

Airneeth

The competitive position of Amsterdam Schiphol: the airside perspective

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Traditional measurement of competitive position airports in passenger market

- Rankings in passenger numbers
- Rankings in aircraft movements
- Rankings in pax/ movements broken-down by geographical region
- Limited value for measuring competitive position

- Questions:
 - 1: do airports compete?
 - 2: how do we look at airport competition?
 - 3: what about the competitive position of Amsterdam Airport Schiphol?



Airport and airline competition

- Airlines and airports operate in different markets
 - Airports upstream in intermediate markets: airlines are primary customers
 - Airlines downstream in consumer markets: travelers primary consumers
- Airports can add value to downstream airline product by:
 - cost level (charges), quality of terminal product (MCT, comfort)



Question 1: do airports compete with each other?

- Yes, a little in the upstream market:
 - choice of airlines between various airports in a region)
- No, hardly any competition in the downstream market
 - only if access mode to and airline services at both airports in overlapping catchment areas are equal airport products
 - and if costs will make the difference for a part of the travellers involved



Question 2: how do we look at competition?

- focus on downstream city pair markets for travel as the relevant markets
- no more no less: airports are only nodal points in airline networks here
- hub competition = airline network competition
- airports are not different from ANSPs, fuel companies, airport access mode providers: intermediate product providers in the air travel market
- **Conclusion: airports are used here as *points to measure* the performance and competitiveness of *airline networks* to which they provide access**
 - and we call it airport competition!



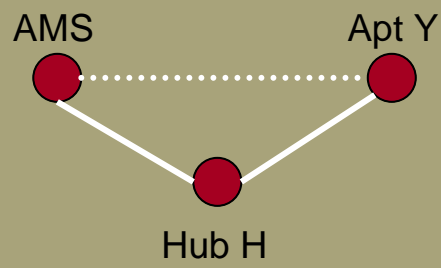
Question 3: Amsterdam Airport Schiphol

Which airports are the most important competitors of Amsterdam Airport Schiphol in the passenger market in terms of direct traffic and hub traffic?

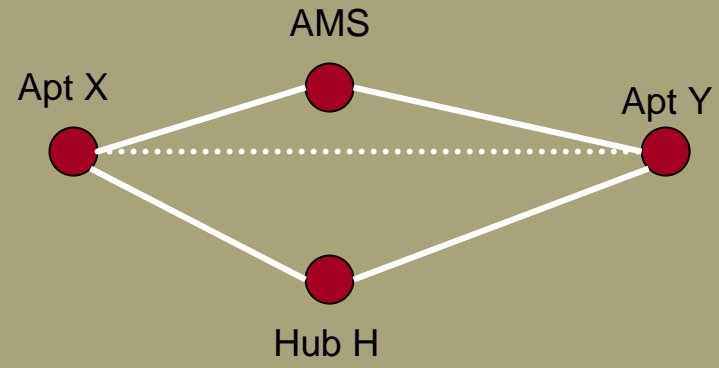


Two types of airport competition (airside)

On directly served markets



On hub markets





The model used to analyse competitive position of AMS

- All origin-destination passenger flows from, to and via Amsterdam and competing airports have been estimated
- ...using
 - Netcost model: models passenger choices in air networks based on generalized travel costs of each individual air travel alternative
 - Gravity model: estimates OD passenger flows between any two points on earth
 - Validated with Schiphol passenger surveys
 - OAG data: airline schedules
- Market share of Amsterdam in direct markets and hubmarkets vis-à-vis competing hub airports has been estimated
- Not included: land-side competition between airports in overlapping catchment areas (e.g. AMS, BRU, CRL, EIN, RTM, DUS etc.)

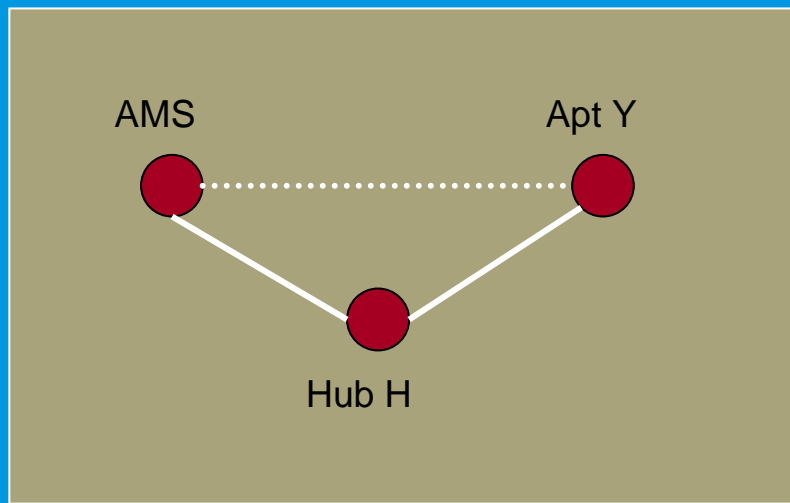


Question 3: Amsterdam Airport Schiphol

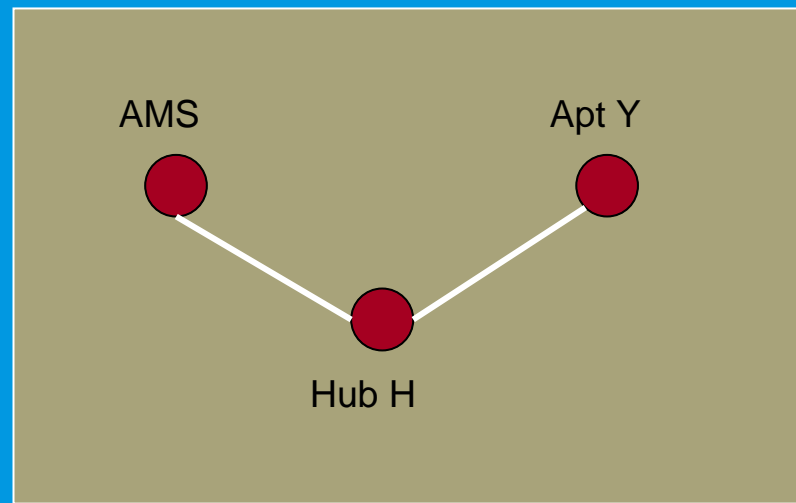
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Competition on directly served markets versus complementary access

