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Review

Towards a New Airport Management Model in Spain

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The Spanish airport management model has undergone profound changes in recent years as a result of the deregulation process that took place at the end of the last century. One of the major impacts resulting from air transport liberalization has been the emergence and consolidation of low cost airlines (LCA) which are able to provide better rates at very affordable prices thanks to its business model. The strong growth in recent years, embodied in the increasing number of passengers, companies, routes and frequencies, has been become a phenomenon of huge importance and impact, described by many authors as a "revolution" of the airline industry. In this situation, the model has started a policy of change (either by extending existing airports, or by new establishments) to take advantage of the potentials that these infrastructures may offer in places where they are settled. The novelty lies in the new management model, which began in the new Spanish airports, that introduces private initiatives and in an effort to compete with the centralized monopoly involved AENA (Spanish Airports and Air Navigation) in the management and regulation of Spanish airports. In this paper, two main objectives are focused on from a geographical and inclusive perspective. First, analyzing risks, interests and conflicts generated around these new private airports among different actors involved in the construction and design of them (social, political, economic or territorial actors). Second, assessing the major gaps and weaknesses from governments that enable the implementation of such projects. In this sense, some questions are wondered: Why invest in private airports? Are they really necessary? Do they contribute truly to territorial development? Or, conversely, are they merely speculative operations carried out under a time of economic boom?

Keywords: airport management, private airports, urban planning, Spain.

INTRODUCTION

The Spanish airport management model has undergone profound changes in recent years as a consequence of the liberalization of the air sector carried out by the end of the last century. Since then, market deregulation and increased competition in the Spanish aviation have increased significantly the number of passengers, companies, routes and frequencies, especially as a result of the emergence and consolidation of the low cost airlines (LCA) whose effects allow many researchers in this field to talk about a "revolution" in the airline industry (Dobruszkes, 2006; Henneberg and Tapiador, 2007, Candela, 2008).

Since their emergence in Spain (2000s), these airlines have been steadily extending their links, consolidating themselves in the aviation market and revolutionizing traditional concepts settled in the air transport literature to contribute extensively to the democratization of this activity, classified as elitist until recently. However, despite this revolution and popularization of Spanish air transportation, further evidence depicts a lack of dynamism as a result of a number of factors that hinder the full liberalization of air transportation. So, first, these factors are mentioned and, once analyzed, corrective measures will be proposed, from our point of view, to change the situation of the Spanish airport scene. Specifically, we focus on the airport management model to try to assess the strengths and weaknesses of offers both public and private. After that, several case studies will be added to conclude finally with relevant conclusions according to the ideas discussed and studied throughout this paper.

Problems in the air management model of Spain.

There are several conditions that retract airport activity in Spain. On one hand, the centralized management model that is dependent solely on a public business entity and, on the other hand, the high airport density and subsequent widespread underutilization.

Public and centralized management of the Spanish airport system.

Spain is among the few European Union countries where airports are managed centrally as a fully integrated network (Rendeiro and Gonzalez, 2002). Their property belongs exclusively to the country, being AENA (Spanish Airports and Air Navigation, in Spanish) the organization that exercises management and regulation functions in the 48 airports that are part of the Spanish air network.

That is, AENA, as a public company under the central government owns all the air Spanish facilities. Hence, Spanish airports lack management autonomy, and even their own legal personality. Therefore, the "possibility of competition among airports or regional investment allocation based on market criteria are not covered" (Bel et al, 2006). The problem is compounded when the European Union who sets a series of determinations regarding airports while Spain is the one who does not follow through. Specifically, European law says that each airport should be managed by an individual managed entity (Directive 96/67) and there should be separation between airport management and regulation, attributing both actions at different levels.

High Number of Airports and Widespread Underutilization.

Along with the management dilemma, the Spanish airport system is affected by the large number of airports and tremendous disparity. Spain has a total of 48 airports that cater to 46 million potential users (AENA 2010) spread over a total of 500,000 km ^{2}. This results in a denser airport networks in Europe, both by population and by square kilometers. For example, surrounding the cities of Vitoria and Seville, distances less than 250 kilometers, there are as many as six airports.

In addition, the uneven use of these infrastructures by passengers must be considered. According to the latest data from AENA, only three out of 48 Spanish airports, gather more than 50% of the passenger traffic (50.1%). The amount rises to three-quarters of the total (74%) if 8 first airports are considered. The rest (26%), are distributed in the 39 remaining airports. That is, the use of Spanish airports is extremely concentrated. As a result, this panorama increases the underuse of a large majority resulting in ruinous returns.

