[282] National Aviation Services: Corporate Brochure, access 18 March 2016. http://www.nascorporate.com/uploads/NAS%20Brochure.pdf

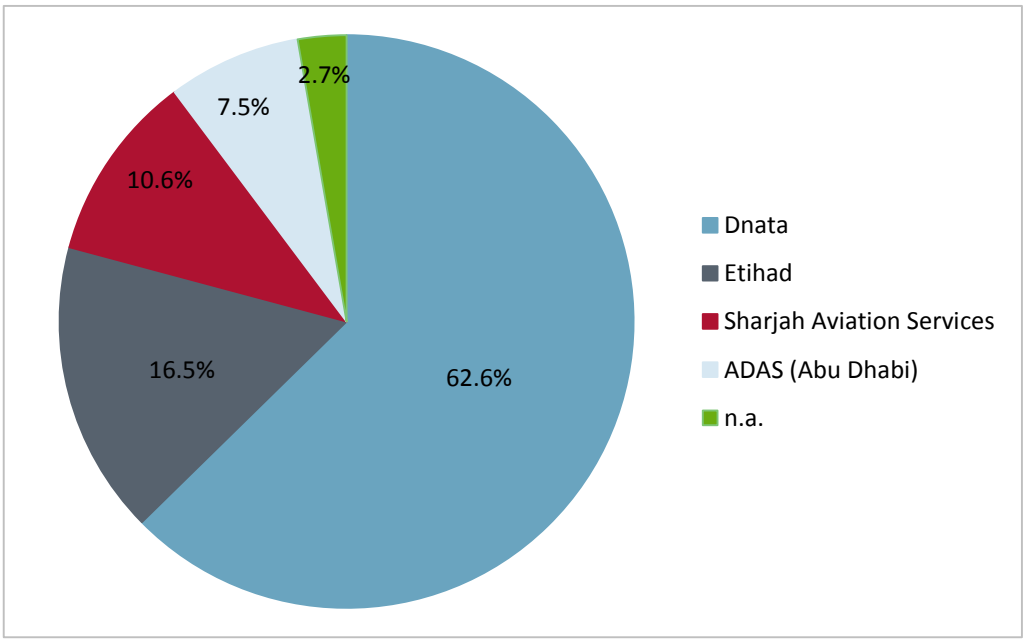
13.40 Finally, while there is some lack of clarity on how ground handling service providers are appointed, restrictions in federal laws on companies operating in the UAE still apply. This means that majority foreign-owned companies not owned by GCC nationals are unable to operate outside of Free Zones, which in theory prevents any such businesses operating ground handling services at UAE airports.

**Market information**

*Market size and shares*

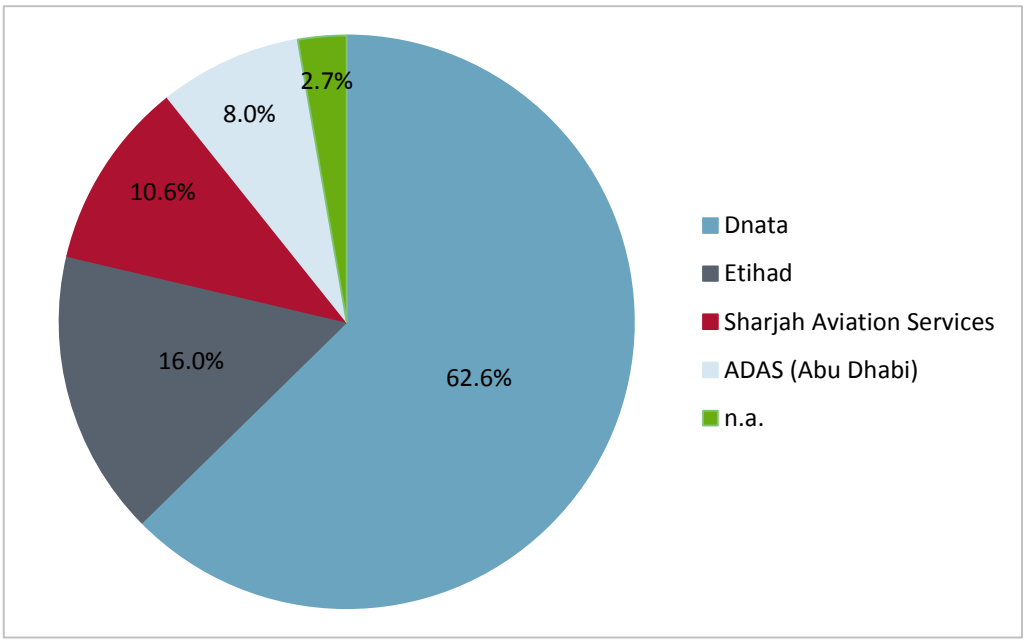
13.41 The market shares of the major companies in the UAE ground handling market for ramp and passenger services are shown in Figure 13.1 and Figure 13.2 respectively.

**Figure 13.1: UAE ground handling market share by company (ramp and passenger)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 15,000 passengers per year

**Figure 13.2: UAE ground handling market share by company (passenger)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 15,000 flights per year

13.42 We estimate the total value of the UAE ground handling market to be €486 million for ramp and passenger services combined.

13.43 Market share and size estimates have been developed in line with the methodology described on page 34.

*Major ground handling companies operating in the UAE*

13.44 Activities of ground handling companies are not restricted to a single airport. Dnata provides ground handling services at Dubai's airports and also provides catering services at Sharjah International Airport[283]. Similarly, Etihad Airport Services provides ground handling services at both Abu Dhabi International Airport and Al Ain Airport. However, in general the ground handling companies do not operate outside of the emirate by which they are owned.

13.45 Along with Dnata and Etihad Airport Services, Sharjah Aviation Services and National Aviation Services are also involved in major ground handling operations at airports in the UAE. With the exception of National Aviation Services, these are all publicly owned by the emirate governments. There are no EU ground handling companies active within the UAE. The major ground handling companies, their ownership structure and the UAE airports within which they operate are shown in Table 13.3.

[283] Dnata: Our United Arab Emirates airport locations, accessed 23 February 2016. http://www.dnata.com/english/airports/middle-east/united-arab-emirates/

**Table 13.3: Major ground handling companies operating in the UAE**

| Company | Ownership Structure | UAE Airport(s) |
|---|---|---|
| Dnata | Owned by the national carrier, Emirates Airways, which is indirectly owned by the Government of Dubai | Dubai International, Dubai World Central and Sharjah International (catering only) |
| Etihad Airport Services | Owned by the national carrier, Etihad Airways, which is indirectly owned by the Government of Abu Dhabi | Abu Dhabi International, Al Ain International. |
| Sharjah Aviation Services | Owned by the airport operator, Sharjah International Airport Authority, which is directly owned by the Government of Sharjah | Sharjah International Airport |
| National Aviation Services | Privately owned company based in Kuwait. | Ras Al Khaimah, Abu Dhabi International (FBO) |
| DhabiJet | Owned by the airport operator, ADAC, which is directly owned by the Government of Abu Dhabi | Al Bateen Executive Airport |

13.46 Of these, both Dnata and National Aviation Services also operate internationally. Dnata currently provides ground handling services at 58 airports across 13 countries in the world (including the UK, the Netherlands, Switzerland and Italy in Europe) including at some of the world's most popular airports[284]. They additionally provide only catering services at a further 48 airports in 12 countries. National Air Services has a presence in seven countries, in Africa, South Asia and the Middle East.

13.47 With the exception of Dnata, financial accounts for ground handling operations for these companies are not publicly available. Dnata had an annual operating profit of AED 1bn ($270m[285]) in 2014/15[286].

*The role of airport operators and airlines in ground handling*

13.48 The ground handling market in the UAE is dominated by subsidiaries of airlines and airport operators. The ground handling operations at Dubai International and Abu Dhabi International, which are the two largest airports in the country by passenger demand, as well as several of the smaller airports, are provided by subsidiaries of the national carrier airlines for both themselves and other airlines. Ground handling operations at Sharjah International, the third largest airport in the UAE by passenger demand, are provided to all airlines by Sharjah Aviation Services, a subsidiary of the airport operator, Sharjah International Airport Authority.

13.49 In the case of Ras Al Khaimah International Airport, where a privately-owned GCC-based company has been appointed to provide ground handling services, there is little clarity over the tendering process used to award the ground handling contract to National Aviation Services and similar concerns regarding a lack of competition may be raised.

13.50 There are a number of privately-owned FBOs providing ground handling services at UAE airports, however, in practice they only appear to provide services for either business jets or charter services and do not compete with the main providers.

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[284] Dnata: Airport Locations, accessed 17 March 2016. http://www.dnata.com/english/airports/

[285] UAE Dirham is normally set against the US dollar at 1 AED = 0.27 USD.

[286] Dnata Annual Report 2014-15, accessed 18 March 2016. http://www.dnata.com/english/about-dnata/financial-performance/Annual_Report_2014-15.pdf

*Summary*

13.51 The ground handling market in the UAE is dominated by a combination of subsidiaries of national airlines and airport operators and in each of the individual emirates, it can be said that a monopoly exists.

13.52 Airport operators are all publicly owned by the relevant emirate government and in the cases where the national carrier provides ground handling services, it should be noted that the national carriers are also indirectly owned by the relevant emirate government. The combination of these two factors means there is incentive not to permit competition in the market.

13.53 In practice, it appears that other companies and, more specifically, EU companies are unable to enter the UAE ground handling market in a material way.

# 14 Case study: USA

## Introduction

14.1 In this chapter we present the market analysis for airport ownership and management and ground handling in the USA.

## Context

14.2 As of September 2014 there were 3,331 airports within the U.S. National Plan of Integrated Airport Systems, 389 of which were commercial service airports receiving more than 10,000 passengers on scheduled carrier services per year.[287] Most of the remainder are general aviation airports. Table 14.1 lists the twenty U.S. airports with the highest number of passengers in 2014.

**Table 14.1: Top 20 USA Commercial Service Airports by total passenger numbers (est.*), 2014**

| Rank | City | Airport Name | CY14 Passengers (total, est.) |
|---|---|---|---|
| 1 | Atlanta | Hartsfield - Jackson Atlanta International | 93,208,546 |
| 2 | Los Angeles | Los Angeles International | 68,628,394 |
| 3 | Chicago | Chicago O'Hare International | 67,686,852 |
| 4 | Fort Worth | Dallas/Fort Worth International | 61,609,134 |
| 5 | New York | John F Kennedy International | 52,489,856 |
| 6 | Denver | Denver International | 52,001,182 |
| 7 | San Francisco | San Francisco International | 45,541,566 |
| 8 | Charlotte | Charlotte/Douglas International | 43,075,450 |
| 9 | Las Vegas | McCarran International | 41,240,496 |
| 10 | Phoenix | Phoenix Sky Harbor International | 40,689,734 |
| 11 | Houston | George Bush Intercontinental/Houston | 39,544,174 |
| 12 | Miami | Miami International | 38,942,932 |
| 13 | Seattle | Seattle-Tacoma International | 35,776,160 |
| 14 | Newark | Newark Liberty International | 35,546,810 |
| 15 | Orlando | Orlando International | 34,557,216 |
| 16 | Minneapolis | Minneapolis-St Paul International/Wold- Chamberlain | 33,945,356 |
| 17 | Detroit | Detroit Metropolitan Wayne County | 31,551,882 |

[287] Report to Congress: National Plan of Integrated Airport Systems (NPIAS) 2015-2019, accessed 2nd February 2016. http://www.faa.gov/airports/planning_capacity/npias/media/npias-2015-2019-overview.pdf

| Rank | City | Airport Name | CY14 Passengers (total, est.) |
|---|---|---|---|
| 18 | Boston | General Edward Lawrence Logan International | 31,015,122 |
| 19 | Philadelphia | Philadelphia International | 29,584,678 |
| 20 | New York | LaGuardia | 27,070,744 |

* The FAA publishes departing passengers only; total passenger numbers have been estimated from departing passenger numbers.
Source: Federal Aviation Administration[288]

## USA: Airport ownership

### Overview

14.3 In this section we discuss the ownership structures prevalent in US airports, with a particular focus on private sector involvement. We also explain the legislative framework within the US that affects private ownership of airports, in particular potential foreign investors.

14.4 US airports are typically owned and operated by public authorities, although specific terminals, services, or concessions may be leased or outsourced to airlines or other contractors. The FAA also administers the Airport Privatisation Pilot Program (APPP) with the goal of promoting private operation within airports, however success under this program has been limited to date.

### Regulatory situation

14.5 Airports in the USA are generally owned by state or local authorities, however the federal government indirectly influences ownership structures through its control of funding sources and regulations on airport owners' ability to assess fees. The following sections expand on the ownership situation and relevant legislation within the USA.

### Private ownership of airports in the USA

14.6 Nearly all commercial service airports within the United States (US) are owned by public authorities, such as local and state government, regional airport authorities, or port authorities.[289] Below are some examples of each possible form of ownership[290]:

- Owned by the state government, e.g. Baltimore-Washington International Airport (BWI)
- Owned by the local government, e.g. Chicago O'Hare International Airport (ORD)
- Owned by an airport authority created by decree of the federal government, e.g. Washington Dulles International Airport (IAD) and Ronald Reagan Washington National Airport (DCA)[291]

[288] Calendar Year 2014 Passenger Boardings at Commercial Service Airports, accessed 2nd February 2016. http://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/media/cy14-commercial-service-enplanements.pdf

[289] Airport Privatization: Issues and Options for Congress, accessed 2nd February 2016. https://www.fas.org/sgp/crs/misc/R43545.pdf

[290] Airport Cooperative Research Program (ACRP) Legal Research Digest 7: Airport Governance and Ownership. (2009). (available online at http://onlinepubs.trb.org/onlinepubs/acrp/acrp_lrd_007.pdf)

[291] MWAA History and Facts, accessed 2nd February 2016. http://www.mwaa.com/about/mwaa-history-and-facts

- Owned by an airport authority that was created by state or local government, e.g. Orlando International Airport (MCO)[292]
- Co-owned by the U.S. military and used for both military and civilian purposes e.g. Charleston International Airport (CHS) [293]
- In some cases, the owner is also responsible for non-airport modes of transportation, e.g. Port of Oakland governs both an airport and a seaport.[294]

14.7 According to stakeholders, Branson Airport in Missouri is the only wholly privately operated airport in the United States, however this airport has a limited amount of service and had only 14,000 departing passengers between January – October of 2015.[295] We have not found situations where a private investor owns a small stake within a major commercial service airport.

