

Heads in the clouds?

Len Kirsch raises concerns over airports stepping into the handling arena.

This particular column will hopefully be read by Airport Authorities as well as by ground handlers because it deals with a matter that is fast becoming a major problem worldwide: that is, the rôle of Airport Authorities in providing airline services.

For a long time, in the US, it has been recognised that Airport Authorities are terrible providers of handling services. In fact, the

Federal Aviation Administration has repeated the following mantra in writing:

"As a practical matter, most airport sponsors recognise that aeronautical services are best provided by profit-motivated, private enterprises"

The EU came to the same realisation, perhaps not as specific as the US, when it issued Directive 96/67/EC, which gradually opened up ground handling services to competition. This Directive became necessary because many airlines were complaining about the relatively high prices for services and sub-optimal efficiency and service quality of ground handling monopolies at many EU airports. While EU countries have been slow to implement the Directive by, among other things, turning the Directive into national legislation, the impact of the Directive has been positive, the number of handling operations run by independent companies has grown along with the growth in air transport, prices for ground handling services have decreased and the quality of services has generally improved.

From what I understand, the EU Commission is considering modifying the Directive to gradually increase competition in the ground handling market.

In the US, the Airline Service Council of the National Air Transportation Association (which acts as the US arm of IAHFA) has had some success in persuading Airport Authorities to carefully consider the disadvantages of airport-owned or managed handling. However, some airports seeking additional revenue are once again considering this option and may first try their hand at taking over Fixed Base Operations, which service general aviation aircraft.

Unlike elsewhere, in the US, FBOs sell fuel, which is a very profitable endeavour. Thus whilst Airport Authorities smell profit they may not fully understand the risks.

First of all, when an Airport Authority provides services, competition is thwarted. The benefits of competition are widely accepted. No Airport Authority ground handler, whether controlled directly or operated through a management company, can successfully compete with a privately-owned ground handler. Even if the Airport Authority chooses not to use its own employees but instead engages a management company, the management company will receive a set fee and there will be no incentive to run an efficient operation. Even if the management company receives an incentive, it will never be able to compete against a privately-owned ground handler, since an incentive is not the same

thing as a profit. Profit motivates owners to run a competitively priced, safe and efficient operation. If it does not provide reasonable prices and a safe operation, it loses customers. If it is not efficient, it reduces or eliminates profitability. Over time, and through corporate identity, credit arrangements and other marketing efforts, private companies build a loyal customer base. Management companies cannot, especially since they have greater turnover and no separate identity. After compensating the management company, in the end, the Airport Authority will receive less revenue than it would by simply collecting airport fees, rent and other fees.

Also, let's be brutally honest here. An aircraft damaged during fuelling or handling could go down. People on the ground, not just passengers, can be hurt and even killed. Valuable property can be destroyed. Private ground handlers have insurance. Private ground handlers have limited liability. Governments, even if they have insurance, do not have limited liability. They have, what we term, deep pockets. Are the potential risks worth the little revenue that can be generated by owning or managing a ground handling operation? In private enterprise, when a company assumes an inordinate risk, the expression used is "betting the company." Does a locality want to bet its citizens' welfare and treasure?

Moreover, governmental employees cannot compete with employees of private ground handlers in terms of cost and efficiency. Obviously, an Airport Authority-owned or managed ground handler's labour costs will greatly exceed those of a privately-owned ground handler and more than likely, an Airport Authority ground handler will have a tougher union to deal with.

So, what can the ground handling community do to persuade Airport Authorities not to enter the business (and if they are in the business, to leave it?). First of all, the handling community has to recognise that Airport Authorities need revenue. The small profit that Airport Authority handling concerns make can more than be made up by the imposition of fees that can be passed on to the airline customer. In the end, these airlines will get a better price and better service, even if they are required to pay a new or higher fee, so they should not object.

So, let's gather the facts, muster the troops, and make a concerted effort. Private enterprise works: Airport Authority handling does not.



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