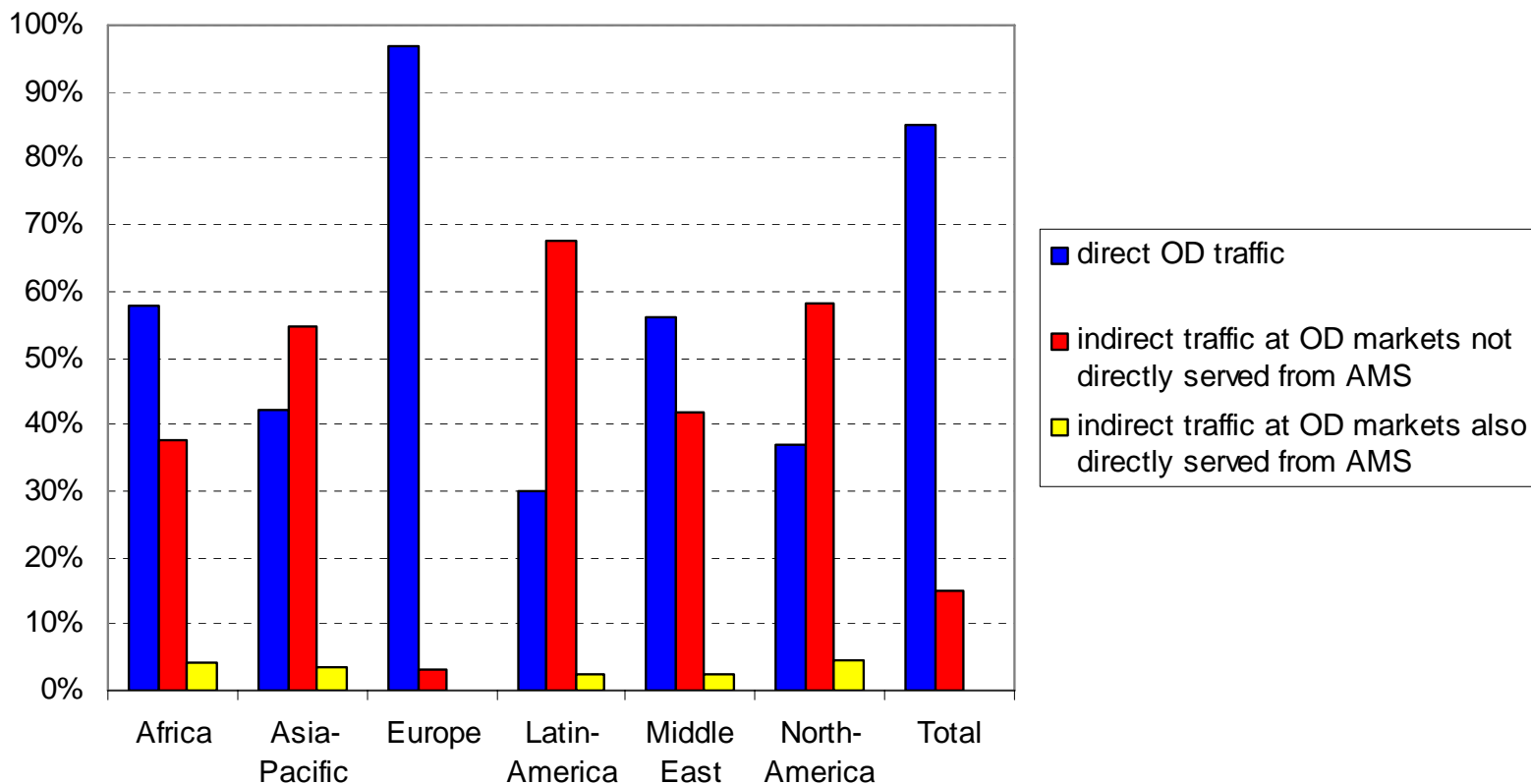


Competition between direct and hub connection

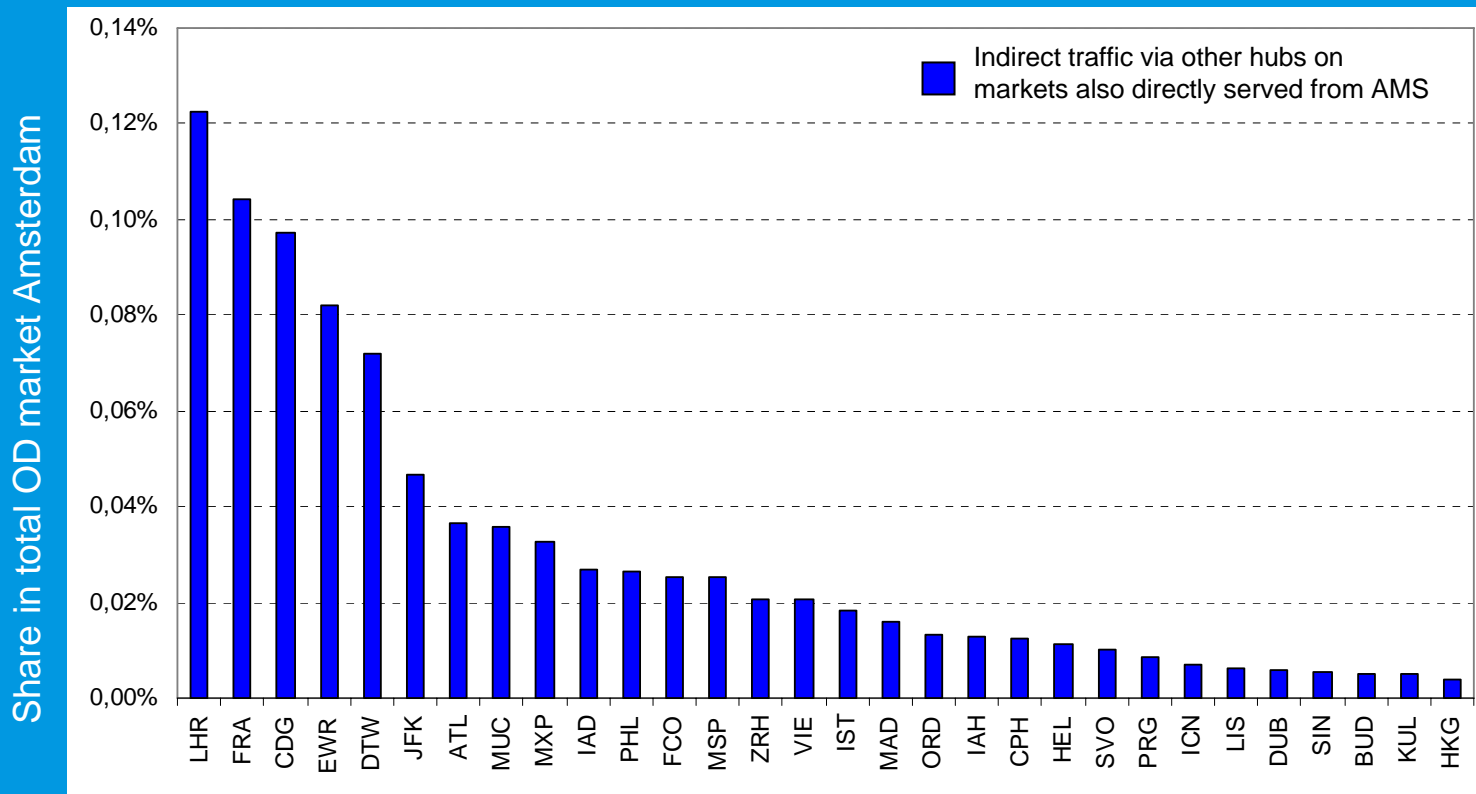


Complementary access: no