

ABSTRACT

The air transport deregulation has placed airports in a competitive environment. And the Low-Cost Carriers (LCC) offer made routes and secondary airports number to dramatically increase.

The secondary airports are often willing to attract LCCs to develop the local economy. On that purpose, most of the times, they offer very favourable terms to airlines promising traffic to rise.

Airports are supported by Regional Authorities who invest in infrastructures and subsidize airlines in a more or less hidden way.

This strategy did not appear to be good for several Croatian, Spanish and French airports as they have been shortly left by Ryanair.

Furthermore, when strategy appears to be winning, investment is often very expensive and difficult to make profitable despite passengers' rush. And so, the only French Regions gave €400m to make Ryanair fly to their airports.

The aim of this report is to warn airports' managers at the time they would have to sign a contract with a LCC. Because, one airline cannot make alone fortune for an airport but it can surely lead it to bankruptcy.

Keywords: low-cost carriers, secondary airport, airline, subsidies, Ryanair, EasyJet, tax relief, passengers charges, airports charges, contract, flights.



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ATTRACTIVENESS AND RISKS OF THE LCC BUSINESS MODEL

The deregulation of air transport has increased airline competition and placed airports in a competitive environment. On the last decade, low-cost flights had amazingly increased, opening travel possibilities for people not having believed they could fly and visit so many countries.

The core LCCs' virtue is "simplicity": simple operations, distribution and fleet but above all, a simple direct and measurable relationship between cost and revenues. In short, LCCs manage their costs and then set prices accordingly. Their business model has been widely analysed. It consists in low service for passengers on board, point-to-point services, more rotations per day, homogeneous fleet for reduced maintenance cost and optimal crew's operability, online selling and checking, and in choosing secondary airports.

On this last point, the unquestionable leader is Ryanair.

Ryanair mostly serves secondary airports at relatively low frequencies and focuses on new leisure markets with no direct competition. The Ryanair model focuses on costs rather than on markets, which includes to persuade strongly suppliers and airports to reduce charges. Other LCCs, like EasyJet or Air Berlin, serve primary-high costs airports at high frequencies and focus on existing business and leisure markets, accepting competition from incumbent carriers. These LCCs are nowadays described like "hybrid airlines", between the pure player Ryanair and legacy companies.

Airports, regions and LCCs have to face their own challenges, which appear to be different for each other.

We will see what the risks are for secondary airports and how much it costs having a LCC, with some case studies from all over Europe.

THE AIRPORTS' CHALLENGE

**Improving
their
financial
performance**

There are approximately 200 airports in Europe whose annual traffic is under 1 million passenger movements. The majority of these airports is publicly owned and partly subsidized by a central or a regional government. Identifying ways to increase passenger numbers, such as attracting low-cost carriers is an appealing way for airport managers to improve their financial performance. Airports have large fixed infrastructure costs and studies have demonstrated that unit costs decline significantly as traffic increases up to 1.5 million Work Load Units (WLU defined as a passenger or 100kg of freight) per annum.

For airport facilities of small scale, the fixed costs of providing airport capacity and providing staff are high. Low-cost carriers, as they have searched for locations away from major congested hub airports, began to offer life to smaller airports. The low fares offered have stimulated traffic from regional points.



Low-cost carriers are efficient users of apron and gate space with short turnaround times and typically do not demand high levels of service within the terminal. But low-cost carriers have forced airports revenues down by negotiating with airport's management for reductions in charges.

**Boosting
the local
economy**

THE REGIONS' CHALLENGE

Having one or several international routes is a good way to attract many people to a region. Increasing the passengers' number in an airport should increase the money spent in the local economy.

The vitality of airport's activity means not only employment within the airport perimeter, but also provides a catalyst for business development in the surrounding area. For a substantial proportion of secondary airports, the low-cost market has become their bread and butter. An example is Carcassonne, one of the pioneers on this segment in France, which has seen traffic soar 37% over the past two years thanks to new routes opened by Ryanair, the historical and exclusive airline serving the airport. For other airports that have historically enjoyed regular service by legacy carriers, low-cost carriers represent a mean to recoup their investment in facilities that in many cases are out of proportion to the traffic, or to develop those facilities.