14.8 In legal terms, the decision to privatise, whether in part or in full, is made by the airport owner, which is typically a public entity at the state, regional, or local level.[296] However, in practice it is challenging for a private entity to buy or lease long-term entire airports due to financial constraints. Compared to public sector ownership, privately-owned airports are subject to tax disadvantages, have more restrictions on their ability to assess usage fees on passengers, and usually face higher borrowing costs and property tax liabilities than public sector entities[297]. In addition, the Airport Improvement Program (AIP) – a major source of capital funding for most airports – mandates that all airport-related revenues, such as proceeds from sales or leases, must be re-invested into the airport. This limits revenue potential from privatisation and reduces the appeal for public authorities to privatise their airports. Indeed, no commercial service airports have been sold to private entities in the United States to date, and only one major airport is currently under a long-term lease to a private operator.

14.9 The FAA's Airport Privatization Pilot Program is discussed in the following section.

*Airport Privatisation Pilot Program (APPP)*

14.10 In 1996 the U.S. Congress established the APPP to encourage private investment in airports through partially addressing some of the issues discussed in the previous section. However, the APPP does not completely eliminate the barriers to privatisation discussed above and thus appeal to private investors is still limited:

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[292] Orlando International Airport – About Us, accessed 2nd February 2016. http://www.orlandoairports.net/about.htm

[293] Charleston International Airport – About Us, accessed 2nd February 2016. https://www.chs-airport.com/AviationAuthority/About-Us.aspx

[294] About the Port – History, accessed 2nd February 2016. http://www.portofoakland.com/about/history.aspx

[295] Flight options plummet at Missouri's new Branson Airport, accessed 28th March 2016. http://www.usatoday.com/story/travel/flights/todayinthesky/2015/12/14/flight-options-plummet-missouris-new-branson-airport/77260690/

[296] ACRP Report 66 – Considering and Evaluating Airport Privatization (2012). Available online at http://onlinepubs.trb.org/onlinepubs/acrp/acrp_rpt_066.pdf

[297] Ibid.

- Airports privatised under APPP still have less access to federal grants and higher borrowing costs than publicly-owned airports;
- 65% of air carriers operating at an airport need to approve the sale or lease of the airport. This introduces additional stakeholders that a potential investor would be accountable to;
- Airports privatised under APPP are not allowed to increase the fee rates charged to airlines by more than the inflation rate unless approved by more than 65% of the airlines; and
- The approval process is lengthy and can take several years between the initial formal application and final approval.[298]

14.11 To date, only two airports have been transferred to a private operator under the APPP for a fixed period of ownership – namely Luis Muñoz Marín International Airport (SJU) in Puerto Rico, and the smaller Stewart International Airport north of New York City. Stewart Airport has since reverted to public ownership by the Port Authority of New York and New Jersey, making SJU the only airport currently operating under APPP. The terms of the SJU concession allows for private operation for forty years, under which the government will receive first a one-time fixed payment of US$615 million, followed by annual revenue-sharing payments, the amount of which depends on the magnitude of revenues generated at the airport but is estimated to be worth around US$550 million.[299] Several other airports, including Louis Armstrong New Orleans International Airport and Chicago Midway International Airport[300], had begun but later withdrawn from the APPP application process due to limited investor interest or opposition from local groups.[301]

**Foreign Ownership**

14.12 We have not found any regulations explicitly permitting or prohibiting foreign ownership of airports. However, given the presence of foreign operators within the United States, it is assumed such investment is permissible under current US law.

14.13 Privatised commercial airports have been leased to non-American entities, for instance Stewart International Airport was leased to the British National Express Group PLC[302] before reverting back to public control as a result of low usage, and Luis Muñoz Marín International Airport is currently leased to a Mexican-American joint venture[303]. However, sale or lease of airports to foreign entities may be subject to investigation by the Committee on Foreign

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[298] Airport Privatization: Issues and Options for Congress, accessed 4th February 2016. https://www.fas.org/sgp/crs/misc/R43545.pdf

[299] San Juan airport tender won by Aerostar, an ASUR–Highstar Capital consortium, accessed March 28, 2016. http://centreforaviation.com/analysis/san-juan-airport-tender-won-by-asur-and-highstar-capital-consortium-79097

[300] Emanuel tells feds Midway won't go private, accessed March 28, 2016. http://www.chicagobusiness.com/article/20130926/BLOGS02/130929815/emanuel-tells-feds-midway-wont-go-private

[301] Airport Privatization Program, accessed March 13, 2016. http://www.faa.gov/airports/airport_compliance/privatization/

[302] ACRP Report 66 – Considering and Evaluating Airport Privatization (2012).

[303] Record of Decision for the Participation of Luis Muñoz Marín International Airport, San Juan, Puerto Rico in the Airport Privatization Pilot Program, accessed 3rd February 2016. http://www.faa.gov/news/updates/media/San_Juan_Record_of_Decision.pdf

Investment in the United States (CFIUS), which has legal authority to bar investments if they are found to impair national security. Furthermore, public opinion may influence legislative action against certain forms of foreign ownership.[304] While it has not happened in the context of airports, a sale of terminal management contracts at six seaports in 2006 to a company from the United Arab Emirates – while approved by CFIUS – generated significant controversy among the public, induced Congressional action against the sale[305], and ultimately the seaports were re-sold to an American company. [306]

## USA: Airport management

14.14 There is a wide range of management models within US airports. For instance, Albany International Airport (ALB) in upstate New York is completely managed by a private company, Virginia-based AvPorts Inc.[307], whereas Ronald Reagan Washington National Airport (DCA) is operated by the public Metropolitan Washington Airports Authority.[308] Terminals within the same airport do not have to all be managed by the same entity. For instance, as noted below, within JFK airport, Terminal 1 is co-operated by a group of four airlines (including two EU airlines), Terminal 4 is operated by a subsidiary of the Schiphol Group[309], and Terminal 8 is operated by American Airlines. [310]

**Airline long-term leases on terminals**

14.15 In the USA, it is common for airlines or operators to be awarded longer-term leases for specific terminals within an airport in exchange for financing the construction or redevelopment of that terminal. These terminals are often designed and constructed by the airlines themselves (for example, American Airlines[311], and others at JFK[312]), and at the end of the lease, ownership of the terminal returns to the government, reflecting a typical Build-Operate-

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[304] ACRP Report 66 – Considering and Evaluating Airport Privatization (2012).

[305] Under Pressure, Dubai Company Drops Port Deal, accessed 3rd February 2016. http://www.nytimes.com/2006/03/10/politics/10ports.html

[306] How the DP World deal unraveled, accessed 9th February 2016. http://www.ft.com/cms/s/0/29e99f06-b065-11da-a142-0000779e2340.html#axzz3zgww7DoX

[307] Customer Profile: Albany International Airport (ALB), accessed 3rd February 2016. http://avports.com/cfiles/airports_alb.cfm

[308] MWAA History and Facts, accessed 3rd February 2016. http://www.mwaa.com/about/mwaa-history-and-facts

[309] Extended Terminal 4 at JFK International Airport is now open, accessed 3rd February 2016. https://www.schiphol.nl/B2B/RouteDevelopment/NewsPublications1/RouteDevelopmentNews/ExtendedTerminal4AtJFKInternationalAirportIsNowOpen.htm

[310] Westfield and Hudson Group Unveil Retail Revamp at JFK Terminal 8, accessed 3rd February 2016. http://www.prnewswire.com/news-releases/westfield-and-hudson-group-unveil-retail-revamp-at-jfk-terminal-8-300041281.html

[311] Commercial Projects – American Airlines, accessed March 13, 2016. http://www.torcon.com/industry/commercial/american-airlines

[312] J.F.K. Enters the Era of the Megaterminal, accessed March 13, 2016. http://www.nytimes.com/2000/03/19/realestate/jfk-enters-the-era-of-the-megaterminal.html?pagewanted=all

Transfer (BOT) arrangement.[313] Frequently the airport owner, or other public entity, issues tax-exempt bonds on behalf of the airline to finance such projects, thus lowering the financing costs to the airline but still limiting the owner's liability[314]. Examples of airline operators with long term leases at US airports include:

- Logan International Airport (BOS) (Delta/Terminal A, US Airways/Terminal B);
- Chicago O'Hare International Airport (ORD) (United/Terminal 1);
- Cincinnati/Northern Kentucky International Airport (CVG) (Continental/Terminal 3 and Concourse B);
- Cleveland Hopkins International Airport (CLE) (Continental/Concourses C and D);
- Los Angeles International Airport (LAX) (American/Terminal 5, Delta/Terminal 6);
- Newark Liberty International Airport (EWR) (Continental/Terminal C);
- John F. Kennedy International Airport (JFK) (United/Terminal 7[315] , American/Terminal 8); and
- San Francisco International Airport (SFO) (United/Terminal 3).[316]

14.16 Airlines are not permitted to swap leases or portions of leases with one another without regulatory approval. For example, United Airlines ceased operations at New York's John F. Kennedy International Airport (JFK) in 2015, preferring to consolidate its operations at the nearby Newark Liberty International Airport (EWR). United and Delta then mutually agreed to exchange take-off and landing rights with each other between JFK and EWR, however this deal was challenged by the federal government under anticompetitive rules.[317]

14.17 Terminal lease lengths have historically been for several decades, however there have been recent trends towards much shorter leases as both airlines and airports prefer greater flexibility to adjust their operations.[318] For instance, in 2013 United signed a 20-year lease at EWR, and since 2006 Philadelphia International Airport (PHL) [319]has been granting five-year leases. [320]

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[313] ACRP Legal Research Digest 7: Airport Governance and Ownership (2009).

[314] Delta Cedes Spae at Logan's Terminal A, accessed 3rd February 2016. http://www.aviationpros.com/news/10437433/delta-cedes-space-at-logans-terminal-a

[315] United has since ceased operations at JFK.

[316]ACRP Report 66 – Considering and Evaluating Airport Privatization (2012). Note that in the case of Cincinnati, Cleveland, and Newark, the lease was to then-Continental Airlines which has since merged with United Airlines

[317] Justice Department Opposes United-Delta Swap for Newark Landing Slots, accessed March 28, 2016. http://www.nytimes.com/2015/11/11/business/united-delta-deal-at-newark-opposed-by-justice-department.html?_r=0

[318] ACRP Report 36 – Airport/Airline Agreements—Practices and Characteristics (2010). http://onlinepubs.trb.org/onlinepubs/acrp/acrp_rpt_036.pdf

[319] United Airlines Extends Newark Agreement, accessed March 13, 2016. http://ir.united.com/phoenix.zhtml?c=83680&p=irol-newsArticle&ID=1804219

[320] New gate-lease deals mark the end of an airport era, accessed March 13, 2016. http://articles.philly.com/2006-07-01/business/25405193_1_charles-j-isdell-newer-airlines-charges-airlines

*European investment in US airport terminal leases*

14.18 EU-based companies have been involved in terminal construction and lease projects since the 1990s, when Terminal 1 at JFK was constructed and managed by a consortium of Air France, Lufthansa, Japan Airlines and Korean Air.[321] The bonds used to finance Terminal 1 were issued in 1994 by the New York City Industrial Development Agency, a public authority, on behalf of the aforementioned airlines.[322] Today the terminal is still operated by the same consortium and used by more than a dozen other airlines, including several EU airlines.[323] JFK Terminal 4 is managed by a subsidiary of the Schiphol Group, which was awarded a contract to expand and operate the terminal until 2043; the terminal is mainly used by Delta but also serves several other EU and non-EU airlines[324]. The bond issue financing the construction of Terminal 4 was completed through the Port Authority of New York and New Jersey[325].

14.19 European entities have been involved in the management of US airports. BAA was awarded contracts to manage the airports of Harrisburg and Indianapolis by the local authorities, but both leases were terminated early and BAA (renamed Heathrow Airport Limited) is now no longer managing any American airports.[326] In Harrisburg, BAA was awarded a 10-year contract in 1997 to manage full operations at MDT and CXY.[327] However, this was terminated by the regional airport authority in 2001 following contractual disputes between the two parties.[328] [329] In Indianapolis, the contract was terminated a year early in 2007 by mutual agreement as BAA's parent company decided to divest from the airport management business line.[330] While no major US airports are currently entirely privately managed, the BAA experience demonstrates that management of airports by foreign entities is possible.

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[321] New JFK Terminal is a Private Project – Four Non-U.S. Carriers Will Repay The Bonds Financing The $434 Million Facility, To Open Next Month, accessed 3rd February 2016. http://articles.philly.com/1998-04-20/business/25765968_1_jfk-terminal-one-group-association-airports

[322] A 'New' Kennedy Airport Takes Wing, accessed 3rd February 2016. http://www.nytimes.com/1997/10/26/realestate/a-new-kennedy-airport-takes-wing.html?pagewanted=all

[323] Terminal One Group – JFK International Airport, accessed 8th February 2016. http://www.jfkterminalone.com/home.html

[324] Public Private Partnership (PPP) – Case Study, accessed 8th February 2016. http://www.icao.int/sustainability/PPP%20Case%20Studies/PPP_Airport_United%20States.pdf

[325] Private Financing of Public Infrastructure: Risk and Options for New York State, accessed 3rd February 2016. http://www.osc.state.ny.us/reports/infrastructure/p3_report_2013.pdf

[326] BAA through the decades, accessed 3rd February 2016. http://www.telegraph.co.uk/finance/2940422/BAA-through-the-decades.html

[327] British Airports Management Firm to Manage Harrisburg, Pa. Airport, accessed 3rd February 2016. http://aviationweek.com/awin/british-airports-management-firm-manage-harrisburg-pa-airport

[328] Mayor's airport pick sues over firing in PA, accessed 3rd February 2016. http://www.timesledger.com/stories/2001/28/20010712-archive220.html

[329] City still up for Landing British Firm, accessed 3rd February 2016. http://www.nydailynews.com/archives/boroughs/city-landing-british-firm-article-1.935535

[330] BAA contract with airport ends early, accessed 3rd February 2016. http://www.wthr.com/story/6470273/baa-contract-with-airport-ends-early

14.20 There are a number of current opportunities in the US which European investors are pursuing. In Denver there is the opportunity to invest in the redevelopment of the terminal 'Great Hall', Ferrovial and Manchester Airports Group are part of Consortium intending to bid. A similar competition was held for the redevelopment, operation and maintenance of LaGuardia's Central terminal building in 2013-14. One of the consortia included Hochtief Airport GmbH (now AviAlliance) based in Germany. Other recent private sector investment opportunities include an Automated People Mover system and a consolidated car rental facility at Los Angeles that is currently in the pre-bid stage at the time of writing.