competition with direct connection

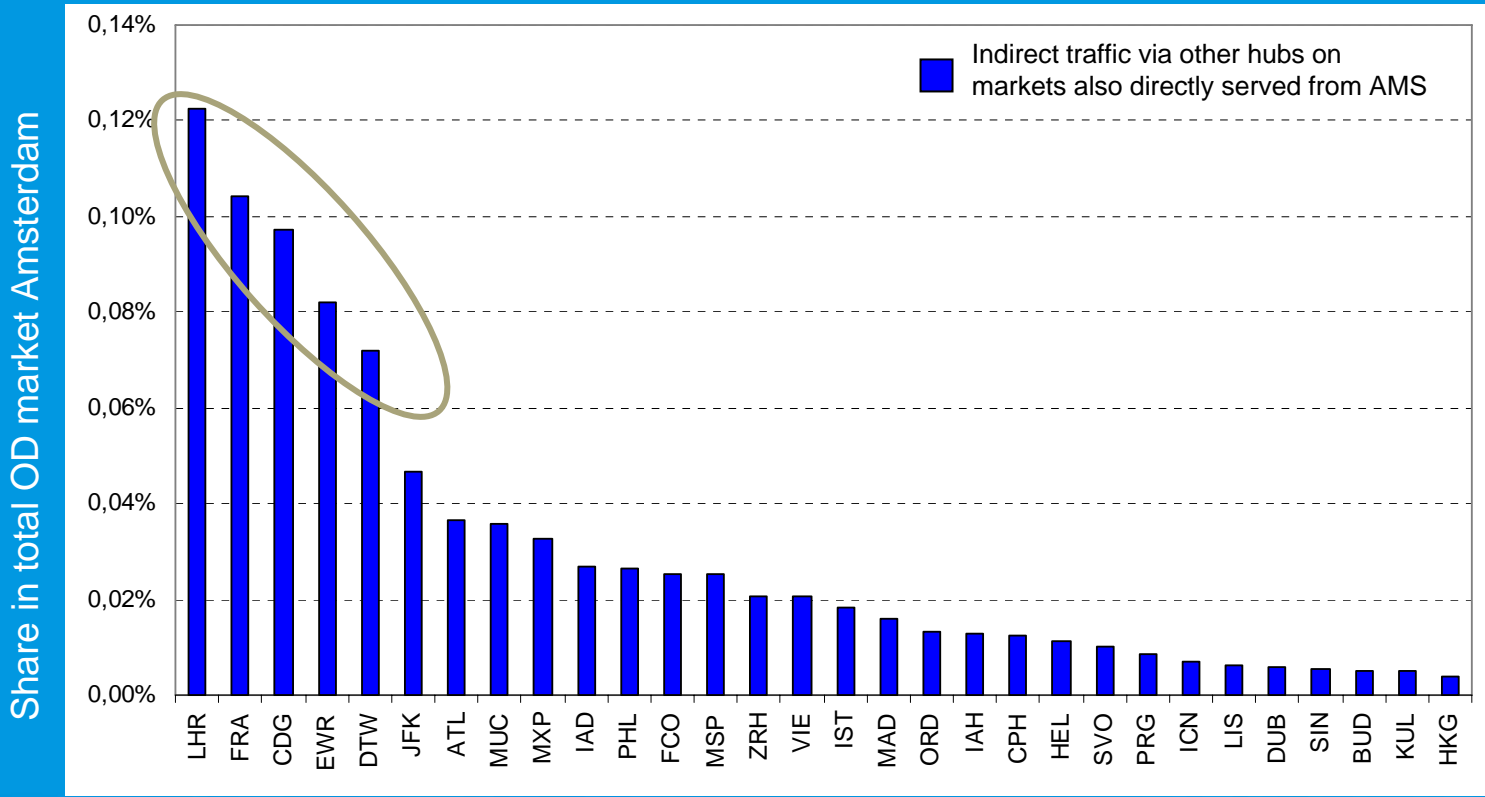
Share (%) of direct and indirect traffic in total Origin-Destination traffic