But regions have to pay attention to the reasons why people come to their airports: to stay in the region or to travel through it to alternative touristic destinations. The impact is indeed, very different.

THE LOW COST CARRIERS' CHALLENGE

**Getting
the best
(costless)
deal**

Secondary airports are seen as ideal by LCCs since they typically offer the right conditions in which this specific type of carrier can prosper namely: low airport and handling charges, less congestion both in terms of the runway and surface access capacity for growth, available slots, and short turnaround times, a factor that enables low-cost operators to gain better use from their aircrafts.

Entry barriers are especially low with secondary airports. Some of these airports, particularly those with no or nearly no scheduled services before, even welcomed these carriers with start-up help as we will describe further.



AIRPORTS AND LCCs: A RISKY DEAL

Loosing
money
or
flights

Growth opportunities through low-cost carriers need to be weighed up against the risks of dependency.

Whilst the volume of traffic at major hub airports has largely stagnated during the crisis, dedicated low-cost airports in Europe increased dramatically their size and position in the competition until this year, recession year for everyone in the industry.

Anyway, LCCs tend to be footloose in nature and have less commitment to their route networks than legacy airlines. Therefore, they can close a base or cancel routes at short notice. This gives airlines a tough negotiating position to help them maintain their cost advantage. Impact on the airport can be high. Then, benefits from attracting LCCs are uncertain and may be short lived

Hereafter, are some interesting case studies.

CROATIA

Big money
for big
deception

2007 – PULA & ZADAR AIRPORTS

Ryanair cancelled its contracts with Pula and Zadar airports and stopped flying towards Croatia on October 2007, after only one year, despite signed five-year contracts and annual subsidies of €500,000.

Ryanair explained this cancelation with too low flight occupancy, less than the 75% expected. Another reason can be struck out, the tariff nearly doubled from €9 to €16 at the London Stansted airport, which was used for connections to Pula and Zadar.

The Pula and Zadar airports and the tourism boards spent at least €500,000 on subsidizing the Irish low-cost carrier which actually did not bring any good apart from a larger number of tourists at the airports. Furthermore, Zadar and Pula did not have the hotel capacity for more serious tourism, and most passengers who arrived via Ryanair proceeded to the more attractive neighbouring Split-Dalmatia County. It means that tourism's profit did not increase in Zadar and Pula's area. We may output this is part of the Ryanair' strategy to use farer and smaller airports to serve touristic destinations, as better deals can be obtained.

These airports and the region could not do anything to protect themselves from the cancellation of flights by Ryanair in the contracts, as Ryanair's obligations end with its profits turning down.

Ryanair had the bargaining power, like in most secondary airports.

Source: [Ryanair deceived Croatian airports](#)



