

Lessons learnt from the market for air freight ground handling at Amsterdam Airport Schiphol



Guillaume Burghouwt^{a,*}, Joost Poort^b, Hendriena Ritsema^c

^a Head Aviation Cluster, SEO Economic Research, Roetersstraat 29, 1018 WB Amsterdam, The Netherlands

^b Institute for Information Law, University of Amsterdam, The Netherlands

^c Schiphol Group, The Netherlands

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ABSTRACT

On 16 April 2013, the European Parliament adopted a new, amended airport ground handling Regulation, which will replace the old Directive 96/67 EC on ground handling services. The new Regulation will further open up European airports for competition on the ground handling market. Even long before the introduction of Directive 96/67/EC, Amsterdam Airport has had a liberalised handling regime. Against the background of the further liberalisation of the European ground handling market, this paper investigates the characteristics of the open ground handling market for air cargo at Amsterdam Airport and the lessons that can be learnt from the Amsterdam experience. We find that an open handling market brings greater freedom of choice for airlines and lower handling fees. However, we do not see any (serious) market failure for the airport that would justify intervention by the market regulator, by limiting the number of handlers for example.

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1. Introduction

1.1. Liberalisation of the ground handling market at airports

In 1997 the European Council adopted Directive 96/67 EC on ground handling at European airports. By means of this directive the Council attempted to open up the ground handling market at European airports, among other things by stipulating that at large airports there should be no fewer than two providers of ground handling services (Fuhr, 2009; Soames, 1997). This first step was intended to result in greater competition between the handlers of passengers, luggage and freight. More competition should lead to lower prices, better quality of service and more efficiently operating ground handling companies.

The Directive changed the structure of the market: there is now an open market for ground handling services at the airports concerned in many European member states (see Fig. 1). For example, the Netherlands, Ireland, the United Kingdom, Sweden, Finland, the Czech Republic, Bulgaria and Lithuania have a fully liberalised access regime for new providers of ground handling services. Evaluations of the Directive (SH&E, 2002; ARC, 2009) also conclude that liberalisation has resulted in a more competitive ground handling

market. The number of third party handlers in the ten years since the introduction of the Directive has grown substantially; on average the number of third party handlers for apron handling per airport grew by 81% between 1996 and 2007. Prices fell by an average of 12% between 1996 and 2002. The effects on the quality of ground handling are unclear (ARC, 2009).

At the same time it must be conceded that the liberalisation of the ground handling market is only partially successful. In Belgium, Austria, Germany, Spain, Portugal and Greece, the maximum number of handlers at an airport is still subject to a limit. Access to the market is only possible through a tender procedure for a limited number of handling licenses issued for a maximum period of seven years. At several airports, such as Frankfurt, the airport operator itself is active in ground handling. In Italy and France the handling market has been liberalised at some airports, but access to others is limited. Finally, so-called self handling by large airlines at their home bases limits the contestable part of the market for third party handlers.

It is important to note that regulatory restrictions on the ground handling market at European airports concern baggage, freight & mail, fuel & oil and ramp handling (airside). The warehouse handling of freight and mail (landside) is fully liberalised at most European airports, or at least not restricted.

The variety of handling regimes led the Council to state that the 'EU groundhandling market is today a mosaic of different national

* Corresponding author. Tel.: +31 20 525 1642.

E-mail address: g.burghouwt@seo.nl (G. Burghouwt).