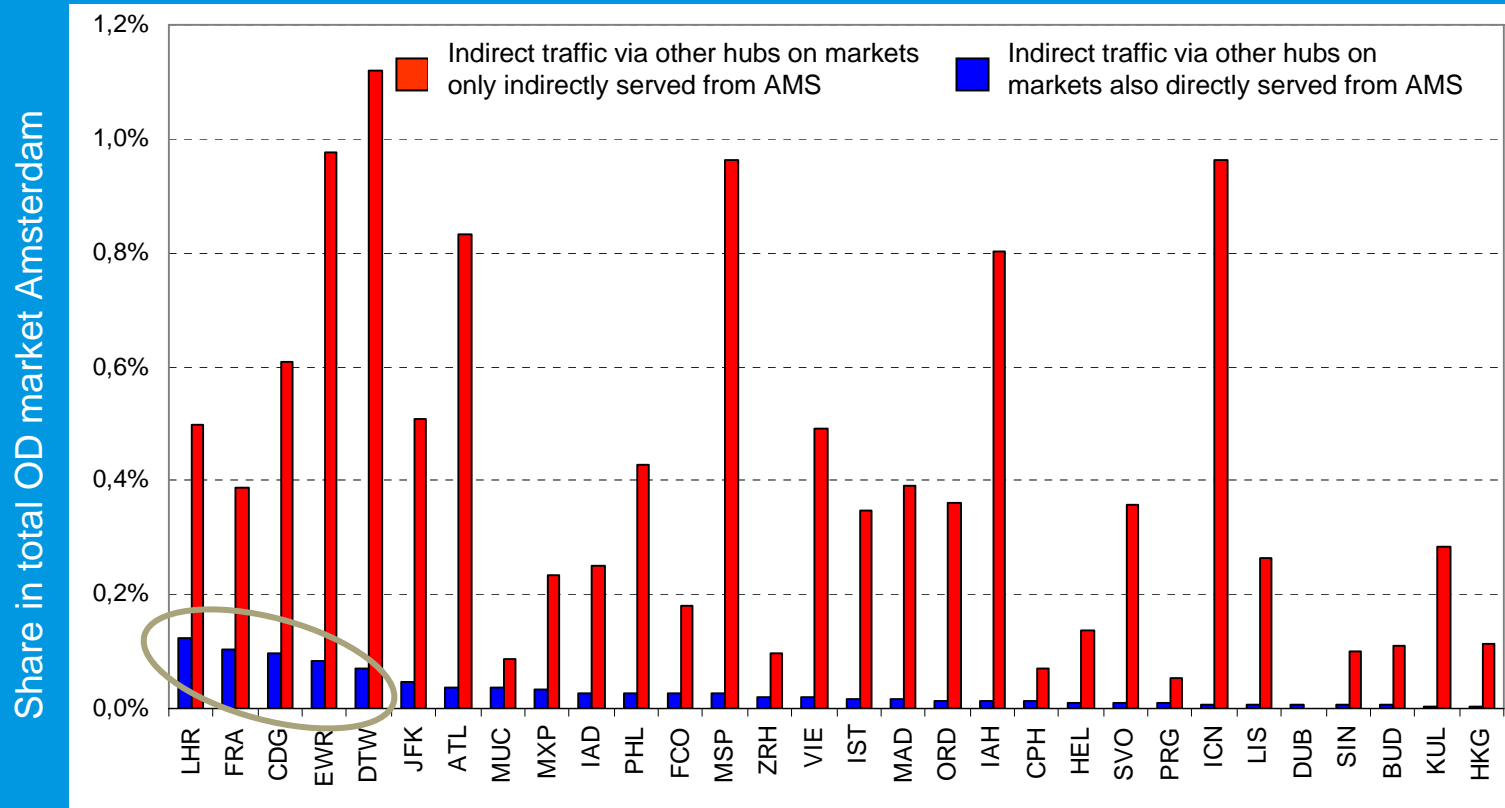
What are the most important competing hubs at directly served markets from AMS?