**Route cut
by fax**

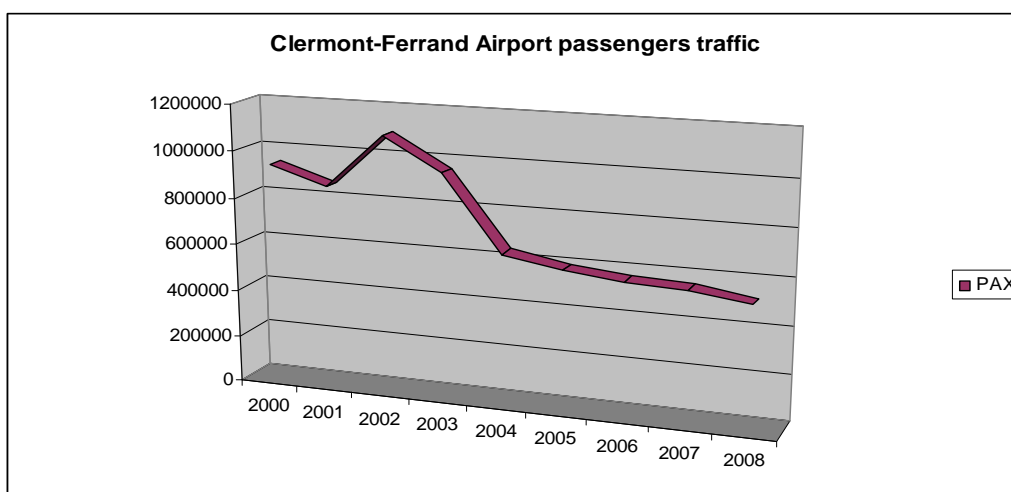
FRANCE

2004 – CLERMONT-FERRAND AIRPORT

Ryanair planned to open a route to London Stansted from February 2002 but delayed it due to the after 11 September crisis. The route finally opened on May 2003 while the CCI (Chamber of Commerce and Industry) signed a three years' contract with the Irish Airline with an annual marketing grant of €549,000 to be paid by the Regional Tourism Committee (CRT).

Due to low flight occupancy (50% after the summer season), Ryanair announced by fax, it would cancel the route. The airline definitively left the airport, on January 2004, after only 8 months. The CCI had already paid, via a regional tourism committee €144,000 which represents €18,000 per month.

The data show that Ryanair's route did not increase and could not prevent from the decrease of the passengers traffic started in 2003.



Source: [2008 French Court of Audit report](#)

**No profit,
no flights**

2004 – REIMS CHAMPAGNE AIRPORT

Ryanair created a daily route to London in 2003. The contract, written in English only, between the company and the CCI, contained the following clauses:

- Ryanair was charged for a €100 global fee per rotation while the official price was €653.
- The CCI had to pay for each departing passenger, €3 for the booking and checking software license, €3 for the Ryanair website's links to CCI website, and €2 for Ryanair contribution to touristic growth.
- More, the CCI had to grant a €150,000 starting subsidy to Ryanair each year as long as the contract last.

The minimum passengers' number required by Ryanair was 65,000. At the end of 2003, after 8 months, Ryanair had carried 37,316 passengers, meaning 56,000 on an annual basis, so less than expected. Ryanair cut the route after having received €270,000 which represents a €7,24 subsidy per passenger.



Source: [2007 French Court of Audit report](#)

SPAIN

2007 – VITORIA AIRPORT

First step,
Ryanair
prefers
Valencia

On October 2007, Ryanair cancelled both routes to London and Dublin after 15 months, despite a signed contract of €1,000,000. The Irish company expected 60,000 passengers per year on each route. The London route reached 110,000 passengers in 15 months, but the Dublin's one only met with 21,000 in 6 months.

Nevertheless, the Spanish Chamber of Commerce, which had already spent more than €600,000, was quite surprised when Ryanair suddenly announced all flights to be cancelled without any previous discussion. But, as usual, the contract did not have any clause preventing from a unilateral withdrawal of Ryanair, above all for economic reason.

The Ryanair Spain marketing manager, Caitriona Beggan, explained that flight occupancy was a little under the company's average and profits were insufficient. She added that Ryanair was reorganizing routes in Spain, giving priority to Valencia and Alicante airports.

Source: [Article from newspaper "El Pais", dated 15 August 2007](#)

2008 – VALENCIA AIRPORT

One year after,
Ryanair
prefers
Alicante

Ryanair shut its base in Valencia, with the loss of 70 weekly flights following a row with the local council. The Irish carrier flew from Valencia to 10 destinations including three in England - Stansted, East Midlands and Liverpool. Flights on these 10 routes, which were used by 750,000 passengers a year, have been cancelled since November 4. A total of 750 local jobs were lost.

Ryanair had announced its new Valencia base one year before, when the company explained they were leaving Vitoria and reorganizing Spain routes.