14.21 Many airports also outsource parts of their operations. This may include cleaning services, bus operations, or in-terminal commercial concessions[331]. EU companies are involved in these contracts; for instance, Fraport (Germany) currently owns 100% of AirMall, which is the concessionaire for in-terminal retail space at Baltimore (BWI), Cleveland (CLE), Pittsburgh (PIT), and Terminals B and E of Boston (BOS)[332].

## USA: Ground handling

**Regulatory framework**

14.22 The Economic Non-discrimination (22) and Exclusive Rights (23) clauses of the FAA's Airport Improvement Program (AIP) Grant Assurances document[333] regulates the ground handling market in the USA. The Grant Assurances are a set of conditions which airports must adhere to receive funding through the AIP (virtually all major US airports receive funding through the AIP, in 2015 it gave over $3.1 billion to 320 different airports[334]).

14.23 The ground handling market is liberalised in the USA and no licence is required, all that is required is authorisation from the airport. Airports are prohibited from granting exclusive rights to any ground handling service providers. The FAA[335] stipulates that airport owners *'...will make the airport available as an airport for public use on reasonable terms and without unjust discrimination to all types, kinds and classes of aeronautical activities, including commercial aeronautical activities offering services to the public at the airport.'* One ground handler commented that the USA is the "example and model for a fully liberalised market".

14.24 Air carriers are free to choose whether to operate their own ground handling services or choose between private operators, a provision which is included in the US-EU comprehensive air service agreement. The airport can also elect to provide services itself. In each of these cases the airport or air carriers are subject to the same charges and fees as private operators.

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[331] Airport Privatization: Issues and Options for Congress, accessed 2nd February 2016. https://www.fas.org/sgp/crs/misc/R43545.pdf

[332] About Us, accessed 3rd February 2016. http://www.airmallusa.com/AboutUs.aspx

[333] http://www.faa.gov/airports/aip/grant_assurances/media/airport-sponsor-assurances-aip.pdf

[334] FAA Airport Improvement Program (AIP) Grant Histories, accessed 30th January 2016, http://www.faa.gov/airports/aip/grant_histories/#history

[335] FAA Airport Improvement Program (AIP) Grant Assurances, accessed 30th January 2016, http://www.faa.gov/airports/aip/grant_assurances/media/airport-sponsor-assurances-aip.pdf

14.25 It is not unusual for smaller airports to have only one ground handling operator on site, due to low levels of traffic or infrastructure constraints. A sole service provider is deemed not to have been given exclusive rights under the following conditions [336]:

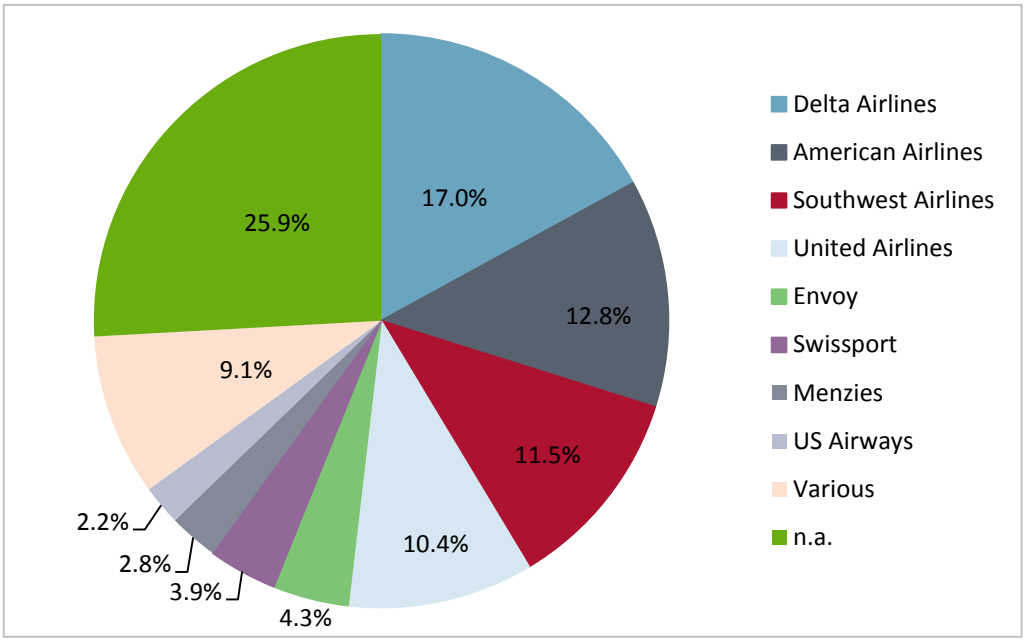
- It would be unreasonably costly, burdensome, or impractical for more than one operator to provide the services; and
- Allowing more than one operator to provide the services would require reducing the space leased to the existing operator and it is demonstrated that the entire leased area is required to provide the current service.

**Market Information**

*Market size and shares*

14.26 The market shares of the major companies in the US ground handling market for ramp and passenger services are shown in Figure 14.1 and Figure 14.2 respectively.

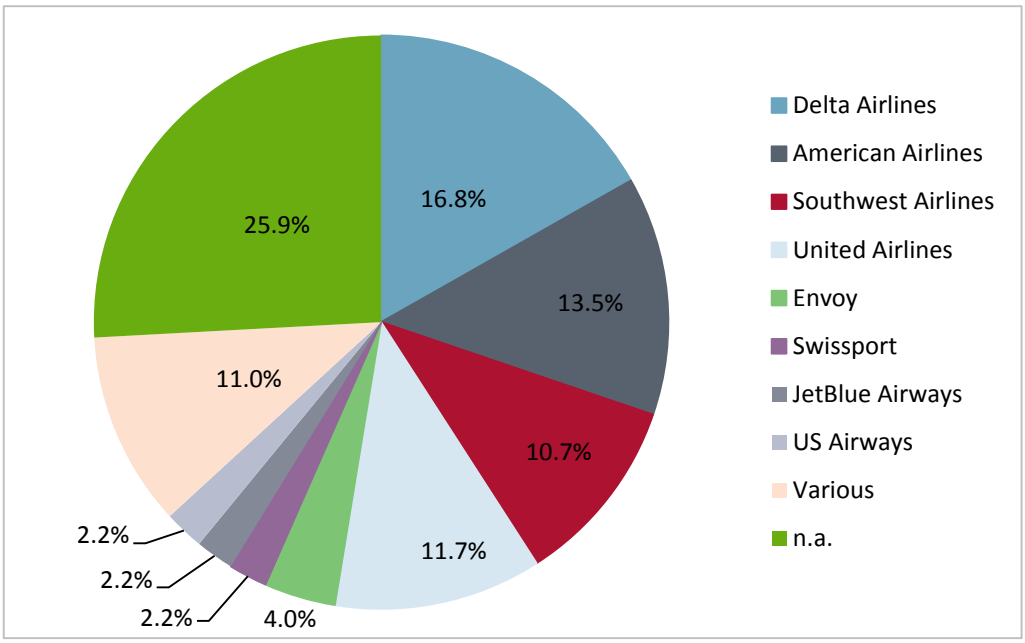
**Figure 14.1: USA ground handling market share by company (ramp)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 30,000 passengers per year

[336] AIP Grant Assurances

**Figure 14.2: USA ground handling market share by company (passenger)**




Source: Estimation based on internet search and information obtained from stakeholders
Note: Estimates are for unweighted departures i.e. differentiation by aircraft size is not included. n.a. represents airports with under 30,000 flights per year

14.27 We estimate the total value of the US ground handling market to be €7.9 billion for ramp and passenger services combined.

14.28 Market share and size estimates have been developed in line with the methodology described on page 34.

*Airlines self-handling activities*

14.29 The US ground handling market is dominated by the major airlines' own ground handling operations, which are either operated by the airline directly or through subsidiary companies, which typically operate at smaller regional airports. These ground handling operations primarily exist to supply services to their parent companies, but also offer their services to other airlines and are therefore considered by international ground handlers as competition for the market. The continued operation, either directly or indirectly, of their own ground handling operations by most of the major US airlines is primarily due to the labour contracts and union agreements in place that prevent airlines from outsourcing these services.

14.30 Table 14.2 shows the four largest US airlines by number of passengers, their share of air traffic movements (ATMs) in the USA in 2014 and the structure of their ground handling operations.

**Table 14.2: Major US Airline Ground handling Operations**

| Airline | Share of ATMs 2014 (arr and dep in USA) | Ground handling Arrangement | Subsidiary name |
|---|---|---|---|
| American Airlines | 13.1% | Subsidiary | Envoy Air |
| Delta Air Lines | 19.7% | Subsidiary | DAL Global Services |
| Southwest Airlines | 13.2% | Internal | - |
| United Airlines | 19.7% | Subsidiary | United Ground Express |

Source: OAG, Company Websites, Steer Davies Gleave analysis

14.31 As shown in Table 14.2, the proportional share of ATMs held by the 4 largest airlines in the US is 65%; these airlines' self-handling arrangements imply that at least 65% of the ground handling market in the USA is not available to international ground handlers.

14.32 Information on the number of airports at which these major airlines and their subsidiaries offer ground handling services is not available for all airlines. However, the IATA Ground Handling Council Directory[337] states that American Airlines offers ground handling services at 97 US airports, and on their website[338], DAL Global Services state they have stations at approximately 150 US airports.

*Number of ground handling organisations active in a given airport*

14.33 As well as the major airlines' own operations, the majority of medium and large hub airports have several private ground handling operators providing services, the number of ground handling service providers at selected US airports are shown in Table 14.3.

**Table 14.3: Number of ground handling operators at selected US airports**

| Airport | Departures (2014) | Number of Ground Handling Operators |
|---|---|---|
| Baltimore-Washington | 11,022,200 | 4 |
| Indianapolis | 3,605,908 | 4 |
| New York JFK | 26,244,928 | 8 |
| New York LaGuardia | 13,415,797 | 4 |
| Newark Liberty | 17,680,826 | 5 |
| Ontario | 2,037,346 | 3 |
| San Diego | 9,333,152 | 14 |

Source: Airport Websites

14.34 It should be noted that on their website[339], San Diego airport lists Delta Air Lines and American Airlines (and their subsidiaries) as ground handling service providers. No other airport lists any of the major airlines (or their subsidiaries), shown in Table 5.2, as ground handling service providers; this demonstrates the ambiguity in how the ground handling market can be defined in the US. International ground handling companies have reported that the airlines' self – handling services are not always considered as part of the "contestable" ground handling market.

14.35 The eight service providers listed as 'Ground Handling Agents' on New York JFK airport's website[340] are , shown in Table 14.4.

**Table 14.4: JFK Airport Ground handling Operators**

| Ground handling Company | Origin |
|---|---|
| Alliance Ground International | USA |

[337] The IATA Ground Handling Council (IGHC) Directory, accessed 3rd March 2016, http://www.iata.org/publications/ighc-directory/Pages/index.aspx

[338] About DGS, accessed 3rd March, http://deltaglobalaviation.com/about.html#

[339] San Diego Airport Airline Services, accessed 3rd March 2016, http://www.san.org/Business-Opportunities/Aviation-and-Commercial-Business/airline-services

[340] JFK Airport Ground Handling Agents, accessed 8th February 2016, http://www.panynj.gov/air-cargo/jfk-service-providers.html

| Ground handling Company | Origin |
|---|---|
| Cargo Airport Services | USA |
| Lufthansa Cargo | EU |
| MSN Air Service | USA |
| Servisair* | EU |
| Swissport | EU |
| Triangle Aviation Services | USA |

*Owned by Swissport
Source: JFK Airport

*Airports providing ground handling services*

14.36 Although they are free to do so, in practice it is rare for airports to provide ground handling services. One international ground handler stated that in terms of size, the market share held by airports providing ground handling services is not significant. Green Bay and Bangor, Maine airports are two of the few airports that provide some of their own ground handling services.

*International vs local ground handling companies*

14.37 Many of the major players in the international ground handling market are European companies who have a large presence in the USA. We understand from one international ground handler that this presence is generally via subsidiaries. Table 14.5 shows the number of North American Stations (note this includes the USA and Canada) and USA revenue of three EU-based major global operators in the ground handling market.

**Table 14.5: Major international Ground Handling Operators active in the USA**

| Operator | North American Stations 2014 | USA Revenue 2014 (€m) |
|---|---|---|
| Swissport* | 75 | 524.4 |
| WFS-Aviapartner | 60 | Not Available |
| Menzies | 53 | 147.7 |

*Includes Servisair
Source: CAPA, Menzies, Swissport

14.38 Along with the major airlines' self-handling operations and major international companies, there are also many US based companies providing ground handling services at US airports. Along with ground handling, these companies often offer other services including security, cleaning and maintenance. A non-exhaustive list of US ground handling companies is shown in Table 14.6.

**Table 14.6: US Ground handling companies (non-exhaustive)**

| Operator | US Stations |
|---|---|
| Aero Port Services | 1 |
| ASIG | 52 |
| ATS | 31 |
| Aviation Port Services | 17 |
| GAT Airline Ground Support | 35 |
| Hallmark | 9 |
| Jet Stream | 21 |
| Matrix Aviation | 7 |
| Pacific Aviation Corporation | 3 |
| Simplicity | 8 |

Source: IATA, Company Websites

14.39 The size of US ground handling companies' operations can range from large organisations, which provide services at airports nationwide, to smaller organisations which only provide services in a specific region. Pacific Aviation Corporation, for example, has only 3 stations at airports in California and Aero Port Services operates only at Los Angeles airport.

14.40 European ground handling stakeholders reported that the US market is relatively straightforward for them to operate in as the market is completely liberalised and no licence is required. These stakeholders stated that they have not experienced any non-competitive or discriminatory practises in the USA. However, it was noted that it is difficult to gain a significant market share due to the dominance of the major US airlines' own ground handling operations, which results in a significant proportion of the market being unavailable to them. These US airline self-providers also compete with the international ground handling organisations for the remaining market share.

# 15 Market overview: France

## Introduction

15.1 In this chapter we present an overview of private investments into airport ownership and management in France, and identify any barriers to market entry or other restrictions into this area or the ground handling sector.

## Airport ownership

### French legislation regarding airport ownership

15.2 Major reforms were undertaken in France in 2004 and 2005 to modernize the ownership and management of French airports.

15.3 Law No. 2004-809 of 13 August 2004 on local freedoms and responsibilities devolved ownership of small airports and airfields previously owned by the French government to local authorities (municipal, departmental or regional governments) that were willing to assume this responsibility. The decentralisation of these airports was accompanied by a transfer of ownership of the assets previously owned by the State, free of charge. These assets included airport land, the building, works and installations on it and all the moveable property earmarked for the airport.

