

## Regional airports

### Position statements - proposals on the development of regional airports

Regional airports are the main tourist entry points to Greece, and therefore both the quality of operations at the airports and their pricing policies directly affect the growth of tourism and the economy. Because regional airports will be privatised, we have devised a series of position statements and proposals to optimise airport operations for the benefit of Greek tourism and the national economy:

- There must be a clear-cut limit on the overall charges per passenger. That limit must be set at a competitive level compared to the charges of our competitors' airports, especially those in Turkey.
- A shift from current to new charges should only be allowed at the end of the third year of the concession. That will mean any improvement works that the contractors are responsible for will have been completed, before the charges for passengers and airlines rise. The charges must then be adjusted gradually to their final level over a second 3-year period.
- The airport regulatory authority, which will oversee the running of concessions and which will have special powers relating to charges, needs to be set up and staffed in good time.
- Privatising the airports will also mean getting rid of the airport modernisation and development tax, which today covers not just the cost of the airports to be privatised but also:
  1. the running of 20-25 smaller airports that remain vital for Greece which will not be privatised but will be transferred to a state-run company (Regional Airports Management Co. S.A.).
  2. non-commercially viable air routes.
  3. the running of a much smaller Hellenic Civil Aviation Authority since it will play a purely regulatory and inspection role, as the regulations require.
  4. any small infrastructure investments at small public airports.

To that end, Article 22A of Law 3913/2011 (Government Gazette, 18/A) already provides for a charge payable to the State to replace the airport modernisation and development tax, but does not specify the level of the charge. It's vital that this charge be set at around € 4 per passenger (around 33% of the current airport modernisation and development tax) for large privatised airports (AIA, Heraklion, 2 tranches of regional airports) to cover those costs. Without that amount it will not be possible to continue to operate the smaller airports, the non-commercially viable routes and the Hellenic Civil Aviation Authority. It is essential to stick to the principle that air transport infrastructure must be self-financing, without being dependent on or affecting the general budget.

- The choice of specific airports to be privatised must not create dangerous geographical exclusivities.
- The concession of regional airports must not affect the validity of the contracts already concluded with ground handlers at the airports to be privatised. The body managing those airports will no longer be the HCAA but the private concessionaire. It must be obliged to ensure competition in ground handling in accordance with Presidential Decree 285/1998. Competition in ground handling services should result in a major drop in costs and attract more flights and airlines. One should not forget though that ground handlers have already made major investments in order to assume obligations towards the State to enable airports to run smoothly and provide services to airlines.

It would be a major mistake if the goal of maximising the initial concession price, which is of comparatively very small economic importance, was the main priority because it will most certainly impact on growth, jobs and public revenues in a sector which is already very dynamic today. Perhaps a system of generating and maintaining state revenues by allowing the State to participate in the annual turnover of concessionaires would be a safer way to achieve those objectives. In any event, the airport system is the only self-financing transport infrastructure in Greece that does not burden the budget and actually generates surpluses.

Now that there is a new shareholder with a long-term investment horizon, it is, in our view, especially important to reiterate **that it is essential to re-examine the AIA's pricing policy to take into account what will happen on 'the day after' full privatisation or an extension of the contract.**

The main issue is to transform airports into drivers of development and growth, through better management and services, while also retaining competitive rates during the concession period.

We believe that these proposals are vital for further improving the Greek tourist product's value for money, for reducing the cost of travel within the country and for ensuring that airlines remain viable.