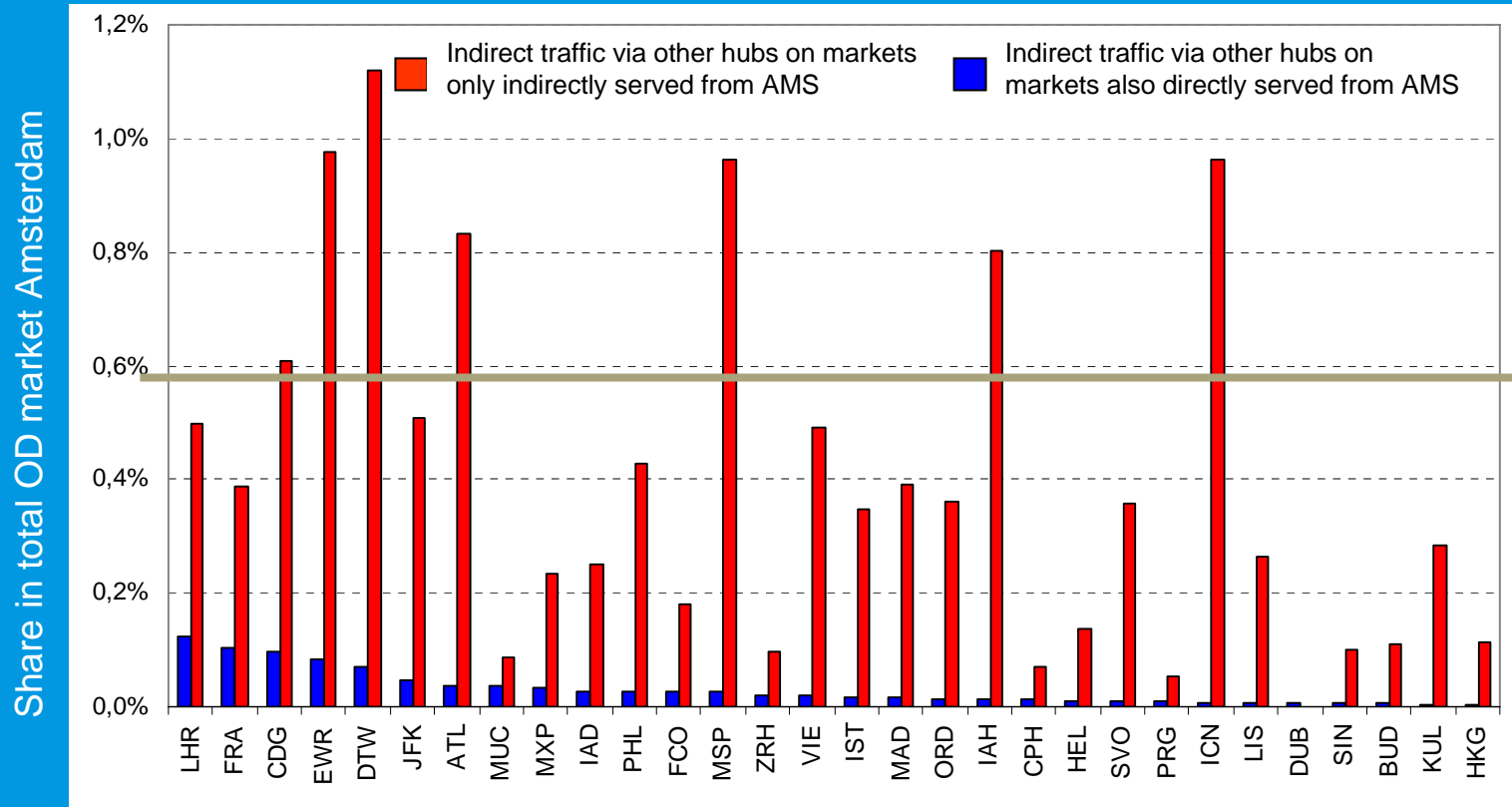
Heathrow, Frankfurt, Paris, Newark and Detroit biggest competitors on direct connections out of Amsterdam



What are the most important “complementary” hubs, giving access to destinations not directly served from AMS?



SkyTeam alliance hubs offer most complementary access to final destinations not directly served from AMS