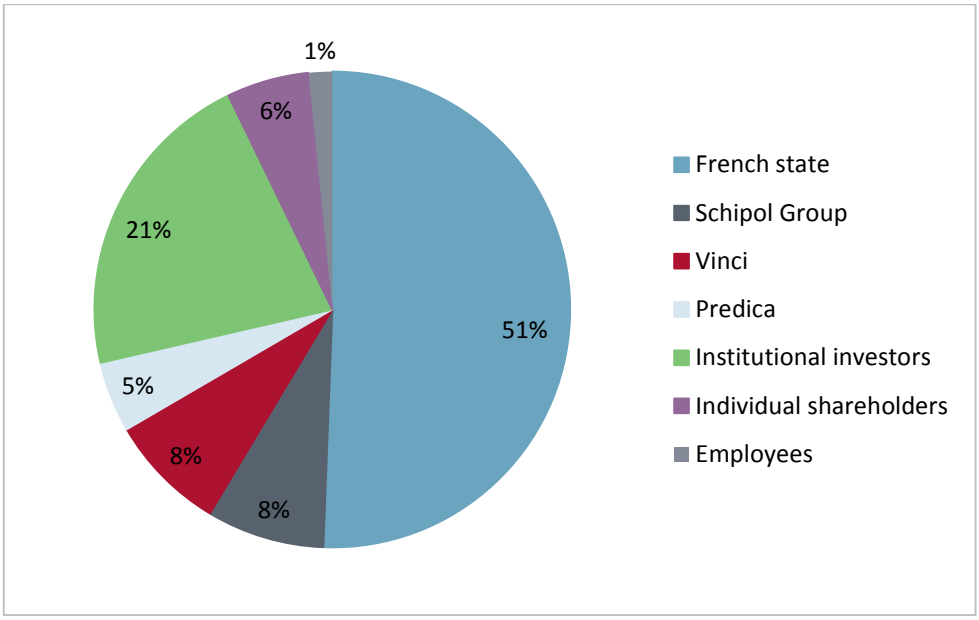
15.4 Another policy was implemented at the larger French airports in 2005, by Law No 2005-357 of 20 April 2005. The law differentiated between Aéroports de Paris and the next 11 largest French regional airports as measured by passenger throughput.

15.5 Aéroports de Paris (ADP) manages and develops France's most important airports: Paris/Roissy-Charles de Gaulle Airport (hub of Air France) and Paris-Orly Airport. ADP was transformed into a limited company fully owned by the State, with the ability for the State to sell up to 50% of the shares (Article L6323-1 of the Code of Transport). In June 2006, the Government partially privatised ADP through a €600 million increase of capital:

- 29.2% of the shares were sold to private investors;
- 2.4% to ADP employees; and
- the French Government kept the remaining 68.4%.

15.6 In June 2008, ADP and the operator of Amsterdam-Schiphol airport concluded a strategic alliance, resulting in each company acquiring an 8% stake in the other (it is the French Government who sold the stake to the Schiphol Group, and it subsequently retained the ownership of 60% of ADP shares after the exchange). In 2009, the French Government sold a further 8% stake to the Fond Stratégique d'Investissement, the French investment sovereignty fund. The 2016 ownership structure of ADP is presented in Figure 15.1.

**Figure 15.1: Ownership structure of Aéroports de Paris**




Source: ADP corporate website, 2016

15.7 For the 12 largest French regional airports[341] (excluding ADP), law 2005-357 resulted in the creation of airport limited companies that are still owned by the French State, the local chambers of commerce and industry (CCI), and local governments. These airport companies can open their shares to new public and private partners and it is expected that the French Government will continue to sell a certain amount of its shares in these companies, as it has done in 2015 for Toulouse airport and is planned in 2016 for Nice and Lyon airports.

15.8 However, it should be clarified that the State only sells its shares in the operating company, and remains the owner of the infrastructure. It also remains the licensing authority of the airports, meaning that it is still the State who determines the long-term development strategy of the airports.

## Airport management

### Aéroports de Paris

15.9 The 2005 law transformed ADP into a *société anonyme* (SA). The State conceded to ADP the exclusivity of the management of Parisian airports without time limitation. Airport assets held by ADP and the State were transferred to the new company.

### Major regional airports

15.10 Since the 1930s, major regional airports have been managed by local chambers of commerce and industry (CCI) in a concessionary regime.

15.11 Article 7 of Law 2005-357 permitted the CCIs to create regional airport companies (operating under private law) with the capital initially wholly owned by public entities. Immediately after the transfer, each concession was subject to new terms set by the State, which among others

[341] Bordeaux, Aéroports de Lyon, Marseille, Montpellier, Nantes, Nice airports, Strasbourg, Toulouse, Cayenne, Fort-de-France, Pointe-à-Pitre and Saint-Denis.

resulted in an extension of the concession period (of a maximum of 40 years) and removal of the liability guarantee by the State.

15.12 The implementation of this complex reform is now almost complete with only Cayenne airport (located in the French Guyana) remaining to be transferred from CCI (local authorities) control to a regional airport company. The reform was implemented at the other 11 airports' concessions: Lyon, Toulouse and Bordeaux in 2007, Nice in 2008, Montpellier in 2009, Nantes, Strasbourg, Saint Denis and Fort-de-France in 2011, Marseille and Pointe à Pitre in 2014.

15.13 Local authorities were allowed to hold shares in these airport companies, with the initial capital allocation being 60% for the State, 25% for the CCIs and 15% for the local authorities.

15.14 During the parliamentary debates that led to the introduction of the 2005 law, the French Government made it clear that one of the objectives of the reform of regional airports was to eventually open the capital of the airport companies, in order to offer the opportunity to the private sector to manage regional airports as well as diversify the sources of financing for the development and operation of these airports.

*Capital opening of Toulouse airport*[342]

15.15 The French State began the privatisation process for French regional airport managing companies with the Toulouse-Blagnac airport. The transaction consisted of a sale of 49.9% of the State's shares in the airport company to the selected bidder, together with one-way option for the State to sell its residual participation representing 10.1%.

15.16 After launching the tender process in July 2014, in December 2014 the French State selected a consortium primarily made up of Chinese investment funds and asset managers (Shandong High Speed Group and Friedmann Pacific Investment Group) and a Canadian operator (SNC Lavalin).

15.17 The outcome of the tender process for the Toulouse-Blagnac airport shows that, although the transfer to a private investor of shares in a company controlling strategic infrastructure remains politically sensitive, the State is prepared to sell its shares in airport managing companies to foreign investors, subject to there being a satisfactory bid price and development plan in place for the airport. The State keeps nevertheless control over the airport through the terms of the concession agreement.

15.18 The sale of the State's shares in the airport company for Toulouse-Blagnac nonetheless generated strong negative reaction, mostly at a local level, both with respect to the principle of the privatization and on the selected consortium which did not include any French entities.

*Future changes for regional airport companies*

15.19 The 2016 law for growth and economy (referred to as the "Loi Macron"[343]), authorises the transfer of more than 50% of the shares of the airport managing companies for Lyon and Nice to the private sector. In other words, the French State, which owns 60% of the shares in the airport companies, may sell all of its shares

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[342] The privatization of large regional airports in France: key issues and opportunities, Clifford Chance, 2015

[343] Latest version of the Loi Macron draft, **https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000030978561&dateTexte=20160308** , accessed 15 March 2016

**Other French airports and airfields**

15.20 The 2004 law transferred to local authorities (or their groupings) the ownership, development, maintenance and management of the 150 civil local airports and airfields (all civil airports excluding the ADP airports and next 12 largest airports in France). The transfer became effective in 2007. Only a dozen of these airports have commercial traffic of higher than 100,000 passengers per annum.

15.21 The transfer was based on a voluntary agreement with local authorities. As a result, 19 airports have been attributed to regions (either alone or in groupings), 29 to *départements*, 61 to groupings of *communes* and 41 to *communes*.

15.22 This transfer of ownership and management allows local authorities to establish the development strategy of the airports, retain the management, subcontract or choose an operator and organize the financing of the airport.

15.23 The management of a number of these airports has been given by the local authorities to private companies (including French companies Vinci, Keolis, Veolia and Canadian company SNC-Lavalin). VINCI for instance has interests in 11 French airports[344], including ownership of 99% of the capital of the operating company of Grenoble, Chambery, Clermont-Ferrand and Quimper airports.

## Ground Handling

15.24 The information presented below draws from a recent public report[345] (dated September 2015) on the ground handling market in France. This report was produced by the *Conseil Général de l'Environnement et du Développement Durable* (CGEDD) which is an administrative advisor to the French government.

**Legislation on ground handling in France**

15.25 European legislation ( Ground Handling Directive EU 96/67) has been transcribed into French Law, with the following exceptions:

- EU legislation provides for the possibility to require approvals. In French legislation, an approval is required for the provision of groundhandling services at airports with more than 200,000 passengers or 20,000 tonnes of freight. In addition, approvals are required airport by airport, which multiplies the necessary approval procedures for a ground handling company operating at several airports; and
- French legislation also requires that the airport users' committee is consulted on the appointment of a service provider (airport operator or third-party) to ensure continuity of ground handling services and related to limits in the number of providers or self-assistants.

15.26 French legislation for ground handling is based on different legislative texts:

- Decree 98-7 of 5 January 1998 amending the Code of Civil Aviation (Part 2): modification of articles R 216-1 to R 216-16. This decree requires ground handlers in France to be based in the EU;
- Decree of 18 March 1998 relating to approval applications for ground handlers;

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[344] VINCI Airports, **http://www.vinci-airports.com/en/vinci-airports-opening-your-world**, Accessed April 2016

[345] http://www.ladocumentationfrancaise.fr/var/storage/rapports-publics/154000744.pdf

- Circular 98-46 of 15 April 1998 relating to the issuance and withdrawal of approval for ground handlers;
- Decree No 2009-551 of 19 May 2009 on users' committees of ground handling services imposed on certain aerodromes; and
- Decree No. 2012-832 of 29 June 2012 relating to civil aviation safety.

15.27 Approvals are granted for a 5 year renewable period for all operators and subcontractors. Approvals are granted by the interregional offices of DGAC in charge of safety (DSAC/IR) who perform an administrative review of the applications. The criteria taken into account for approval are:

- The obligation to provide evidence of adequate insurance cover, including third-party liability;
- A healthy financial situation;
- The commitment to respect the legislation on French labour law, on collective agreements, on safety, security and environmental standards and to participate in the organisation and on the coverage of costs to ensure the continuity of services.

15.28 According to French legislation, a ground handling company must be based in the EU to be permitted to operate in France. Non-French and non-EU owned/controlled companies can operate if they have an establishment in France, for example, WFS, which is controlled and owned by a USA fund, but has headquarters and operates in France.

**The ground handling market in France**

15.29 The table below presents an overview of the main operators in the French ground handling market. They have been grouped under three different categories:

- Full service: operators providing services to all main handling categories (ground administration and supervision, passengers, luggage, freight and mail, runway and taxiway operations, cleaning and aircraft servicing and flight operations and crew administration) and belong to international groupings. Ten companies generate in France a consolidated turnover related to ground handling in the order of €800 million and employ a total of over 11,000 people. For eight of the companies, France is their largest market;
- Partial service operated by a large number of operators with limited capital and staff numbers varying from 100 to 1,000. Some information available on Avico, Transdev, City One and GH Team is provided in the table below;
- Catering services: The catering world leader LSG (a Lufthansa subsidiary) is not present in France whilst the second Gate Gourmet is only present at Basel-Mulhouse airport. The 3$^{rd}$ and 4$^{th}$ largest catering companies, respectively Newrest and Servair have their main market in France and employ approximately 8,420 people.

15.30 We observe that seven of the handlers (5 for full service and 2 for catering) are members of international groups (Figure 15.1).

**Table 15.1: Main ground handlers operating in France (2015 analysis)**

| Type of handling | Operator | HQ | Shareholder | Capital (€ millions) | 2014 revenues (€ millions) | 2014 result (€ millions) | Staff |
|---|---|---|---|---|---|---|---|
| Full service | WFS | France | Platinum Equity Investment fund (USA) | 7.5 | 127 | N/A | 1,800 |
| | Groupe 3S (including Alyzia, GIMAS) | France | Serge Sellan (FR), (47%)<br>Ekkio Capital Investment fund (FR), (49%)<br>Group management team, (4%) | 6.6 | 196 | -1.5 | 2,110 |
| | Aviapartner | Belgium | HIG Capital (USA) | N/A | 140 | N/A | 3,000 |
| | Groupe Europe Handling (GEH) | France | CRIT group (FR) | 0.08 | 166 | 1.9 | 1,792 |
| | Menzies | United Kingdom | John Menzies (UK) | 0.001 | 5 | -0.23 | 90 |
| | Swissport * | Switzerland | HNA Group Co. Ltd (China) | N/A | 50 | N/A | 550 |
| | Samsic assistance | France | Samsic group 95% | 0.24 | 43 | 0.63 | 720 |
| | ONET airport services | France | Mrs Reinier 75% | N/A | 60 | N/A | 1,000 |
| | SAGEB | France | Transdev 49 % | 5.5 | 11 | N/A | 184 |
| | Réunion Air Assistance (RAA) | France | Air Austral 40% | 0.45 | 10 | 0.13 | 220 |
| | Avico | France | N/A | N/A | 15 | 0.94 | 176 |
| Partial services | City one * | France | N/A | N/A | 72 | N/A | 800 |
| | Transdev * | France | N/A | N/A | 41 | N/A | 450 |
| | GH Team | France | French-Swiss shareholder 90 % | N/A | 63 | 4 | 763 |
| Catering (**) | Servair | France | Air France 97% | 52 | 532 | -11 | 5,500 |
| | Newrest | France | UK shareholder 68% | N/A | 330 | N/A | 2,920 |

Note: Handlers who directly operate the main handling services in at least one main French airport have been classified as full service handlers. (*) for these companies the revenues have been estimated based on staff numbers. (**) Catering revenues include cost of food supplies.
Source: Etude sur le marché de l'assistance en escale dans les Aéroports, CGEDD, 2015

15.31 The ground handling market in France saw a number of changes in companies' names and their market shares over time. The reasons for this are the limited length of contracts between handlers and airlines (3 years generally, with a possible evolution towards 4 or 5 years) and the limited profit margins of handling operations resulting in take-over of businesses or cessation of activities.