The Comunitat Valenciana argued that it could not give money to Ryanair, because of the European Commission competition rules. It added that a public competition to promote Valencia as a touristic destination was to be opened and that Ryanair could compete.

The new Ryanair Spain marketing manager, Luís Fernández Mellado, first refused to compete, as a "premium company" and then admitted that he was not aware of the previous competition (2006) won by Mare Nostrum airline. However, he argued there was a lack of transparency in this competition.

Three months after, Ryanair hold a press meeting to insist on the Valencia airport passengers' loss. The company estimated that Valencia lost 750,000 passengers, 750 jobs and €34 millions.

On 2009, the Valencia Tourism Board published a study to analyse Ryanair's impact on the airport. It appears that Ryanair did not generate more traffic but caught customers from other airlines. Furthermore, tourists flying on Ryanair



spent about 5% less than ones flying on other airlines. The study concluded that many low-cost carriers at an airport lead to a lack of profitability.

Source: [Article from newspaper "El Pais", dated 24 December 2008](#)
[Article from Nexotur, online travel agencies paper, dated 5 March 2009](#)

**You pay or
we will
leave**

2009 – FUERTEVENTURA

Ryanair announced in December 2008 that it will cancel all flights from and to Fuerteventura from 31 January 2009. This announcement happened only six weeks after Ryanair closed its Valencia base.

Ryanair cancelled nine routes representing 23 flights a week after a row with the AIE (Agrupación de Interés Económico), a tourism companies group in Fuerteventura. It seems the AIE did not give money or enough money to Ryanair. According to AIE, there was no agreement signed, only "talks".

According to the blog Fuerteventuralimpia, there was an agreement valid until 2011. Ryanair received €9 per arriving passenger and marketing grants. The AIE did not want to renegotiate it nor pay more.

Since then, Ryanair has increased routes on all other Canary Islands but Fuerteventura. 48 routes exist between Tenerife, Lanzarote and Gran Canary. The Ryanair's departure combined with the economic crisis led 300 companies to close and to the loss of 2,000 jobs on Fuerteventura.

On October 2009, it seems that Ryanair obtained what it wanted as a local paper announced that an agreement was to be signed in Dublin with the AIE.

Source: [Article of newspaper "El Mundo", dated 12 December 2008](#)
[Bloq fuerteventuralimpia, post "Ryanair despega de Fuerteventura", dated 15 December 2008](#)
[Article of newspaper "La Provincia" dated 04 February 2009](#)
[Article of "El Sol news" dated 9 October 2009](#)

UNITED KINGDOM

2009 – LUTON & EAST MIDLANDS AIRPORTS

On September 2009, as East Midlands and Luton Airports did not agree on lowering more the landing fees for EasyJet, the airline decided to close its East Midlands base (3 airplanes) and to cut 20% of its flights at Luton airport. EasyJet accused the Air Passenger Duty (APD), a government tax.

According to Mark Mc Vicar, a Nomura analyst, EasyJet cut capacity growth to win flexibility to adjust its network. The LLC just maximized profitability.

Source: [Article of the Telegraph, dated 3 September 2009](#)

**Jobs to
be lost**



**Too bad
for them!**

2009 – LONDON STANSTED AND MANCHESTER AIRPORT

On Stansted airport, Ryanair cut its capacity by 40% from October, reducing the number of aircraft operating from the airport from 40 before to 24. The number of weekly flights from Stansted has been reduced by 30%, and the loss of passengers during the period from October 2009 to March 2010 is estimated to be about 2.5 millions. Ryanair's cutbacks alone are likely to cost 2,500 UK jobs.

The origin of this decision may take place in a dispute occurred one year ago about airport charges between Ryanair and BAA (British Authorities Airport), and currently pending in the High Court. Ryanair issued a claim accusing BAA of "abusing its dominant position" at Stansted and of breaching its contract with the Irish airline operator.

