

Project Outline:

The Impact of Private Framework Agreement On the Aviation Industry in Germany

- (1) **Responsible:** Jürgen Müller, Peter Schröder, Marius Barbu
- (2) **Objective:** Assess the impact of Private Framework Agreements on the risk sharing between airports and airlines and draw conclusion for future developments.
- (3) **Description:** Private Framework Agreements (PFA) are considered to provide the basis for an incentive based regulation. These entered the scene on the background of a failure of traditional rate-of return regulation scheme to ensure adequate provision for an efficient aviation industry. The main issue regarding these agreements is that they can be used also as instruments to adjust the risk between airports and airlines, depending on traffic growth. However, those agreements which German aviation industry experienced so far, were not uniform from airport to airport. By the contrary they reflected the differences in negotiating power between airlines and airports.
- (4) **Research Questions:** Although, it seems that their implementation is discontinued for the moment, it is worth studying why these agreements failed to reach their promise? What were the effects they had while operating? Why and how they led to such a heterogeneous picture regarding the risk-sharing between airlines and airports? Does a way exist to revive them and make them feasible in the future?
- (5) **Design/Methodology/Approach:** This study has its roots in the writing of Florian Müller and Karsten König, “Regulation of Airport Charges in Germany”. Starting from their work we shall evaluate first the impact of PFAs on the distribution of risk. The subjects will be six German airports: FRA, MUC, BBF, DUS, HAM, CGN. The assessment will be based on scenario technique. PFAs are usually best described by formulas they imply; as main parameters we find growth rates, tariff levels and tariff’s structure. By using computations and modifying the Seat Loading Factor (SLF) we will see what happens with the marginal turnovers and profits. This will be applicable for time series. We shall try also to see if an airport is more risk averse than another, or the reverse.
- (6) **Findings:** In progress

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