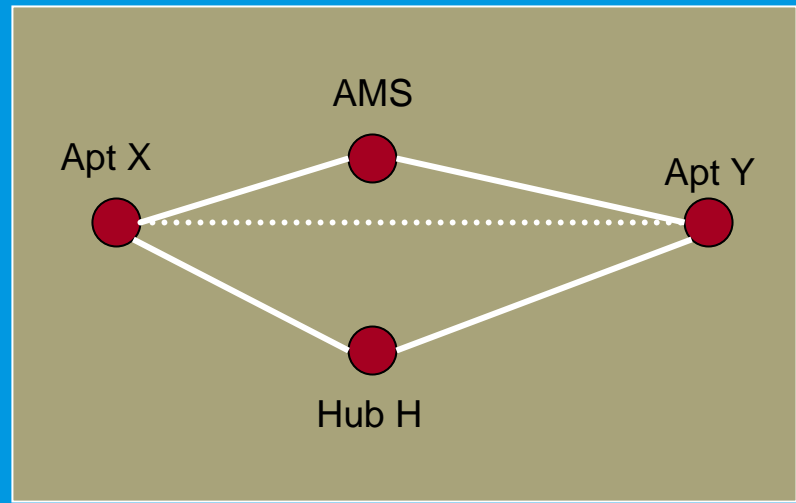


Question 3: Amsterdam Airport Schiphol

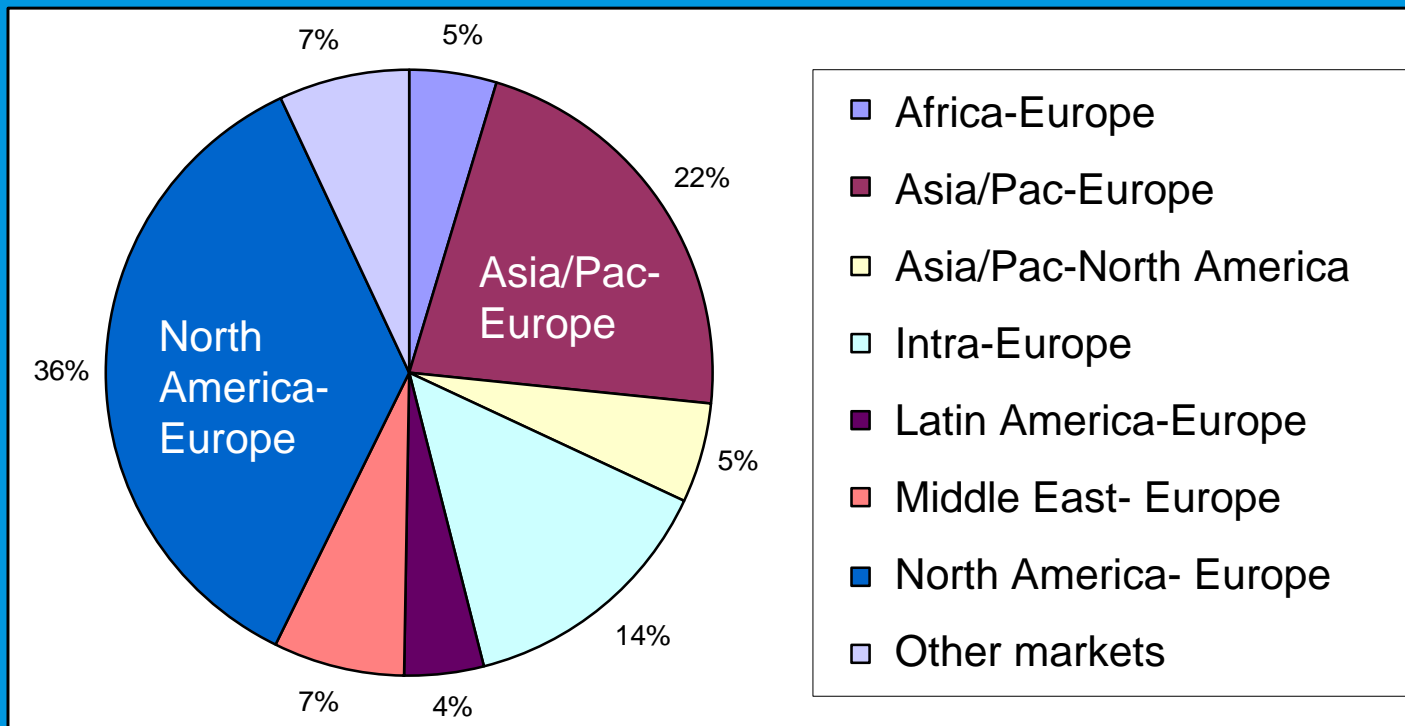
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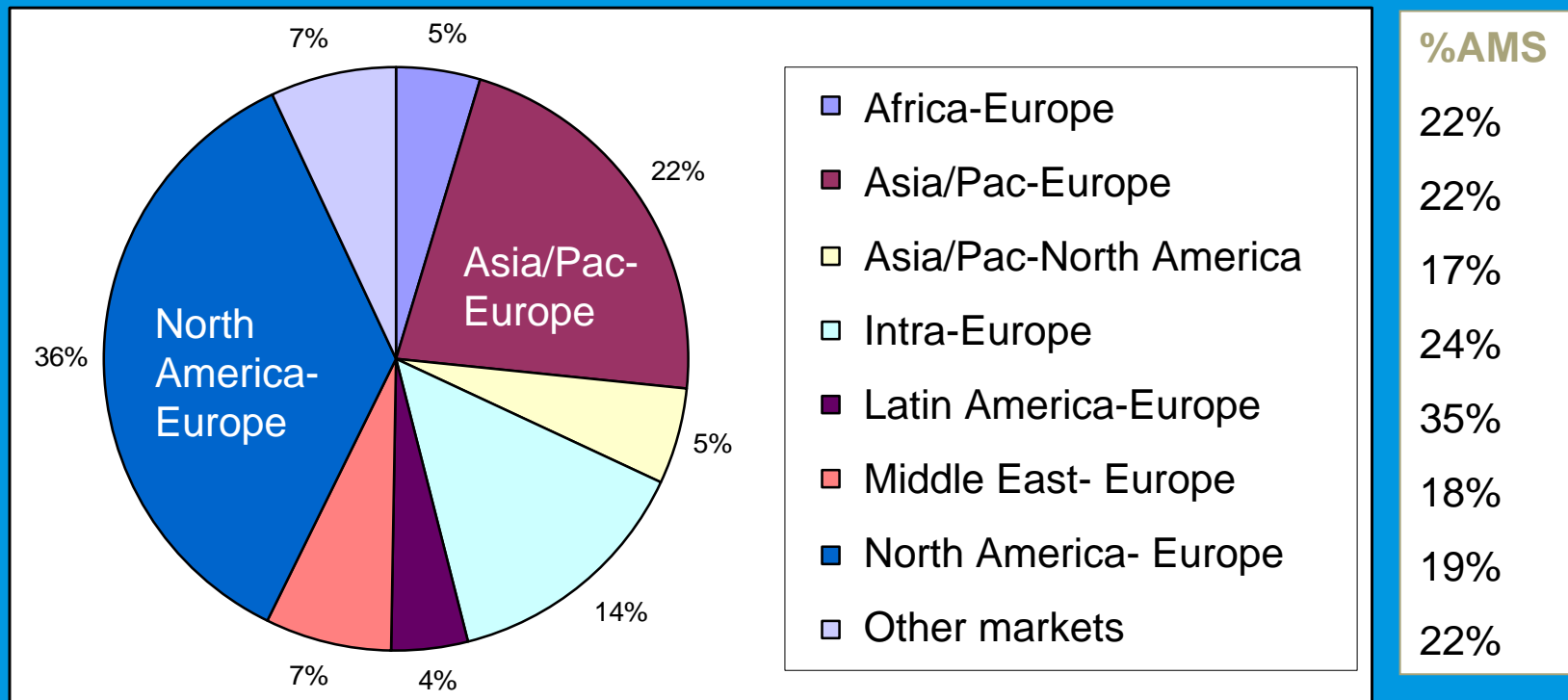
Competition on hubmarkets



