



How Major Investment Decisions Affect the Financial Performance of German Airports¹

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Abstract:

Taking account of the special characteristics of investments at airports, this paper aims to provide a deep understanding of the investment-decision process and its impact on the airports' financial performance. A significant effect of investments on financial ratios contradicts the theory. It is argued that the options approach tends to be the most appropriate method for the investment's appraisal. Inter alia privatization, price cap regulation, a rising focus on non-aviation activities and airlines with a strong market power are identified as potential factors which are likely to improve an airport's investment behavior.

In the second part of the paper an empirical analysis of six German and five British airports is undertaken. Significant investments are clearly recognizable in capacity utilization. When looking at the financial performance of the airports, it is observable that the financial performance of British airports, which had not invested within the considered time period, is more stable. However fluctuations in the ratios of German airports cannot be certainly associated with investment decisions. Therefore the airports Dresden, Düsseldorf, London Heathrow ... are examined in detail in the last part of this paper.

Keywords: Airport performance, Investment decisions, DEA, Financial ratio analysis

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