15.32 Since 2010, there have been a number of key changes in the French market, most of them involving consolidation, and often involving investors from outside of France:

- Aviapartner was bought by US investment fund HIG Capital in 2014;
- Subsidiaries of Servisair SAS (itself 100% owned by Derichebourg SA) "Servisair Escales", "Servisair Cargo", "Servisair Assistance Piste Orly" were declared bankrupt in 2013. Servisair SAS was sold by Derichebourg to Swissport in December 2013;
- Swissport sold its entire French ground handling activity to GH Team in December 2014. The sale covered its subsidiaries Swissport France, Swissport Services CDG, Servisair France and Heracles. Swissport remains present in France[346] in the cargo handling industry through its Swissport Cargo Services entity;
- Holding company AMC Group (a Nice airport handling company operating at ten airports) was taken over in December 2014 by Aviapartner for airport handling and by GH Team for its Map Handling Freight subsidiary for cargo handling; and
- WFS, a former subsidiary of Vinci, owned since 2007 by LBO France fund, was acquired in April 2015 by US investment fund Platinum Equity.

15.33 At the national level, the study estimated that the market shares of handlers are as follow (in 2014).

**Table 15.2: Overall market share of handling companies in France, 2014**

| Handler | National market share |
|---|---|
| Self-handling Air France (FR) | 41% |
| Air France for third-parties (FR) | 5% |
| Aviapartner (BE) | 15% |
| GEH (FR) | 15% |
| Alyzia, part of 3S Group (FR) | 11% |
| WFS (FR) | 3% |
| Menzies (UK) | 2% |
| Others | 8% |

Source: Etude sur le marché de l'assistance en escale dans les Aéroports, CGEDD, 2015

15.34 The study also examined the market share of ground handlers for each of the largest airports in France. It noted that the market for full handling, in addition to Air France, is relatively small. At Paris Roissy-CDG there are only two independent providers (GEH and Alyzia who have a 79% market share excluding self-handling by Air France) and two or three providers at Orly depending on the terminal (GEH, Alyzia, WFS who have a 95% market share excluding self-handling by Air France). In the rest of France, there are three providers in Nice, two providers in Toulouse and Marseille and a single provider (Aviapartner) who is almost the

[346] Swissport still operates passenger ground handling services at Basel-Mulhouse airport and in Nice for general aviation

exclusive provider at the airports of Lyon, Bordeaux, Nantes, and to a lesser extent, in Marseille. At Basel-Mulhouse airport Swissport is operating as a monopoly as well as SAGEB in Beauvais.

**Conclusion**

15.35 Based on the above analysis, we conclude that the only restriction in place with respect to the nationality of the ground handling company to operate in France, is to be based in the EU. Further than that, there are no potential restrictions in place at national or at a lower administrative level on the nationality of the European ground handling company or its place of establishment in France.

# 16 Market overview: Germany

## Introduction

16.1 In this chapter we present an overview of private investments into airport ownership and management in Germany, and identify any barriers to market entry or other restrictions into this area or the ground handling sector.

## Airport ownership

**German legislation regarding airport ownership**

16.2 In Germany, the main piece of legislation in relation to civil aviation is the Air Traffic Act (LuftVG)[347], which in its second subsection (Articles 6 to 19) provides the regulatory framework for airports. Article 39(1) of the Air Traffic Licensing Order (LuftVZO)[348] establishes the aviation authorities of the federal states as the responsible authorities for the regulation of airports.

**Ownership structure at the main German airports**

*General information*

16.3 Traditionally, ownership of German airports has been shared between federal states (Länder), counties (Kreis), and/or cities. The Federal Government has also been involved, owning shares in Cologne/Bonn, Frankfurt, Hamburg and Munich airports, as well as Berlin's Tegel and Tempelhof airports. Limited liability companies (GmbH), or as in the case of Frankfurt Airport, joint stock companies (AG), were founded to manage operations of airports in Germany, with ownership of these companies reflecting the ownership structure of the respective airports.

16.4 In 1991, one year after the reunification, the three Berlin airports (Tegel, Schoenefeld and Tempelhof) were integrated into one single holding company, the Flughafen Berlin Brandenburg GmbH (FBB), owned by the Federal Government (26 per cent) and the States of Berlin and Brandenburg (37 per cent each).

16.5 In our review of German law, we have not identified restrictions in German law to private ownership of German airports based on the nationality or the place of establishment. As we set out in the subsequent section, there are a number of examples of German airports being partly owned by foreign investors, which includes Frankfurt Airport whose shares are listed on the stock exchange. However in practice, the majority of shareholders in German airports are based in Germany. An example of this is Airport Partners GmbH, the German-based joint

[347] http://www.gesetze-im-internet.de/bundesrecht/luftvg/gesamt.pdf, accessed 8 April 2016

[348] http://www.gesetze-im-internet.de/bundesrecht/luftvzo/gesamt.pdf, accessed 8 April 2016

venture between German AviAlliance (former Hochtief Airport) GmbH and Irish Aer Rianta International.

*Privatisation*

16.6 To date, five out of 18 international airports in Germany have been partially privatised, with the origin of these investments being primarily from Germany, but with some EU and non-EU companies also involved, as set out in Table 16.1. The first privatisation took place in December 1997 when the federal state of North Rhine-Westphalia sold its 50% stake in Düsseldorf Airport to Airport Partners GmbH, a consortium of Hochtief AirPort and Aer Rianta International (Dublin Airport Authority plc). The city of Düsseldorf retained its 50% share, and hence since then Düsseldorf Airport has been operating in the form of a public-private ownership (PPP).

16.7 In October 2000, Airport Partners (Hochtief Airport GmbH and Aer Rianta International) acquired a 36% stake in Hamburg Airport from the Federal Government and the federal state of Schleswig-Holstein, with the City of Hamburg retaining its 64% stake. In August 2002 the City of Hamburg sold a further 13% to Airport Partners, reducing its stake to 51%. Similarly to Düsseldorf Airport, Hamburg Airport has also been operated as a PPP since its first partial sell-off to private investors.

16.8 In June 2001 Airport Frankfurt, which at the time was owned jointly by the Federal Government, the federal state of Hesse and the City of Frankfurt, went to the Frankfurt Stock Exchange with an initial public offering (IPO) after the transformation of its legal form into Fraport AG. After the IPO, private and institutional investors including employees acquired a 29.4% stake. In October 2005, the federal government sold off 12% of its 18.2% stake and Lufthansa acquired a 4.95% share. Fraport also owns a 30% stake in Hanover Airport (from 1998), and owned a 65% in Frankfurt-Hahn Airport (from 1999 to 2009).

16.9 The current ownership structure of Fraport is set out in Table 16.1, along with the ownership structures of the 10 largest airports in Germany.

16.10 In 2009, Fraport sold its 65% stake in Frankfurt-Hahn Airport to the federal state of Rhineland-Palatinate for a price of €1, including a debt of €120 million. Following this purchase, the federal state of Rhineland-Palatinate increased its stake in the airport to 82.5%. Rhineland-Palatinate announced the sale of its stake to Shanghai Yigian Trading Company (SYT) in June 2016.

**Table 16.1: Ownership structure of the 10 largest airports in Germany (based on passengers in 2015)**

| Airport | Ownership of airport operator | Ownership | |
|---|---|---|---|
| Frankfurt am Main | Mixed, Majority public | Federal state of Hesse | 31.34% |
| | | City of Frankfurt | 20.01% |
| | | Lufthansa AG | 8.45% |
| | | BlackRock Inc. | 2.92% |
| | | Legg Mason, Inc | 3.00% |
| | | private shareholders | 34.28% |
| Munich | Public, Corporatised | Federal state of Bavaria | 51% |
| | | Federal Government | 26% |
| | | City of Munich | 23% |

| Airport | Ownership of airport operator | Ownership | |
|---|---|---|---|
| Düsseldorf | Mixed, Even public-private shareholding | City of Düsseldorf | 50% |
| | | Airport Partners GmbH | 50% |
| | | (40% Hochtief AirPort GmbH, 20% Hochtief AirPort Capital KGaA, 40% Dublin Airport Authority plc) | |
| Berlin-Tegel | Public, Corporatised | Federal state of Brandenburg | 37% |
| | | Federal Government | 26% |
| | | Federal state of Berlin | 37% |
| Hamburg | Mixed, Majority public | City of Hamburg | 51% |
| | | HOCHTIEF Airport GmbH | 34.8% |
| | | HOCHTIEF AirPort Capital GmbH & Co. KGaA | 14.2% |
| Stuttgart | Public, Corporatised | Federal state of Baden-Württemberg | 65% |
| | | City of Stuttgart | 35% |
| Cologne/Bonn | Public, Corporatised | City of Cologne | 31.12% |
| | | Federal Government | 30.94% |
| | | Federal state of North Rhine-Westphalia | 30.94% |
| | | City of Bonn | 6.06% |
| | | Rhein-Sieg-Kreis | 0.59% |
| | | Rheinisch-Bergischer Kreis | 0.35% |
| Berlin-Schönefeld | Public, Corporatised | Federal state of Brandenburg | 37% |
| | | Federal Government | 26% |
| | | Federal state of Berlin | 37% |
| Hanover-Langenhagen | Mixed, Majority public | Federal state of Lower Saxony | 35% |
| | | City of Hannover | 35% |
| | | Fraport AG | 30% |
| Nuremberg | Public, Corporatised | Federal state of Bavaria | 50% |
| | | City of Nuremberg | 50% |

Source: ACI EUROPE 2010

16.11 As can be seen in Table 16.1, all airports have the largest shareholder as a government authority, and of those with private investment, the majority of the companies involved are German, with the exception of Frankfurt am Main, where minority shares are held by BlackRock (publically traded on American stock exchange Nasdaq) and Legg Mason (publically traded on the New York stock exchange), and Düsseldorf, where a share in Airport Partners GmbH is held by the Dublin Airport Authority plc (a state owned company in Ireland).

*Conclusion on German airports' ownership structure*

16.12 As described above, ownership of airports in Germany is dominated by the public sector, with no airport in Germany having more than a 50% share owned by the private sector.

## Ground handling

### German ground handling legislation

16.13 In Germany, the liberalisation of ground handling operations started with the entry into force of the BADV which transposed Directive 96/67/EC into German law. The Directive opens the ground handling markets in Member States, but allows this to be limited for air side ground handling activities such as luggage handling, ramp-handling, refuelling and freight and mail services, as they that are particularly sensitive and critical for capacity and performance.

16.14 The German government made use of these possibilities, and included respective sections on this in Article 19c of the Air Traffic Act[349], and in Article 3 of the BADV. In addition, appendix 5 of the BADV specifies, for each airport within the scope of the Directive, the number of permissible ground handling operators, separated by airport operator and third party operators.

16.15 At two German airports, Berlin-Schoenefeld and Dűsseldorf, licences for third party ground handling operators have been granted that are above the number of ground handling operators specified in appendix 5 of BADV. At Berlin-Schoenefeld Airport, a third licence has been granted for third party operators, despite appendix 5 of BADV permitting only two licences at the airport.

16.16 In its response to a parliamentary inquiry[350], the German government stated that the granting of these licenses is permissible as the numbers detailed in appendix 5 of BADV must be understood as the minimum amount of third party operators, and that a limit on the number of ground handling operators at the airport would constitute an infringement on European legislation. However the government response to another parliamentary inquiry[351] suggest there is some controversy with respect to whether this statement is correct, in particular in light of the Austrian government having limited the number of third party operators for sensitive ground handling operations to a maximum of two.

16.17 In the same response[352], the German government clarified that the numbers detailed in appendix 5 of the BADV guarantee a minimum number of two operators at each of the airports within the scope of the Directive. Further in the same response, the government stated that it currently does not plan to further liberalise the market for ground handling at German airports.

16.18 Therefore, at least two ground handling operators are required at each of the airports within the scope of the Directive. The government is not aware of any case where fewer than two operators are present, as this would require temporary permission from the European Commission in accordance with Article 9 paragraph 4 of Directive 96/67/EC.

**Issuing of new licences for ground handling operators**

16.19 The formal procedure for the selection of third party operators and airport operators for ground handling services is regulated in Article 7 of the BADV. In accordance with these provisions, new licenses for ground handling operators are to be procured through competitive tendering at a European level. The airport itself is responsible for selecting the operator, in cases where it does not offer such ground handling services by itself. In the latter case, the responsibility for selection of the operator lies with the aviation authorities of the federal states. The selection criteria are detailed in Article 7 and appendix 2 of the BADV, stating that bids as part of the tender specification shall be appropriate, objective,

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[349] http://www.gesetze-im-internet.de/bundesrecht/luftvg/gesamt.pdf

[350] Deutscher Bundestag, **http://dip21.bundestag.de/dip21/btd/18/072/1807260.pdf**, accessed 7 April 2016

[351] Deutscher Bundestag, **http://dip21.bundestag.de/dip21/btd/18/080/1808007.pdf**, accessed 7 April 2016

[352] Deutscher Bundestag, **http://dip21.bundestag.de/dip21/btd/18/080/1808007.pdf**, accessed 7 April 2016

transparent, and non-discriminatory. There is no specific mention on the nationality of the bidder, and it is explicitly stated that the tender shall be published in the Official Journal of the European Community to allow the participation of all interested organisations.

16.20 Appendix 3 of the BADV specifies requirements for operators to provide ground handling services, which in particular relate to reliability, professional competence and financial capacity of the ground handling service provider but contain no mention of requirements with respect to the origin of the operator.

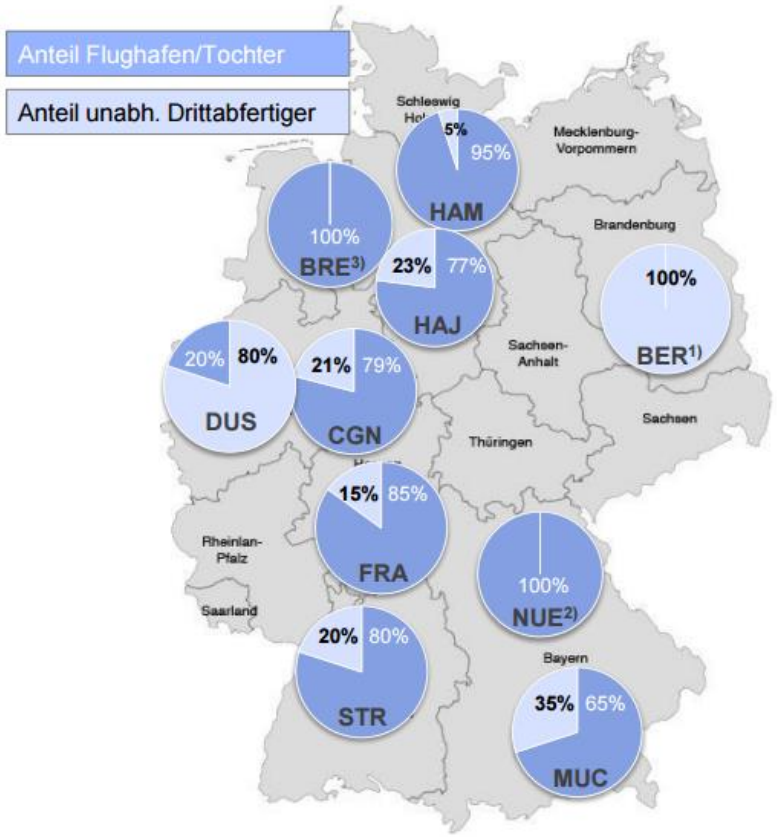
16.21 The federal ministry of transport and digital infrastructure (BMVI) is responsible for the technical and legal control of airports vis a vis the aviation authorities of the federal states. To date, the BMVI has not been required to oversee or intervene in the licencing of third party ground handling operators.