Thus, it is clear from the latest data provided by the Ministry of Public Works of Spain (2010) that only nine airports out of 48 that integrate the air network have profitability. That is, 80% of them are loosing money. Even so, a centralized management model has remained to impose the pattern "a province = an airport." This management model holds territorial cohesion, to ensure the provision of air traffic in regions where high air traffic cannot be generated. However, we wonder if there are not too many airports Spain and, if so, whether it is appropriate to bear the expense involved. It is understood that that these airports are real development infrastructures that contribute significantly to the socio-economic revitalization of local authorities where they are settled. However, if the airport had effectively decentralized and the government did not handle its management, many Spanish regions could not handle their respective airports. Therefore, it would no longer receive capital injections that AENA provides, by combining the most deficient losses with profits from the best performing airports, allowing them to keep the airports that could hardly manage themselves.

The Subsidies´ dilemma.

In this global world in which we are embedded, airports play an essential role to materialize the interconnectivity of contemporary globalization providing "prestige, reputation, centrality, functionality and internationalization" (Diez, 2010) to the regions where they are settled. In this way, airport infrastructure is not conceived anymore as mere dots on the map to land or take off, but real airport cities where there are all kinds of services related, complementary and auxiliary to this mode of transportation (Doganis, 2001). As a result, many local and regional authorities have decided to stimulate the attraction of airlines by granting economic and financial subsidies to ensure the arrival of passengers and thus ensure the profitability of their

Figure 1. Map of Spanish airports
Source: Own elaboration

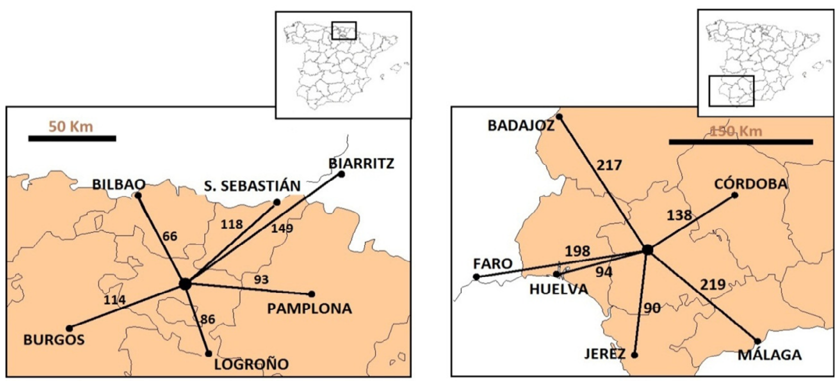

Figura 2. Surrounding airports to Vitoria and Seville (operational range = 250 kilometres).
Source: Own elaboration (figures in kilometres)

facilities. Specifically, this measure can be seen in regional airports trying to pursue their revitalization by attracting LCA.

In this interconnected world, nobody wants to feel behind globalizing currents. Hence, interest in economic subsidies to try to position the region in relation to others, promote the establishment of new economic activities and even combat “local isolation” within contemporary

globalization. However, the controversy stems from unfair competition and some "favoritism" is established to encourage certain airports and airlines over the rest. Either way, it has become a measure of huge importance that contributes to the dynamism of several regional airports but that does not solve the problem of centralized air management. Therefore, a decentralization and privatization in Spanish airport management is proposed as a measure of the change needed to leadership in Spanish air system.

Purposeful measure: Decentralization and air privatization.

To overcome the main problems discussed in the previous section, a reform of airport policy, more decentralized and individual, is demanded under a more entrepreneurial management formula, which primes the private or public-private partnership (Rendeiro and Gonzalez, 2002; Bel et al, 2006). Other neighboring countries from EU (United Kingdom, France and Germany) and even other extra comunitary countries (United States, Australia, Canada) have changed their business model and the management of their airports is carried out by companies, either public or private each

Figure 3. Economic subsided grated by public Spanish governments to Ryanair airline.

AIRPORT	AIRLINE	GOVERMENT	MILLION (€)	TIME
Zaragoza	Ryanair	Gobierno de Aragón, Ayuntamiento de Zaragoza	3,6	2011-2014
Valladolid	Ryanair	Junta de Castilla y León	15	2008 -2012
Santander	Ryanair	Gobierno de Cantabria	16,2	-
Santiago de Compostela	Ryanair	Xunta de Galicia	4,5	-
Gerona	Ryanair	Generalitat Cataluña	7,85	2008-2012

infrastructure managed individually and separately from other airports.

Currently, profitability does not matter to the thirty underutilized Spanish airports as evidence in the government´s recent decision to stop giving these airports comfortable support. It would be different if these infrastructures were managed individually under a market viewpoint. However, this really does not matter to the vast majority of entrepreneurs who continue to invest in these projects, justifying its contribution to regional development, when in fact, only the lucrative arms are interpreted as symbolizing the Spanish speculation in recent years. Hence there is a need for intergovernmental cooperation (local, regional and national) and a guarantee of coordination between the two modes of management (public and private) to ensure the viability of these projects after thorough planning. This is the only way this current situation would be able to stop in Spain.