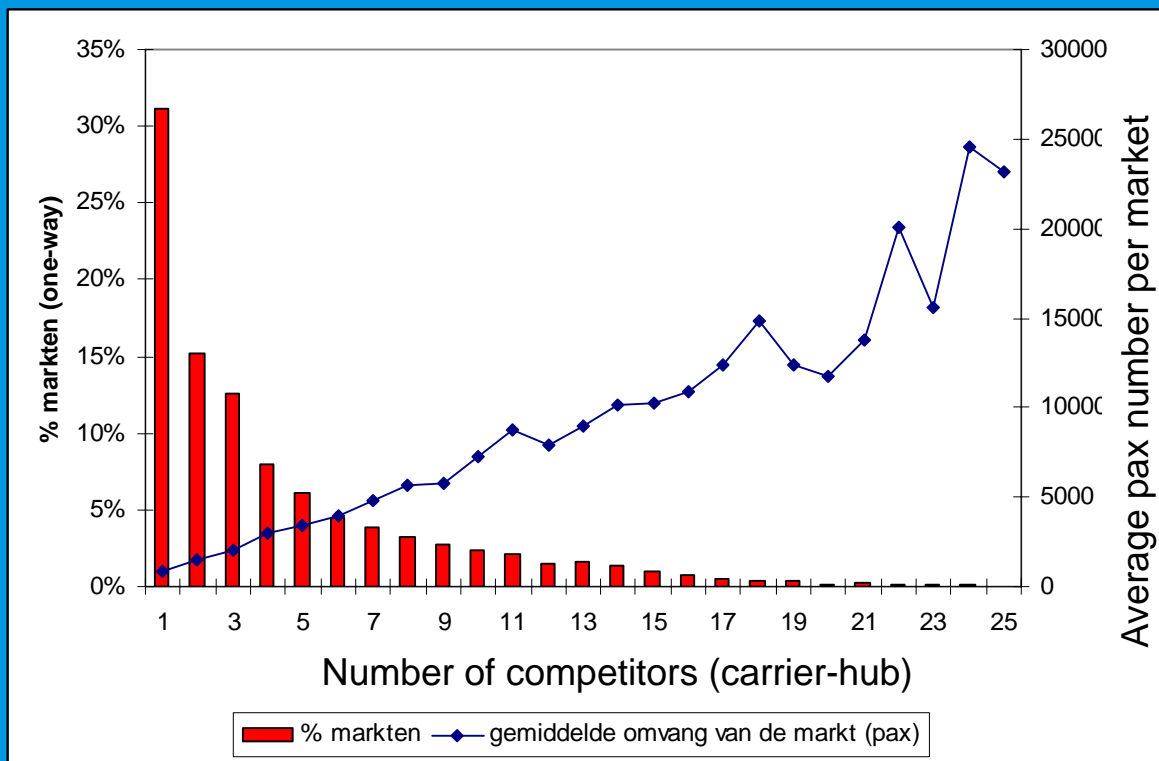
Relative size of markets (%) served via (with a transfer at) AMS



Share (%) of Amsterdam hub traffic versus other hubs and direct connections (only hubmarkets served by AMS)