16.22 As an example of the process in practice, in March 2015 Düsseldorf Airport expressed discontent about the competitive situation at its airport, claiming that the only third party ground handling operator holds a market share of 85% at the airport and is understood to be in a near-monopolistic position. As a result, the aviation authority of the federal state of North Rhine-Westphalia granted licences for two additional third party operators at the airport and notified the BMVI of the matter in December 2015.

**The ground handling market in Germany**

16.23 Figure 16.1 is from a Lufthansa policy brief of April 2014 and shows the market shares of independent ground handling operators at German airports. 'Flughafen/ Tochter' denotes airport, or airport subsidiary, handlers and 'Drittabfertiger' denotes third party handlers.

**Figure 16.1: Independent ground handling operators at German airports**



Source: BDF, 2016

16.24 According to the German Airline Association (BDF), by 2014, 15 years after the opening of the market, new market entrants for ground handling services held a market share of 20% in terms of flight movements.

16.25 The table below summarises the ground handling operators at major German airports in 2014. With the exception of Berlin, the airport operator holds one of the two places for ground handling organisations at the airport.

**Table 16.2: Ground Handling operators at German airports**

| Airport | Operator 1 | Operator 2 |
|---|---|---|
| Frankfurt | Airport operator | Acciona Airport Services |
| Munich | Airport operator | Swissport Losch |
| Berlin | Acciona Airport Services | WISAG |
| Düsseldorf | Airport operator | Aviapartner |
| Cologne | Airport operator | WISAG |
| Hamburg | Airport operator | WISAG |
| Stuttgart | Airport operator | Losch Airport Services |
| Hanover | Airport operator | Aviapartner |
| Nuremberg | Airport operator | |
| Bremen | Airport operator | |

Source: German Airline Association, 2014

16.26 To provide ground handling services at German airports, the common practice so far has been to establish local independent subsidiaries. As an example Acciona Airport Services established ACCIONA Airport Services, Frankfurt GmbH to operate at Frankfurt Airport, and ACCIONA Airport Services, Berlin GmbH to operate at the two Berlin airports Tegel and Schönefeld. Accordingly, Swissport Losch established Swissport Losch München GmbH & Co. KG to provide ground handling services at Munich Airport.

## Conclusion

16.27 Ownership of German airports is dominated by the public sector, with Frankfurt, Düsseldorf and Hamburg airports being the only major airports with a stake owned by the private sector, albeit a stake that in any of the cases never exceeds 50%. This ownership structure has the potential to create conflicts of interest, as the responsible bodies for airport regulation are the aviation authorities of the federal states, which in many cases also administrate the ownership of the federal states of the airports they regulate.

16.28 The German government has applied Directive 96/67/EC and limited the opening of the market for certain types of ground handling services, and listed the number of permissible ground handling operators by airport in national legislation. However in a later clarification, the government emphasised that these numbers are minimum (rather than maximum) numbers which are kept up to date according to the current number of ground handling operators at the respective airport. New licences required approval by the aviation authorities of the federal states. There remains a lack of clarity towards the criteria for issuing new licences, and the obstacles of ground handling operators to enter the market.

# 17 Market overview: UK

## Introduction

17.1 In this chapter we present an overview of private investments into airport ownership and management in the UK, and identify any barriers to market entry or other restrictions into this area or the ground handling sector.

## Airport ownership

### Context

17.2 Until 1987 all runway and terminal assets in the United Kingdom (UK) were either owned by the British Airports Authority (BAA), a corporate enterprise belonging to the UK government, or by airports' respective local authorities (UK Local Government).

17.3 Airport ownership legislation changed with the publication of the Airports Act 1986[353]. The introductory text of this law states that it is *"to provide for the dissolution of the British Airports Authority and* the *vesting of its property, rights and liabilities in a company nominated by the Secretary of State; to provide for the reorganisation of other airport undertakings in the public sector; […] to make provision with respect to the control of capital expenditure by local authority airport undertakings; and for connected purposes."*[354]

17.4 The Airports Act 1986, c. 31 Part 1 sets out the transfer of undertaking of BAA, c. 31 Part 2 sets out the transfer of airports undertaking of local authorities.

### British Airports Authority (BAA)

17.5 In 1985, BAA was responsible for 7 state-owned airports (Heathrow, Gatwick, Stansted, Prestwick, Glasgow, Edinburgh and Aberdeen). BAA was incorporated under the Airport Act 1986 at the end of 1985 and was privatised in July 1987. The UK government retained only a 2.9% stake[355] in the new private company BAA Plc, which it then sold in 1996.

17.6 In 1990 BAA Plc purchased Southampton Airport; in 1992 it sold Prestwick Airport to PIK Facilities. In 2006, a consortium led by Spanish construction group Ferrovial took over BAA Plc, changing the name to BAA Ltd. In 2009, the UK Competition Commission required BAA to sell two of its three London airports and one airport in Scotland. In 2009, therefore, BAA Ltd sold Gatwick Airport to Global Infrastructure Partners (GIP), a USA based group, and shares were

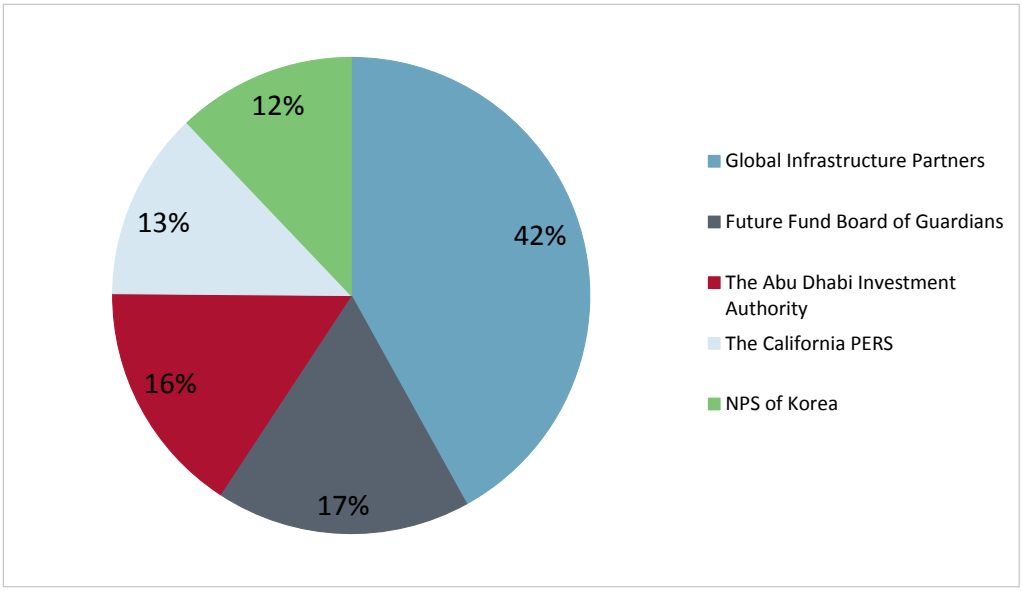
[353] Gov.uk, accessed 24 March 2016. http://www.legislation.gov.uk/ukpga/1986/31/contents

[354] Gov.uk, accessed 24 March 2016. http://www.legislation.gov.uk/ukpga/1986/31/introduction

[355] Gov.uk, accessed 24 March 2016. http://www.icao.int/sustainability/casestudies/unitedkingdom.pdf

subsequently sold on to four international investors. The 2015 ownership structure of Gatwick Airport is shown in Figure 17.1.

**Figure 17.1: Ownership structure of Gatwick Airport Limited (GAL) - 2015**



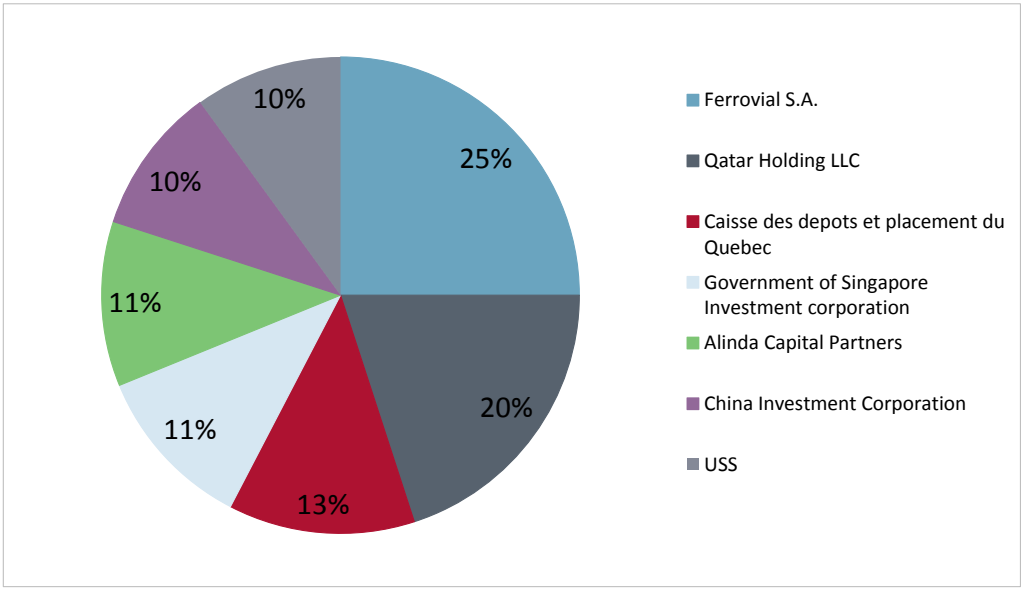

Source: Gatwick Airport Limited – 2014 end of year results

17.7 BAA Ltd then sold Edinburgh airport to GIP in April 2012 and London Stansted airport to the Manchester Airports Group (MAG) in January 2013.Following this, BAA Ltd changed its name to Heathrow Airport Holdings Limited (HAL). By 2014, HAL owned only Heathrow airport, having sold Glasgow, Southampton and Aberdeen airports to AGS Airports Ltd, a company 100% owned by Macquarie and Ferrovial.

17.8 In 2016, there are 7 international stakeholders[356] with a stake in HAL, as shown in Figure 17.2.

[356] HAL – company information, accessed 24 March 2016. http://www.heathrow.com/company/company-news-and-information/company-information

**Figure 17.2: Ownership structure of HAL - 2016**




Source: HAL website, 2016

### Airports formerly owned by local authorities

17.9 In 1987, the majority of UK airports owned by local authorities were corporatised by law, due to the requirement of the Airports Act 1986 for municipal airports with a turnover in excess of £1 million to become public airport companies.

17.10 Over 20 corporatised airports have since been privatised. A significant proportion of the airports' private owners are international (from outside the UK):

- Leeds Bradford airport has been 100% owned since 2007 by Bridgepoint Capital, a European private equity firm[357];
- London City Airport was sold in February 2016 to a consortium of international infrastructure investors: AIMCo, OMERS, Ontario Teachers' Pension Plan & Wren House[358];
- Birmingham Airport's ownership structure is: 48.3% by Ontario Teachers' Pension Plan and Australia's Victorian Funds Management Corporation; 49.0% by seven West Midland Metropolitan District Councils (UK Local Government); and 2.8% to staff;
- Bristol Airport is 100% owned by Australian investment company Macquarie; and
- Manchester Airport is owned by the Manchester Airport Group Property company, part of the Manchester Airport Group (MAG). MAG is privately managed on behalf of the following stakeholders: IFM investor, 35.5%; Manchester City Council, 35.5%; and the other nine Greater Manchester Councils 29.0%[359] (both UK Local Government).

[357] Airportwatch website – Leeds Bradford Airport, accessed 29 March 2016. http://www.airportwatch.org.uk/uk-airports/leeds-bradford-airport/

[358] London City Airport website – News, accessed 29 March 2016. http://www.londoncityairport.com/News/ReadPressRelease/London-City-Airport-Sale-Confirmed

[359] MAG – company information, accessed 29 March 2016 http://www.magworld.co.uk/magweb.nsf/Content/AboutUsAndOurAirports

## Airport management

17.11 The legal framework concerning airport operator companies is described in the Airports Act 1986 (Part I concerning BAA and Part II concerning the airports that were owned and operated by local authorities). It permits the creation of public airport operator companies.[360]

17.12 Nine of the ten largest UK airports (by passenger numbers in 2014) are directly managed by their owners through operating companies:

- London Heathrow Airport is owned and managed by London Heathrow Holding Limited;
- London Gatwick Airport has been operated by its owners since 2009 through GAL;
- Manchester Airport and London Stansted Airport are directly managed by their owner, MAG[361];
- London Luton Airport is owned by London Luton Airport Group Limited, the largest shareholder being Luton Borough Council (UK Local Government). The airport is managed by its subsidiary London Luton Airport Operations Limited, owned by a consortium composed of two private firms Aena and Ardian[362];
- Edinburgh Airport is owned and operated by Edinburgh Airport Limited, a consortium composed of UK and overseas companies[363];
- Birmingham Airport is directly managed by its owner Birmingham Airport Holding Limited[364];
- Since 2014, Glasgow, Aberdeen and Southampton Airports have been owned and managed by AGS Airport, a partnership between Ferrovial and Macquarie and Real Assets;
- Bristol Airport is fully owned and operated by Bristol Airport Company, which is owned by Ontario Teachers' Pension Plan, a Canadian pension fund[365]; and
- Newcastle Airport is owned and managed by seven local authorities and AMP Capital (Australian global investment manager) through Newcastle International Airport Company[366].