BAA countered with its own claim, demanding £1m in fees BAA said Ryanair has refused to pay for its 12.5 million passengers who use the Irish operator to fly to and from Stansted each year.

Ryanair also cut 9 out of 10 routes at Manchester Airport from October creating a loss of 60,000 passengers a year. A total of 44 weekly Ryanair flights have been lost at Manchester from October 1st as well as 600 local jobs if another airline does not replace Ryanair.

It must be noticed that 4 of the 9 routes cut were started in 2007 as new routes for Manchester airport. It means that the airport's charges were free the first year, half fare the second year. The reduction allowed should end the third year, which appears to be 2009.

The one route preserved at Manchester by Ryanair is the service to Dublin, which has been running since May 1994. It seems the low-cost airline has no problem continuing to operate directly between these two "high-cost airports". Might it have anything to do with the fact that Dublin-Manchester was Ryanair's fourth-busiest route in its last fiscal year (2008 – 2009)?

Ryanair is leading a new battle, against the government's Air Passenger Duty (APD) which is about to increase from €11 to €12 in November 2009. More, the APD is expected to rise to €24 from November 2010. Ryanair's rivals, like Virgin and EasyJet, have backed the airline in its efforts to lobby against this tax.

On the other hand, Ryanair is trying to take advantage of this to reduce even more landing fees on its bases. Stansted and Manchester are among the first airports hit by the Ryanair's killing cost process.

Source: [Article of « tax-news.com », dated 29 July 2009](#)
[Article mailOnline, dated 18 August 2009](#)
[Article of Irish Times, dated 21 August 2009](#)
[Airport competition or network access? A European perspective \(2003\)](#)
[Article of The Independent, dated 25 August 2009](#)



AIRPORTS AND LCCs: A COSTLY DEAL

Public money for private companies

The passenger growth through low-cost traffic needs to be set against the low aeronautical revenues due to the rigid cost policy of the LCCs. At airports with a significant share of LCC passengers, revenues per passenger are on average 50% lower than at traditional airports.

The airlines have a strong bargaining position because they can threaten to fly elsewhere unless reductions in charges or commercial incentives are granted by the airport.

Examples are numerous, you will find some hereafter.

A €5m year deal!

BELGIUM

2000 – CHARLEROI AIRPORT

On year 2000, three years after it started services to Charleroi, Ryanair decided to set up its first base on the European continent at the airport. As the traffic has jumped from less than 20,000 passengers to more than 500,000 in 2000, Ryanair could negotiate an agreement upon what it enjoyed a 50 per cent reduction in landing taxes and paid a one euro landing charge per person, compared with a normal rate of up to 13 Euros. Baggage-handling charges were also slashed from up to €4 to €1. Ryanair also received about €245,000 a year to pay accommodation costs of air crews and about €350,000 towards pilot training. All these are the usual conditions for Ryanair to set up a base.

A Commission's investigation was triggered in 2002 by a complaint alleging that illegal non-notified State aid had been granted to Ryanair and to BSCA (Brussels South Charleroi Airport is a public undertaking controlled by the Walloon region). In 2004, the Commission stated that some measures taken in favour of Ryanair by the BSCA, around €4,5m, constitute illegal state aid and must therefore be reimbursed. On May 25th, 2005, Ryanair filed a complaint against the decision before the Court of First Instance (CFI) at the European Court of Justice.

In order to transform its findings in this case into a general framework of legal principles, the Commission, on December 09th, 2005, published a policy document entitled Community Guidelines on Financing of Airports and Start-up Aid to Airlines Departing from Regional Airports (European Commission 2005).

However, on December 17th, 2009, the CFI nullified the Commission's Charleroi decision, essentially accusing the Commission of substantial errors in law. The CFI especially pointed out the EC's refusal to properly apply the private market investor principle.

Finally, on February 19th, 2009, the Commission decided not to appeal the decision.