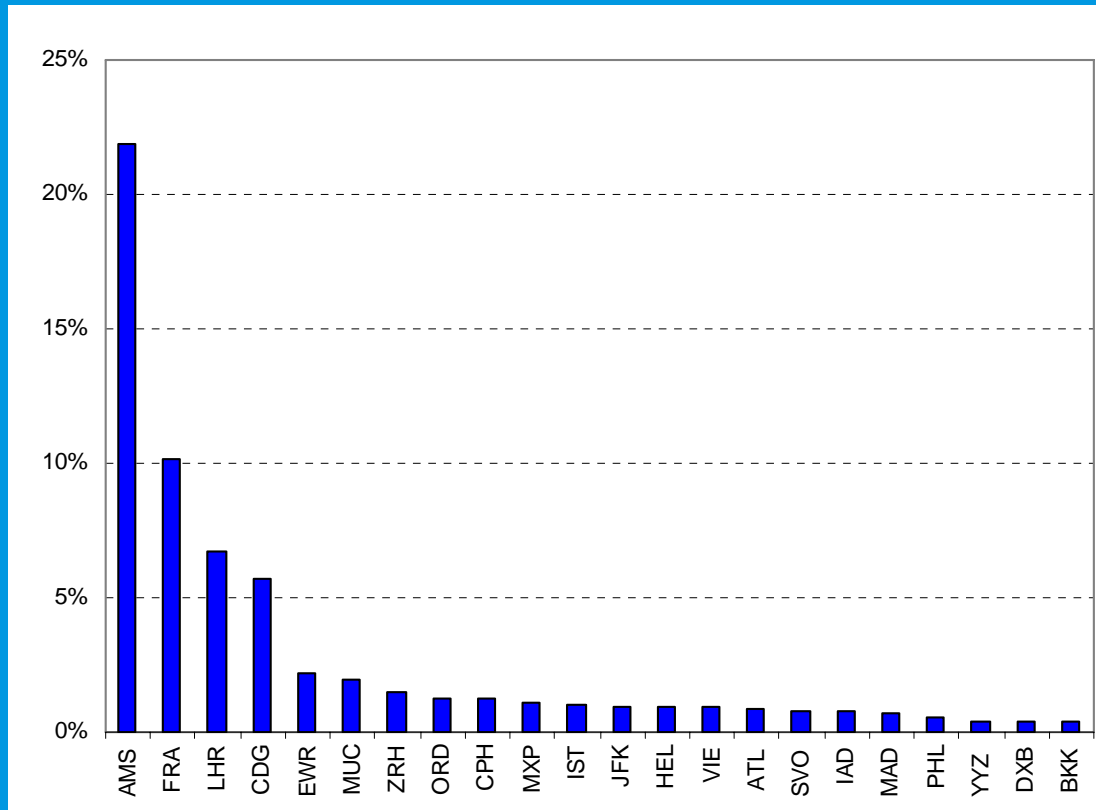


On 30% hubmarkets Amsterdam has monopoly, but those markets are on average very small in size



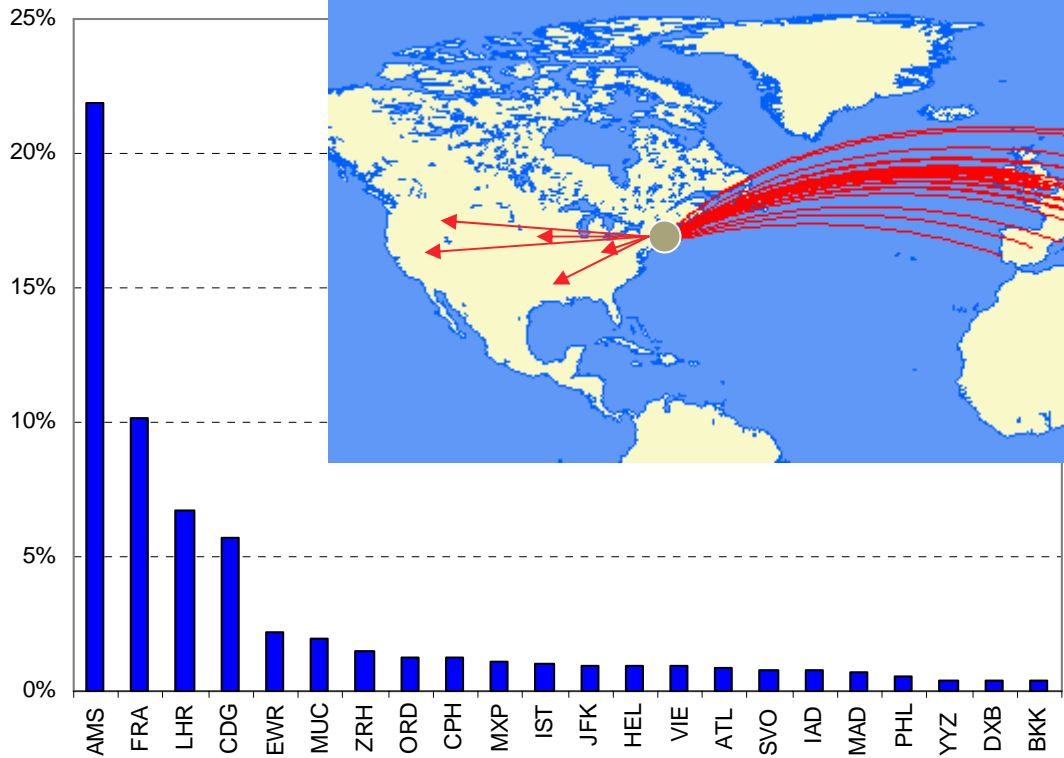
West-European hubs most important hub competitors+Newark

Share (%) in total hub traffic on routes served via AMS



Newark: many hub bypassing routes of CO from/to secondary airports in Europe

Share (%) in total hub traffic on routes served via AMS





Most important competing hubs for hinterland hubmarkets via AMS: Europe to...

North America	Asia/Pacific	Europe	Middle East	Africa	Latin America
LHR	FRA	FRA	FRA	FRA	CDG
FRA	CDG	CDG	IST	LHR	MAD
CDG	LHR	LHR	LHR	ZRH	FRA
EWR	MUC	MUC	CDG	CDG	LHR
ORD, JFK	DXB, SIN, HEL	CPH	MUC, DOH, DXB, CAI	IST	EWR



Conclusions

- Airside competitive position of airports result of airline network behaviour and competition
 - Role of airport and governments mostly facilitating
- Analysis should focus only at those markets really served by AMS, both directly and indirectly (relevant markets)

Competitive position Amsterdam Schiphol:

- Competitive position AMS in particular strong on direct routes and small hub markets
 - Larger markets: more competition
- Competitors on direct markets: LHR, FRA, CDG, EWR
- Competitors on hub markets: FRA, LHR, CDG, MUC
 - Emerging competitors: DXB, DOH, CAI, IST, MAD