17.13 As described in the examples above, several international entities fully or partly own and manage UK airports, indicating that there are no barriers, regulatory or otherwise, for non-UK and non-EU based companies to obtain rights to own or manage UK airports.

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[360] Gov.uk, accessed 24 March 2016. http://www.legislation.gov.uk/ukpga/1986/31/contents

[361] MAG – company information, accessed 29 March 2016. http://www.magworld.co.uk/magweb.nsf/Content/AboutUsAndOurAirports

[362] London Luton website – Financial results, accessed 29 March 2016. http://www.london-luton.co.uk/CMSPages/GetFile.aspx?guid=ffab31cf-016d-4f83-85d6-ba5784d5e2fb

[363] Edinburgh Airport Limited – Financial result 2014, accessed 29 March 2016. https://s3-eu-west-1.amazonaws.com/edinburghairport/files/2015/06/20150629_Final_signed.pdf

[364] Birmingham Airport Ltd financial result 2014, accessed 29 March 2016. https://birminghamairport.co.uk/media/2150/2014-15-bahl-website-version.pdf

[365] Bristol Airport website – About us, accessed 29 March 2016. http://www.bristolairport.co.uk/about-us/who-we-are/bristol-airport-ownership

[366] Newcastle Aiport website – facts, accessed 29 March 2016. http://www.newcastleairport.com/facts

## Ground Handling

### UK legislation on ground handling activities

17.14 UK legislation on ground handling is based on The Airports (Ground handling) Regulations 1997[367] (GHRs), enacted on 3 October 1997. The GHRs implement the European directive (Ground Handling Directive EU 96/67) on access to the ground handling market at Community airports, and delegates regulatory oversight powers to the UK Civil Aviation Authority (CAA).

17.15 The GHRs do not include any specific nationality requirements for ground handling operators wishing to access the UK ground handling market, with an exception taking the form of a reciprocity rule: third countries (either EU or non-EU) that either do not grant UK ground handlers access to their own markets, or grant ground handlers from the third country more favourable treatment than UK handlers, may have the obligations arising from the GHRs in respect of suppliers of ground handling services and airport users from that third country wholly or partially suspended by the UK Secretary of State.

17.16 Approvals for ground handling licences are granted for a 7 year renewable period for all operators and subcontractors. Approvals are granted by the managing body of the airport in accordance with the GHRs rules.

### The ground handling market in the UK

17.17 Six of the ten largest ground handlers in the UK are either international, or part of an international group (Table 17.1).

**Table 17.1: Main ground handlers operating in UK, 2016**

| Operator | Country of origin | Shareholder | Services provided |
|---|---|---|---|
| Dnata | UAE | Emirates Group | Operate at 18 airports in the UK[368] providing cargo and ground handling services as well as catering services. |
| Cobalt | UK | Air France – KLM | Operate at Heathrow Terminal 4, providing ground handling services only[369]. |
| Azzurra GHS | UK | GH Italia (Italy) | Operate only at Heathrow, delivering passenger services, ramp services, load control and flight operations, ticketing sales desk and VIP lounge[370]. |
| Airline Services | UK | n/a (headquarters are in Manchester) | Operate at 11 airports in the UK, providing ground handling services[371]. |
| Aviator UK | UK | Fund Accent Equity (Norway) | Operate at 5 airports in the UK, providing ground and cargo handling services[372]. |

[367] Gov.uk, accessed 24 March 2016. http://www.legislation.gov.uk/uksi/1997/2389/contents/made

[368] Dnata UK – Services, accessed 24 March 2016. http://www.dnata.co.uk/services

[369] Cobalt – Heathrow, accessed 24 March 2016. http://www.cobaltgs.com/heathrow/

[370] Ghitali – United Kingdom, accessed 24 March 2016. http://www.ghitalia.it/index.php/it/2014-06-25-11-59-51/regno-unito/heathrow

[371] Airline services - locations, accessed 24 March 2016. http://airline-services.com/our-locations/

[372] Aviator UK - locations, accessed 24 March 2016. http://www.aviator.eu/locations/uk/

| Operator | Country of origin | Shareholder | Services provided |
|---|---|---|---|
| Aviation Group Support (AGS) | UK | n/a (headquarters in UK) | Operate at 4 airports in the UK, providing ground and cargo handling services, mainly to charters' airlines[373]. |
| Menzies | United Kingdom | John Menzies (UK) | Operate at 16 airports in the UK<br>Menzies provides ground handling services at 16 stations, cargo services at 12 stations and corporate services at 4 airports. |
| Swissport UK | Switzerland | HNA Group Co. Ltd (China) | Operate at 26 airports within the UK[374]<br>Swissport provides ground handling services at 25 stations, cargo services at 4 stations and fuel services only at Heathrow and Newcastle airports. |
| ASIG | UK | BBA Aviation (UK) | Operate at 12 airports in the UK, [375]providing ground handling and fuelling services. |
| WFS | France | fund Platinum Equity (USA) | Operate at 12 in the UK, mainly providing cargo handling services. They also provide ground handling services at Manchester airport[376]. |

Source: Steer Davies Gleave analysis of company websites

17.18 The GHRs permit both self-handling and handling to third parties.

17.19 For five selected UK airports, Table 17.2 presents the number of ground handling providers at the airport. Each airport shown has at least three ground handlers providing services.

**Table 17.2: Selected large/main airports in the UK with the number of ground handling providers at the airport**

| Airport name | 2015 passenger numbers (arriving and departing) | Number of ground handling providers | Name of Ground handling providers |
|---|---|---|---|
| London Heathrow Airport | 74.9 million | At least 9[377*] | • United;<br>• Azzurra;<br>• Menzies;<br>• ASIG;<br>• Dnata;<br>• British Airways;<br>• Swissport;<br>• Cobalt. |

[373] AGS website – about, accessed 24 March 2016. http://www.agshandling.co.uk/about-ags

[374] Swissport - locations, accessed 24 March 2016. http://www.swissport.com/index.php?id=4&level=country&continentId=4&countryId=72

[375] Asig – about us, accessed 24 March 2016. http://www.asig.com/about/

[376] WFS – our network, accessed 24 March 2016. http://www.wfs.aero/our-network/

[377] HAL website, accessed 24 March 2016. http://www.heathrow.com/file_source/Company/Static/PDF/Partnersandsuppliers/Ground_Handler_Performance_Report-Jan-16.pdf

| Airport name | 2015 passenger numbers (arriving and departing) | Number of ground handling providers | Name of Ground handling providers |
|---|---|---|---|
| London Gatwick Airport | 40.3 million | 3[378] | • Airline Services;<br>• Menzies;<br>• Aviator. |
| London Stansted Airport | 22.5 million | 3[379] | • Menzies;<br>• Servisair;<br>• Swissport. |
| Manchester Airport | 23.1 million | 3[380] | • Dnata;<br>• Premiere Handling;<br>• Swissport. |
| Aberdeen Airport | 3.4 million | 5[381] | • Aero Handling;<br>• ASIG;<br>• Eastern Airways;<br>• Flight Support;<br>• Servisair. |

Note: (*) This includes the ramp handlers only, list of all ground handling providers is not available

Source: CAA website for passenger numbers, airports' websites for ground handling provider details

### Conclusion

17.20 The above analysis indicates that there are no potential restrictions, either regulatory or market-based, in place at national or at a lower administrative level on the nationality of the ground handling company or its place of establishment in the United Kingdom.

[378] GAL website, accessed 24 March 2016. http://www.gatwickairport.com/faqs/Ground-Handling-Services-at-Gatwick/

[379] Stansted Airport website, accessed 24 March 2016. http://www.stanstedairport.com/about-us/media-centre/media-contacts/

[380] Manchester Airport website – ground handling info, accessed 24 March 2016. http://book.manchesterairport.co.uk/mancargo.nsf/Content/HandlingAgent

[381] Aberdeen Airport website – Who does what, accessed 24 March 2016. http://www.aberdeenairport.com/about-us/facts-and-figures/who-does-what/

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# Appendices

# A Commercial service airports in Brazil continued

**Table A.1: Commercial Service airports with highest number of passengers in calendar 2015 (cont. from Table 5.1)**

| Rank | IATA code | City | Airport name | Passengers 2015 (Total) |
|---|---|---|---|---|
| 21 | MCZ | Rio Largo | Zumbi dos Palmares | 1,949,114 |
| 22 | SLZ | São Luís | Marechal Cunha Machado | 1,703,147 |
| 23 | CGR | Campo Grande | Campo Grande | 1,558,940 |
| 24 | NVT | Navegantes | Ministro Victor Konder | 1,459,971 |
| 25 | BPS | Porto Seguro | Porto Seguro | 1,455,384 |
| 26 | JPA | João Pessoa | Presidente Castro Pinto | 1,445,676 |
| 27 | AJU | Aracaju | Santa Maria | 1,244,879 |
| 28 | RAO | Ribeirão Preto | Leite Lopes | 1,240,464 |
| 29 | THE | Teresina | Senador Petrônio Portella | 1,176,289 |
| 30 | UDI | Uberlândia | Ten. Cel Aviador César Bombonato | 1,121,639 |
| 31 | LDB | Londrina | Governador José Richa | 1,041,553 |
| 32 | PVH | Porto Velho | Governador Jorge Teixeira de Oliveira | 937,653 |
| 33 | MGF | Maringá | Sílvio Name Júnior | 877,354 |
| 34 | SJP | São José do Rio Preto | Professor Eriberto Manoel Reino | 680,075 |
| 35 | MCP | Macapá | Alberto Alcolumbre | 658,515 |
| 36 | STM | Santarém | Maestro Wilson Fonseca | 650,514 |
| 37 | PMW | Palmas | Brigadeiro Lysias Rodrigues | 625,398 |
| 38 | IOS | Ilhéus | Bahia - Jorge Amado | 616,777 |
| 39 | JOI | Joinville | Lauro Carneiro de Loyola | 514,468 |
| 40 | PNZ | Petrolina | Senador Nilo Coelho | 448,460 |
| 41 | JDO | Juazeiro do Norte | Orlando Bezerra de Menezes | 438,201 |
| 42 | XAP | Chapecó | Serafin Enoss Bertaso | 438,140 |
| 43 | PLU | Belo Horizonte | Pampulha | 423,154 |
| 44 | RBR | Rio Branco | Plácido de Castro | 384,144 |
| 45 | MOC | Montes Claros | Mário Ribeiro | 376,184 |
| 46 | MAB | Marabá | João Correa da Rocha | 371,906 |
| 47 | BVB | Boa Vista | Atlas Brasil Cantanhede | 340,203 |
| 48 | IMP | Imperatriz | Prefeito Renato Moreira | 314,438 |

| Rank | IATA code | City | Airport name | Passengers 2015 (Total) |
|---|---|---|---|---|
| 49 | ATM | Altamira | Altamira | 311,053 |
| 50 | OPS | Sinop | Presidente João Batista Figueiredo | 270,349 |
| 51 | FEN | Fernando de Noronha | Fernando de Noronha | 225,027 |
| 52 | CKS | Parauapebas | Carajás | 205,054 |
| 53 | CXJ | Caxias do Sul | Regional Hugo Cantergiani | 174,826 |
| 54 | JTC | Bauru e Arealva | Bauru/Arealva | 143,333 |
| 55 | UBA | Uberaba | Mário de Almeida Franco | 124,019 |
| 56 | CPV | Campina Grande | Presidente João Suassuna | 113,787 |
| 57 | AUX | Araguaina | Araguaina | 88,371 |
| 58 | AFL | Alta Floresta | Piloto Oswaldo Marques Dias | 74,116 |
| 59 | CZS | Cruzeiro do Sul | Cruzeiro do Sul | 64,731 |
| 60 | TFF | Tefé | Tefé | 53,673 |
| 61 | ROO | Rondonópolis | Maestro Marinho Franco | 49,300 |
| 62 | CAW | Campos dos Goytacazes | Bartolomeu Lisandro | 48,985 |
| 63 | JPR | Ji-Paraná | José Coleto | 37,622 |
| 64 | CMG | Corumbá | Corumbá | 32,986 |
| 65 | MEA | Macaé | Benedito Lacerda | 20,595 |

# B Ownership & Status Of Commercial Airports In Turkey

**Table B.1: Ownership & Status Of Commercial Airports In Turkey**

| Airport | Owner | Status |
|---|---|---|
| İstanbul Atatürk | DHMI + Undersecretariat of Treasury | Civil |
| İstanbul Sabiha Gökçen (*) | Undersecretariat for Defence Industries (SSM) | Civil |
| Ankara Esenboğa | DHMI | Civil |
| İzmir Adnan Menderes | Undersecretariat of Treasury | Civil |
| Antalya | DHMI+ Undersecretariat of Treasury | Civil |
| GazipaşaAlanya (*) | DHMI | Civil |
| MuğlaDalaman | Undersecretariat of Treasury | Civil & Military |
| MuğlaMilas-Bodrum | DHMI | Civil |
| Adana | DHMI+ Undersecretariat of Treasury | Civil |
| Trabzon | DHMI | Civil |
| Erzurum | DHMI+ Undersecretariat of Treasury | Civil & Military |
| Gaziantep | DHMI | Civil |
| Adıyaman | Undersecretariat of Treasury | Civil |
| Ağrı Ahmed-i Hani | DHMI | Civil |
| Amasya Merzifon | TSK + THK | Civil & Military |
| Aydın Çıldır (*) | Undersecretariat of Treasury | Civil |
| Balıkesir KocaSeyit | Undersecretariat of Treasury | Civil |
| Balıkesir Merkez | TSK | Civil & Military |
| Batman | TSK | Civil & Military |
| Bingöl | DHMI | Civil |
| Bursa Yenişehir | Undersecretariat of Treasury | Civil & Military |
| Çanakkale | Undersecretariat of Treasury | Civil & Military |
| Çanakkale Gökçeada | TSK | Civil |
| Denizli Çardak | Undersecretariat of Treasury | Civil & Military |
| Diyarbakır | Undersecretariat of Treasury | Civil & Military |
| Elazığ | Undersecretariat of Treasury | Civil & Military |
| Erzincan | Undersecretariat of Treasury | Civil & Military |
| Eskişehir HasanPolatkan (*) | Anadolu University | Civil & Military |
| Hakkari Yüksekova S.E. | DHMI | Civil & Military |
| Hatay | DHMI | Civil |
| Iğdır | DHMI | Civil |
| Isparta Süleyman Demirel | Undersecretariat of Treasury | Civil |
| Kahramanmaraş | TSK | Civil |
| Kars Harakani | DHMI | Civil |

| Airport | Owner | Status |
|---|---|---|
| Kastamonu | DHMI | Civil |
| Kayseri | TSK | Civil & Military |
| Kocaeli CengizTopel | TSK | Civil & Military |
| Konya | TSK | Civil & Military |
| Malatya | Undersecretariat of Treasury | Civil & Military |
| Mardin | Undersecretariat of Treasury | Civil |
| Muş | Undersecretariat of Treasury | Civil & Military |
| Kapadokya | Undersecretariat of Treasury + DHMI | Civil |
| Ordu-Giresun | DHMI | Civil |
| Samsun Çarşamba | Undersecretariat of Treasury | Civil |
| Siirt | Undersecretariat of Treasury | Civil |
| Sinop | DHMI | Civil |
| Sivas Nuri Demirağ | TSK | Civil & Military |
| Şanlıurfa Gap | Undersecretariat of Treasury | Civil |
| ŞırnakŞerafettinElçi | DHMI | Civil |
| TekirdağÇorlu | Undersecretariat of Treasury | Civil & Military |
| Tokat | DHMI | Civil |
| Uşak | TSK | Civil & Military |
| Van Ferit Melen | DHMI | Civil |
| Zafer (*) | DHMI | Civil |
| Zonguldak Çaycuma (*) | DHMI | Civil |