Source: [European Commission decision 2004/393/EC](#)
[Regional airport subsidies in the EU – the case for a more economic approach in the application of the EU's state aid rules](#)



[The EC partly abolishes state aid granted to Ryanair](#)

FRANCE

A forced confirmation cancelled by French Court

2003 – STRASBOURG AIRPORT:

Ryanair negotiated with the French Chamber of Commerce and Industry (CCI) owning the airport, a contract in which appear the following clauses:

- €150,000 for each new route with a daily frequency
- €216,000 per annum per daily frequency for marketing
- €492,000 per annum per daily frequency for marketing to be paid by the region.

This last sum was declared illegal and cancelled by French Court, leading Ryanair to leave Strasbourg airport for Basle – Mulhouse airport.

Source: [CCI Strasbourg contract](#)
[2007 Tribunal Administratif decision](#)

From Buzz to Ryanair's Biz

2003 – POITIERS AIRPORT

Ryanair bought Buzz Airline in 2003. Buzz had a route between Poitiers and London, which route Ryanair decided to continue under conditions.

Ryanair obtained €11,20 per departing passenger with a maximum of €560,000 for marketing.

Since 2003, the CCI gave €2,9M to the company and obtained 2 more routes to Birmingham and Edinburgh. Nevertheless, since 2006, the traffic is decreasing from around 134,000 to 121,000 in 2008.

Source: [French Audit Court report](#)
[Article of the website of Poitiers, dated 28 May 2009](#)
[Poitiers CCI activity report 2008](#)

One-sided contract

2004 – RODEZ AIRPORT

The contract signed by Ryanair and the SEM (airport's public management company) in March 2004 was a five years term contract, with 2 tacit renewals unless one of the contractors notifies, 180 days before contract ending. Nevertheless, the SEM committed not doing it if Ryanair fulfilled its obligations. Yet these obligations were very light: Ryanair committed to open a daily route to London Stansted but flight cancellations due to technical problems, weather conditions, strikes and so on, might reduce the daily service level.

It is a matter of fact that from October 2006 to March 2007, the average number of Ryanair's flights was 3 per week. The airport's flights schedule for summer 2009 indicates also 4 flights per week. The daily route was only opened on July and August. From October, like in 2007 and 2008, Ryanair may cancel the route in winter times, until March.

The financial agreement allowed to Ryanair, €350,000 per year for marketing expenses in promoting the Aveyron Department, and €14 for each arriving passenger from the 25,000th to the 50,000th, also equal to €350,000.

Based on the contract, at the end of 2009, Ryanair will have received €4.2M from the SEM for one route with an average of 3 flights a week.



As a route to Dublin was opened in 2008 with about 3 flights per week, a new contract must have been signed.

Source: [French Audit Court report CCI 2008 activity report p21](#)

Costly monopoly

1998 – CARCASSONNE AIRPORT

Ryanair is the unique airline since 1998 and runs 3 routes for which it has received the following amounts:

	2001	2002	2003	2004	2005	Var 05/01
Payments to Ryanair (€)	319,000	621,000	605,000	565,000	921,000	+188,7%
Carried passengers	200,913	189,221	252,705	273,708	339,505	+69%

The total amount for 5 years gets to more than €3M. As you can notice, payment increased much more quickly than the passengers' number.

Source: [French Audit Court report](#)