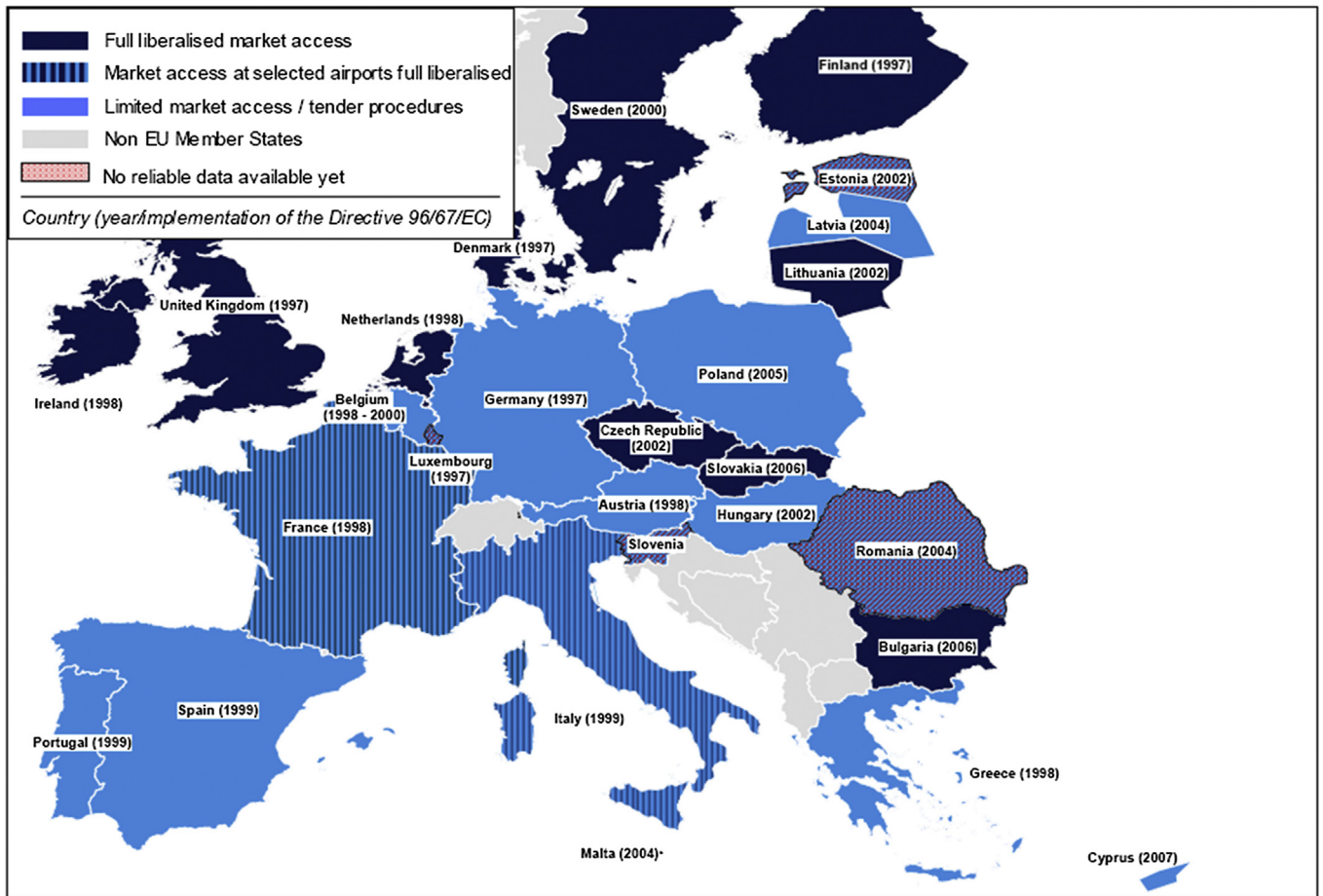


Fig. 1. The structure of the ground handling market varies greatly between EU member states.
Source: ARC (2009)

markets, with different numbers of minimum suppliers [...], different conditions of access to that market¹. A consultation round of the Council among airlines, handlers, airports and member states showed that airlines emphasise the importance of greater freedom of choice and a more competitive market in order to lower costs in the value chain but that at many airports ground handling competition is still limited.

Independent handlers (third party handlers) argue for more fair competition, particularly when it comes to handlers who are allied to airports or airlines. Virtually all stakeholders support regulations to safeguard the quality of handling services.

1.2. Proposal for new regulation

Subsequent to the aforementioned consultation, in late 2011 the European Commission published a proposal for new regulations for the ground handling market,² as part of a broader *Better Airport Package*. The proposal observed that while the number of providers of ground handling services has increased and prices decreased,

ground handling services are still not efficient enough due to barriers to access. Perhaps even more importantly, the Commission stated that the quality of ground handling was not keeping up with the needs of airlines and airports in relation to safety, the environment and reliability. Table 1 outlines the key elements of this proposal and the amended proposal as adopted 16 April 2013 that are relevant for this article.

The proposal for the a new regulation on ground handling was intended to open up the market for ground handling further, among other things by completely opening up the market for self handling by airlines and increasing the minimum number of providers at large airports from two to three. The proposal also meant that airports would have to draw up minimum quality standards for ground handling, in accordance with the directives of the Commission.

However, on 11 December 2012 the European Parliament voted against the proposal for a new Regulation. It was sent back to the Transport and Tourism Committee of the European Parliament for review. One of the most important arguments of the Parliament for rejecting the proposal was that it was not entirely clear that the Regulation would in fact lead to greater efficiency in the ground handling market. There were also concerns about the working conditions of employees of ground handling companies with further liberalisation of the market.

Hence, the Commission revised the proposal on a number of points, among which the guarantee that existing collective agreements with unions must be honoured in any new ground handling

¹ Public Consultation on a possible Revision of Council Directive 96/67/EC. http://ec.europa.eu/transport/air/consultations/doc/2010_02_12_groundhandling_consultation.pdf, p. 11.

² European Commission, Proposal for a Regulation of the European Parliament and Council on ground handling services at European Union airports and repeal of Council Directive 96/67/EC, COM (2011) 824 final, 1-12-2011.

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