*Airports managed by private companies under DHMI supervision
Source: Ministry of Transport **http://www.ubak.gov.tr/BLSM_WIYS/UBAK/tr/Ana_Plan_Stratejisi/1**, DHMI Activity Report 2014 **http://www.dhmi.gov.tr/getBinaryFile.aspx?Type=9&dosyaID=573**

# C Number of ground handlers by airport in Turkey

**Table C.1: Number of ground handlers by airport: Group A & Group B Licences (2015)**

| Airport | No. of Gp A licenced handlers | Group A licenced handlers | No. of Gp B licenced handlers | Group B licenced handlers |
|---|---|---|---|---|
| ADANA | 3 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ<br>TGS YER HİZMETLERİ A.Ş. | 5 | GÜNEŞ EKSPRES HAVACILIK A.Ş.<br>ONUR AIR TAŞIMACILIK A.Ş.<br>PEGASUS HAVA TAŞIMACILIĞI A.Ş.<br>TÜRK HAVA YOLLARI A.O.<br>ATLASJETHAVACILIK A.Ş. |
| ADIYAMAN | 1 | HAVAŞ | 1 | TÜRK HAVA YOLLARI A.O. |
| AĞRI | 1 | HAVAŞ | 1 | TÜRK HAVA YOLLARI A.O. |
| AMASYA MERZİFON | 1 | HAVAŞ | 2 | TÜRK HAVA YOLLARI A.O.<br>PEGASUS HAVA TAŞIMACILIĞI A.Ş. |
| ANKARA ESENBOĞA | 3 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ<br>TGS YER HİZMETLERİ A.Ş. | 4 | ATLASJET HAVACILIK A.Ş.<br>PEGASUS HAVA TAŞIMACILIĞI A.Ş.<br>TÜRK HAVA YOLLARI A.O.<br>GÜNEŞ EKSPRES HAVACILIK A.Ş. |
| ANTALYA | 3 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ<br>TGS YER HİZMETLERİ A.Ş. | 10 | GÜNEŞ EKSPRES HAVACILIK A.Ş.<br>ONUR AIR TAŞIMACILIK A.Ş.<br>ATLASJETHAVACILIK A.Ş.<br>PEGASUS HAVA TAŞIMACILIĞI A.Ş.<br>TÜRK HAVA YOLLARI A.O.<br>TURİSTİK HAVA TAŞIMACILIK A.Ş. ATLASJETHAVACILIK A.Ş.<br>SUNEXPRESS DEUTSCHLAND GMBH AEROFLOT TRANSAERO AÇIK A.Ş.-TÜRKİYE ANTALYA ŞUBESİ |
| ANTALYA GAZİPAŞA | 1 | HAVAŞ | 0 | No Group B Licenced Company |
| BALIKESİR KOCA SEYİT | 1 | ÇELEBİ HAVA SERVİSİ A.Ş. | 3 | BORA JET HAVACILIK TİC.A.Ş.<br>ATLASJET HAVACILIK A.Ş.<br>PEGASUS HAVA TAŞIMACILIĞI A.Ş |
| BATMAN | 1 | HAVAŞ | 1 | TÜRK HAVA YOLLARI A.O. |
| BİNGÖL | 1 | ÇELEBİ HAVA SERVİSİ A.Ş. | 1 | TÜRK HAVA YOLLARI A.O. |
| BURSA YENİŞEHİR | 1 | ÇELEBİ HAVA SERVİSİ A.Ş. | 1 | TÜRK HAVA YOLLARI A.O. |

| Airport | No. of Gp A licenced handlers | Group A licenced handlers | No. of Gp B licenced handlers | Group B licenced handlers |
|---|---|---|---|---|
| ÇANAKKALE | 1 | ÇELEBİ HAVA SERVİSİ A.Ş. | 0 | No Group B Licenced Company |
| DENİZLİ ÇARDAK | 2 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ | 2 | TÜRK HAVA YOLLARI A.O.<br>PEGASUS HAVA TAŞIMACILIĞI A.Ş. |
| DİYARBAKIR | 1 | ÇELEBİ HAVA SERVİSİ A.Ş. | 1 | TÜRK HAVA YOLLARI A.O. |
| ERZURUM | 1 | ÇELEBİ HAVA SERVİSİ A.Ş. | 1 | TÜRK HAVA YOLLARI A.O. |
| GAZİANTEP | 1 | HAVAŞ | 2 | TÜRK HAVA YOLLARI A.O.<br>ATLASJETHAVACILIK A.Ş. |
| HAKKARİ-YÜKSEKOVA | 1 | ÇELEBİ HAVA SERVİSİ A.Ş. | 0 | No Group B Licenced Company |
| HATAY | 2 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ | 2 | PEGASUS HAVA TAŞIMACILIĞI A.Ş.<br>TÜRK HAVA YOLLARI A.O. |
| IĞDIR | 1 | ÇELEBİ HAVA SERVİSİ A.Ş. | 1 | TÜRK HAVA YOLLARI A.O. |
| ISPARTA SÜLEYMAN DEMİREL | 1 | ÇELEBİ HAVA SERVİSİ A.Ş. | 0 | No Group B Licenced Company |
| İSTANBUL ATATÜRK | 3 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ<br>TGS YER HİZMETLERİ A.Ş. | 10 | ATLASJET HAVACILIK A.Ş.<br>İRAN İSLAM CUMHURİYETİ HAVA YOLLARI<br>LUFTHANSA ALMAN HAVA YOLLARI<br>MNG HAVA YOLLARI VE TAŞIMACILIK A.Ş<br>TÜRK HAVA YOLLARI A.O.<br>ONUR AIR TAŞIMACILIK A.Ş.<br>SUUDİ ARABİSTAN HAVA YOLLARI<br>SWISS INTERNATIONAL AIR LINES LTD. AEROFLOT-RUS HAVAYOLLARI MERKEZİ<br>TARKİM UÇAK BAKIM TİCARET LTD.ŞTİ |
| İZMİR ADNAN MENDERES | 3 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ<br>TGS YER HİZMETLERİ A.Ş. | 4 | GÜNEŞ EKSPRES HAVACILIK A.Ş.<br>PEGASUS HAVA TAŞIMACILIĞI A.Ş.<br>TÜRK HAVA YOLLARI A.O.<br>ATLASJETHAVACILIK A.Ş. |
| KAHRAMANMARAŞ | 1 | ÇELEBİ HAVA SERVİSİ A.Ş. | 1 | TÜRK HAVA YOLLARI A.O. |
| KARS HARAKANİ | 1 | ÇELEBİ HAVA SERVİSİ A.Ş. | 2 | GÜNEŞ EKSPRES HAVACILIK A.Ş.<br>TÜRK HAVA YOLLARI A.O. |
| KASTAMONU | 1 | HAVAŞ | 1 | TÜRK HAVA YOLLARI A.O. |
| KAYSERİ | 2 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ | 1 | TÜRK HAVA YOLLARI A.O. |
| KOCAELİ CENGİZ TOPEL | 0 | No Group A Licenced Company | 1 | TÜRK HAVA YOLLARI A.O. |
| KONYA | 1 | HAVAŞ | 1 | TÜRK HAVA YOLLARI A.O. |
| MALATYA | 2 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ | 4 | TÜRK HAVA YOLLARI A.O.<br>GÜNEŞ EKSPRES HAVACILIK A.Ş.<br>ONUR AIR TAŞIMACILIK A.Ş.<br>PEGASUS HAVA TAŞIMACILIĞI A.Ş. |

| Airport | No. of Gp A licenced handlers | Group A licenced handlers | No. of Gp B licenced handlers | Group B licenced handlers |
|---|---|---|---|---|
| MARDİN | 1 | ÇELEBİ HAVA SERVİSİ A.Ş. | 0 | No Group B Licenced Company |
| MUĞLA DALAMAN | 3 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ<br>TGS YER HİZMETLERİ A.Ş. | 2 | PEGASUS HAVA TAŞIMACILIĞI A.Ş.<br>TÜRK HAVA YOLLARI A.O. |
| MUĞLA MİLAS BODRUM | 3 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ<br>TGS YER HİZMETLERİ A.Ş. | 3 | PEGASUS HAVA TAŞIMACILIĞI A.Ş.<br>TÜRK HAVA YOLLARI A.O.<br>ATLASJETHAVACILIK A.Ş. |
| MUŞ | 1 | HAVAŞ | 2 | TÜRK HAVA YOLLARI A.O.<br>PEGASUS HAVA TAŞIMACILIĞI A.Ş. |
| NEVŞEHİR KAPODAKYA | 1 | HAVAŞ | 2 | TÜRK HAVA YOLLARI A.O.<br>PEGASUS HAVA TAŞIMACILIĞI A.Ş. |
| SAMSUN ÇARŞAMBA | 2 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ | 4 | TÜRK HAVA YOLLARI A.O.<br>GÜNEŞ EKSPRES HAVACILIK A.Ş.<br>ONUR AIR TAŞIMACILIK A.Ş.<br>PEGASUS HAVA TAŞIMACILIĞI A.Ş. |
| SİNOP | 1 | HAVAŞ | 1 | TÜRK HAVA YOLLARI A.O. |
| SİİRT | 0 | No Group A Licenced Company | 1 | BORA JET HAVACILIK TAŞIMACILIK UÇAK BAKIM ONARIM VE TİC.A.Ş. |
| SİVAS NURİ DEMİRAĞ | 1 | HAVAŞ | 2 | TÜRK HAVA YOLLARI A.O.<br>PEGASUS HAVA TAŞIMACILIĞI A.Ş. |
| ŞANLIURFA GAP | 1 | HAVAŞ | 1 | TÜRK HAVA YOLLARI A.O. |
| ŞIRNAK ŞERAFETTİN ELÇİ | 1 | HAVAŞ | 1 | TÜRK HAVA YOLLARI A.O. |
| TEKİRDAĞ ÇORLU | 1 | ÇELEBİ HAVA SERVİSİ A.Ş. | 1 | TÜRK HAVA YOLLARI A.O. |
| TOKAT | 0 | No Group A Licenced Company | 1 | BORA JET HAVACILIK TAŞIMACILIK UÇAK BAKIM ONARIM VE TİC.A.Ş. |
| TRABZON | 2 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ | 2 | PEGASUS HAVA TAŞIMACILIĞI A.Ş.<br>TÜRK HAVA YOLLARI A.O. |
| UŞAK | 0 | No Group A Licenced Company | 1 | BORA JET HAVACILIK TAŞIMACILIK UÇAK BAKIM ONARIM VE TİC.A.Ş. |
| VAN FERİT MELEN | 2 | ÇELEBİ HAVA SERVİSİ A.Ş.<br>HAVAŞ | 2 | TÜRK HAVA YOLLARI A.O.<br>PEGASUS HAVA TAŞIMACILIĞI A.Ş. |
| ZAFER | 1 | HAVAŞ | 0 | No Group B Licenced Company |

Source: DHMI, Steer Davies Gleave analysis

**Table C.2: Number of Group C ground handlers by services and airport**

| Airport | 1. Overhaul and Management 2. Flight Operation | Aviation Security | Catering | Flight Operation | Overhaul and Management |
|---|---|---|---|---|---|
| ADANA | | | 1 | 2 | 7 |
| ANKARA ESENBOĞA | | 1 | 3 | 3 | 7 |
| ANTALYA | | 1 | 3 | 4 | 14 |
| ANTALYA GAZİPAŞA | | | 3 | | 6 |
| BALIKESİR KOCA SEYİT | | | | | 2 |
| BURSA YENİŞEHİR | 1 | | 2 | 1 | 8 |
| DENİZLİ ÇARDAK | | | 1 | | 2 |
| DİYARBAKIR | | | | | 4 |
| ELAZIĞ | | | | | 3 |
| ERZİNCAN | | | | | 1 |
| ERZURUM | 1 | | | 1 | 7 |
| GAZİANTEP | 1 | | 1 | 1 | 5 |
| HATAY | 1 | | | | 4 |
| ISPARTA SÜLEYMAN DEMİREL | 1 | | 1 | 1 | 5 |
| İSTANBUL ATATÜRK | | 3 | 3 | 4 | 14 |
| İZMİR ADNAN MENDERES | | | 1 | | |
| İZMİR ADNAN MENDERES | | 1 | 2 | 1 | 9 |
| KARS HARAKANİ | | | | | 2 |
| KAYSERİ | 1 | | 2 | 2 | 5 |
| KOCAELİ CENGİZ TOPEL | | | 1 | | |
| KONYA | 1 | | 1 | | 3 |
| MALATYA | | | | | 3 |
| MUĞLA DALAMAN | | | 3 | 1 | 8 |
| MUĞLA MİLAS BODRUM | | | 3 | 2 | 7 |
| NEVŞEHİR KAPADOKYA | 1 | | 1 | | 7 |
| SAMSUN ÇARŞAMBA | 1 | | 2 | 2 | 5 |
| SİVAS NURİ DEMİRAĞ | | | | | 1 |
| ŞANLIURFA GAP | | | | | 1 |
| TEKİRDAĞ ÇORLU | | | | 2 | 16 |
| TRABZON | 1 | | 1 | 1 | 5 |
| VAN FERİT MELEN | | | 1 | | 5 |
| ZAFER | | | | | 1 |
| ZONGULDAK ÇAYCUMA | | | | | 2 |

Source: DHMI, Steer Davies Gleave analysis

## CONTROL INFORMATION

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