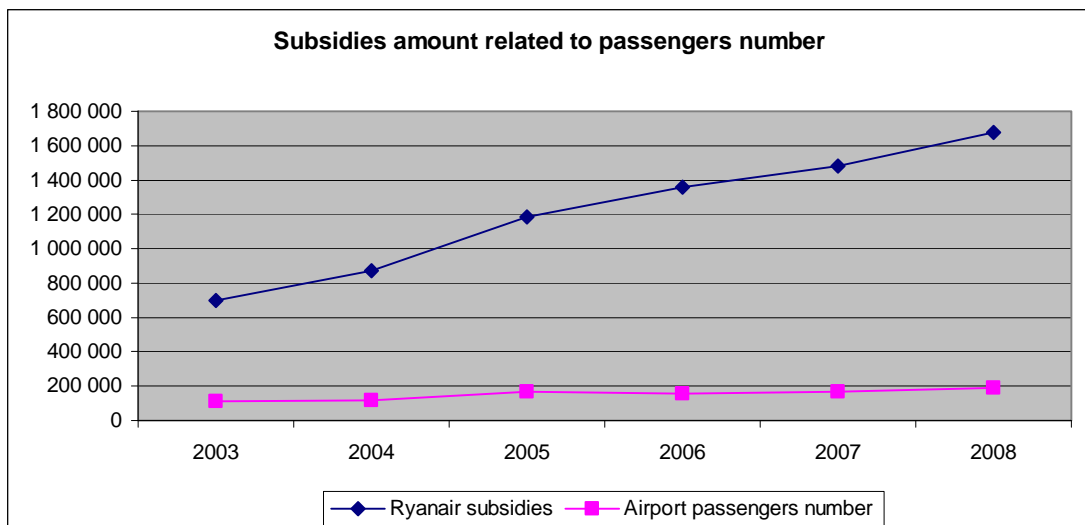
The smaller you are, the more you pay

1999 – DINARD AIRPORT:

Ryanair runs 4 routes to the UK, of whom 2 only in summer, and benefits from more than a 95% reduction on passengers' fee.

The amount paid in tax relief and marketing expenses by the CCI is shown on the graphic below. The marketing service cost €40,000 per year for 2 routes and probably rose when 2 other routes were opened.

Ryanair also benefits from free services like ground handling, and does not employ anyone at the airport.



Source: [French Audit Court report](#)
[Dinard passengers' statistics](#)

Ryanair had similar contracts with the airports in [Pau](#), [Nîmes](#), [Limoges](#), [Tours](#), [Rochefort](#), [Montpellier](#), [Biarritz](#), [Brest](#) and [Bergerac](#).

SLOVAK REPUBLIC

2005 – BRATISLAVA AIRPORT

A Commission's investigation is currently led on possible airports charges discounts. An agreement was concluded on December 2005 between the airport and Ryanair, but the Slovak authorities refuse to provide the Commission with the terms of the agreement.

According to the complainant and Slovak press releases, Ryanair benefits from 48% discount on new routes and 31% on existing routes.

Anyway, these reductions seem to be insufficient for Ryanair as Henrike Schmidt, Ryanair's marketing manager for Slovakia, asked the airport to reduce airport fees by at least 70 percent. She even added that 100 percent would be ideal.

Although the Slovak Ministry of Transport, which holds a 48-percent stake in the airport, considers the airport deserves money for its services, Ryanair asserts that airports should only win money with parking, commerce and catering revenues.

Ryanair threatens to move to other airports more willing to accept such conditions proposed by the carrier.

Source: [European Commission](#)
[Ryanair demands cost reductions from Bratislava Airport](#)

SPAIN

2004 – BARCELONA – GIRONA AIRPORT

In 2004, Ryanair signed an agreement with the Associació per al Desenvolupament Turístic de les Comarques Gironines (ADTCG, Association for Tourist Development of Girona), owned by the regional government of Barcelona –Generalitat de Catalunya-, the province government of Girona –Diputació de Girona-, and the Girona Chamber of Commerce to establish the Barcelona – Girona Airport as a Ryanair base, with 3 planes. Ryanair received about €2,5M per year to promote Catalonia on its website and on its planes' fuselage.

In 2006, in order to increase the number of planes based in Barcelona – Girona, Ryanair asked for more money. On 1 April 2007, ADTCG was converted into a new Limited Company, Gestió de Marketing i Serveis de les Comarques Gironines (GMSCG-Management of Marketing and Services of Girona). For 2008 the budget of this Company plans to spend €4.67M buying marketing services to airlines operating in Girona.