Therefore, the private initiative should be introduced in the Spanish air panorama to try to boost the competitiveness between airports and avoid their stagnation. The subordination between many agents in building some airports hinders the viability of many projects. In addition, it means big problems when one of the investors disappears. The domino effect is instantaneous because for any justified reason (ceased payment, bankruptcy of the company, etc) some of the plans may not be driven and automatically the project falls apart. The immediate consequence of this abandonment: no longer are private agents willing to take the risks of investing in a project with little or unplanned return expectations. That's when public investment is isolated and, ultimately, it is the citizen who bears the consequences of poor planning and poor coordination among investors' agents. Some of the most notorious examples currently in Spain are listed below.

Public versus private management: some Spanish examples

The following includes some Spanish examples where the failure of these facilities due to the lack of proper planning and subordination among investors' agents are analyzed. It explains the need for further reflection on this issue.

So far, Spain has inaugurated two private airports. They are Ciudad Real Airport and Lleida Airport and both of them have turned out to be a failure. The Spanish airline network plans to open over the next few years private and public-private management airports such as Castellón, Murcia (Corvera), Antequera and Huelva. All of them are really similar and most aviation experts, even before their opening, qualify them as "infrastructures without air plans" that are doomed to fail.

Nevertheless, they justify these projects because they may develop their surrounding areas. However, the truth is that there is great speculation and lucrative interests. All of them are located closely to other consolidated airports (less than 100 kilometers). This means less projection and interest, especially, for those airlines which have to invest in new facilities whose operation and profitability are highly questionable. Also, being located along the Spanish coast and therefore imbued by the sun and beach tourism, these airports are deeply affected by seasonality. The ALC, the true engineers of this type of infrastructure, know that sun and beach tourism are centralized and limited both spatially and temporally, and hence, only invest and operate in airports strategically located (usually in the Spanish Mediterranean coast or in major tourist capitals of Europe).

In addition, the lack of coordination between public and private investment, which act at different speeds and have different profitability criteria (social in the case of public administration, economic in case of private investment) entail the failure of these air plans. Given the above, it is believed that if the airport is not able to gain a foothold, it is going to produce a vacuum and underutilization of the facility, with the consequent consumption of large lands/soil without use or clear activity to justify such investments. Therefore, clear, real and objective planning is demanded without making false promises or subordinating to vague growth market analysis and spatial planning of large urban or regional areas.

CONCLUSSIONS

The liberalizing and deregulating principles of the European Union have led to the democratization of the airline industry to facilitate public access to air services due to the increased number of operators, links and frequencies available for the passenger. However, despite this great change in the outlook of Spanish airports, it is insufficient by current air management system standards. There are calls for these airports to undertake a reform process towards a more transparent system that is oriented on further market criteria at each airport. This would optimize its contribution to the economic growth of the territory where they are located (Bel et al, 2006).

This will maintain the presence of the main Spanish airports and limit the constant opening of these facilities in almost all provincial capitals. That is, to give preference to the efficiency and profitability criteria against political and partisan interests. As demonstrated in the mentioned case studies, the various private initiatives planned in Spain have become a failure. This can confuse the reader because why invest in more decentralization and privatization of Spanish airports if they result in a fiasco? In many cases, the adoption and implementation of these actions is just for show and no clear future plan. In this sense, one of the questions raised is air transport may be considered as a service of public interest. Considering the expenses that go in to erecting airports and the very few benefits that they produce, we wonder if it is a sustainable model.

All these initiatives are needed to ensure good planning and territorial economic viability of these projects. That is, do not focus on the economic benefits in the short term but try to ensure adequate cooperation and public-private coordination. We focus on the non-centralized management and private ownership especially in existing airports that have a strong tradition that makes them profitable. Spain does not need new airports. Moreover, it would be appropriate to centralize many of them in their respective regional capitals and thus minimize the high number of overpriced and underused infrastructure that exists today.

So far, in Spain we can only consider Girona Airport as an example of success in this new decentralization model because of its selection as a major hub airport in the south of Europe by the LCA Ryanair. The rest of those, which are currently under construction or have proved to be a failure, do not have prospects that are very hopeful considering the running time. Not even the excuse to validate this type of public or private airport as a regional necessity qualifies these major airport hubs as valid.

Only time will tell us if these private initiatives, which Spain is driving, are not a mere anecdote or, conversely, Spain decides to invest in these projects strongly backed by socioeconomic viability plans and spatial planning, where geographers have much to say.

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