GMSCG re-sales those marketing services to public entities (such as Catalunya Turisme and Patronat Turisme Costa Brava) as well as to private firms (such as Barcelona Bus, a leading interurban bus services provider, and Areas, a firm that manages restaurant and catering services). For 2008, it is expected that re-selling

Tax relief
again and
maybe more

Always
more
money



to public entities will provide 52.7% of GMSCG revenues, whereas re-selling to private firms will provide 43.3% of total revenues.

In the beginning of 2008, GMSCG and Ryanair have reached a new agreement that will be implemented in 2009. Ryanair has committed to increase to 14 its planes based in Girona (that is, adding five new planes: two in 2009 and three in 2010). Between 2009 and 2011, the investment done by local partners will be €13.9M. 52,45% will come from public funds, the remaining 47,55% will be contributed by private firms.

Furthermore, a non-exclusivity specific clause has been introduced in the agreement, by which both parties expressly recognize that the agreement must be extended to any other company that meets the same conditions, especially, basing planes in Girona like Spanair and Transavia.

Source: [Article of the newspaper "El Pais", dated 20/02/2006,](#)
[Article of the newspaper "Diari de Girona", dated 16/02/2008,](#)
[The case of air transport services in Girona, Universitat de Barcelona – 2008](#)

**How much to
become a
Ryanair's base?**

2008 – REUS AIRPORT

In February 2008, several institutions in Catalonia (Generalitat de Catalunya, Diputació de Tarragona, city government of Reus and the Reus Chamber of Commerce) have signed an agreement with Ryanair. Ryanair committed to base four or five planes in Reus in 2010, beginning October 2008. The counterpart has agreed to pay to Ryanair €2.7M per year, for publicity and marketing (payments began in €1m in 2008, and would reach €2.7m in 2010, when the agreement is fully developed).

The establishment of this base required €37M investment from the AENA (Aeropuertos Españoles y Navegación Aérea – public agency managing all Spanish airports) for improving the infrastructure. New terminal is also planned to be built in 2010 with a €90M cost.

Eight months later, Ryanair announced 6 new routes and a new plane based to Reus. This plane is the third one. Ryanair has less than a year to fulfil its commitments to base 4 or 5 planes.

Source: [Ryanair inaugura su base en Reus, con nuevas rutas y una subvención de 2,7 M €](#)
[Ryanair inaugura seis nuevas rutas desde Reus](#)

**Last but
not least**

2008 – SANTANDER AIRPORT:

On March 2008, the regional government of Cantabria and Ryanair have signed an agreement to promote Ryanair operations in Santander airport. According to this agreement, the government will pay Ryanair €16.2m during a period of five years (2.8 millions in 2008 and 3.4 millions per year from 2009 to 2012).



Source: [article of the newspaper « El economista », dated 27/03/2008](#)

WHAT CAN SECONDARY AIRPORTS DO

The impact of LCCs on airports is anything but uniform. LCCs have proved to be highly beneficial to some airports, whilst for others the benefits have been short lived or have failed to materialise. For airport management, however, there are a range of important issues that need to be considered, many being encountered for the first time.

The airline-airport relationship is dynamic, and traditional airports are challenged in terms of if and how they should accommodate LCCs.

All we saw above does not mean that a point can not be reached where the airport and airline achieve a mutually beneficial agreement.

Indeed, even in the low-cost business model, there are attractive revenues to be earned. Airports can position themselves in this area with new shopping concepts and offers for specific target groups, for example by placing greater emphasis on innovative catering concept and discounted products rather than on full-price luxury goods and brand-name products.

Airports have to deal with a very highly price sensitive customer and a forecasted decline in state subsidies. In the long term, the only low-cost airports which will survive independently will be those able to compensate for low airport charges through differentiated and customer-oriented additional business.

Furthermore, the environmental pressure will increase and threaten many short-haul routes being in competition with high speed trains. Several countries, like United Kingdom, for instance, start to think to create or to develop high speed rail network.

