

**European Aviation Conference**  
***Pricing in Aviation: Issues and Innovations***  
*Are prices too high or too low or just right?*

**Vienna**

November 7-8 2019

Welcome reception November 6

**Day One, November 7<sup>th</sup>**

**1. 9:00 Welcome to the Conference**

Paul Oberhammer, Dean of Law faculty, University of Vienna  
Ministry of Transport (req.)  
N.N., Austrian Airlines (req.)

**2. 9:30- 10:00 Opening address: The policy context for aviation pricing**  
**Silvia Gehrler, ICAO**

**The policy context:**

ICAO provides guidance to governments on charging policies in aviation, including airport charges, air traffic management charges and some aspects of taxation and other airline charges. ICAO's policies have evolved in recent years. What are the trends of ICAO guidance on charging principles?

**3. 10:00 -10:30 Keynote Address**  
**Speaker: Jay Sorensen, IdeaWorks**  
**The airline ancillary charges pricing revolution**

**Revenue from nowhere**

One of the most important innovations in airline pricing has been the development of a range of charges for ancillary services. These have grown in 15 years from almost nothing to over 100 billion US-\$, more than three times the total profits of the global airlines. IdeaWorks is well known for its extensive tracking and analysis of airline ancillary charges and other sources of ancillary revenues. What are the trends? What is coming next? Are these charges sustainable?

Chair: Thomas Jäger, Department of European Law University Vienna

**Coffee Break with Poster Session**

#### 4. **11:00-12:30 Panel discussion** **Pricing in an era of ancillary revenues**

Does unbundling in airline pricing work? For some airlines, ancillary revenues are approaching 50% of total revenues and globally, ancillary revenues are close to \$100 billion however, these revenues are not part of fare data published by governments or airlines. Is the trend towards enhanced ancillary revenues reducing or increasing the cost of air travel for passengers? Is the competition and quest for enhanced ancillary revenues a stabilizing force or a source of disruption in the industry? How have ULCCs changed the traditional capacity based revenue management policies of the legacy airlines? This panel continues the discussion started by Jay Sorensen

Chair: Ian Douglas, UNSW, Sydney

Panelists:

- Christiaan Behrens, SEO & Free University of Amsterdam
- Gabor Nagy, DG for Mobility and Transport
- Jay Sorensen, President, IdeaWorks
- Christian Popp, Senior Director Revenue Management & Distribution Strategy and Business Intelligence, Lufthansa
- Mike Tretheway, Intervistas

**Lunch 12.30 to 13.30**

#### 5. **13:30-15:00 IATA's New Distribution Capability initiative and blockchain. What will new distribution technologies mean for air fares? Evolution or Revolution? The threat/opportunity of block chain and New Distribution Capability**

IATA's 3<sup>rd</sup> wave of industry transformation has a cornerstone in supporting a fundamental revision in the underlying technology for distribution/sales of the airline product. This is intended to dramatically reduce cost, increase consumer transparency, enable merchandising strategies by airlines and drive major innovation in ticket distribution. Where are we at? What are the initial indications of major change in distribution?

Chair: William Morrison, Wilfrid Laurier University, Canada

Panelists:

- Benny Mantin, Luxembourg Centre for Logistics and Supply Chain Management
- Sanaf Nadeem, SITA
- Oliver Lackmann, Chief Executive Officer / TUIfly
- Matthias Viehmann, Director RM & Distribution Business Development, Lufthansa
- N.N., IATA

## Afternoon Tea Break with Poster Session

### 6. **15:30- 17: ITF/OECD Session: Have airline Joint Ventures resulted in higher air fares and reduced service? Will increased intervention by competition authorities on both sides of the Atlantic encourage more competition? (15:30 -17:00)**

Airline Joint Ventures require the approval of relevant competition authorities, but for some time on the North Atlantic approval has been almost routine, a different situation to the one which prevailed during the early years of JVs when one JV took some 13 years to obtain approval. What has been the impact of this apparently more relaxed approach on competition and the level of air fares? Are the competition authorities about to adopt a more rigorous approach, possibly under pressure from new entrant airlines? If so, what will be the impact on JVs and airline competition, and on consumers?

Chair: Barry Humphreys, Aviation Consultant, BKH Aviation, UK  
Jagoda Egeland, ITF by video

Panelists:

- Leo Basso, Universidad de Chile
- Peter Lewisch, University of Vienna
- Daniel Boeshertz, EC DG COMP
- Pieter Cornelisse, Vice President Mainport Strategy, KLM Royal Dutch Airlines

### 7. **17:30-18:30** **Debate: Are the new airline pricing strategies contributing to financial sustainability of the industry**

The history of the airline industry has been one of a steady 2% per annum reduction in real air fares, facilitated by improved technology and deregulation/liberalisation. But this has been accompanied by a record of poor airline profitability. If the airline industry is ever to be 'normalised', with a sustainable financial model, is it necessary to achieve sustainable rates of return to investors? How can this be done? Are the new pricing policies economically efficient?

Chair: N.N.

Mike Trethewey, Intervistas (pro/yes) versus Andrew Charlton, ATM Policy Institute (con/no)

### 8. **Dinner Speaker**

After Dinner Speaker (Peter Malanik, Austrian Aviation Association & N.N.)

Award Ceremony: European Prize in Aviation Economics and Management

## Day Two November 8<sup>th</sup>

### 9. 8:45-9:00 Welcome and Review of Previous Day's Proceedings

- Franz Stefan Meissel, Vice-Dean of Law faculty, University of Vienna
- Michael Tretheway, InterVISTAS Consulting Vancouver
- Peter Forsyth, Monash University, Melbourne

### 10. 9:00-9:45 Martin Kunz Lecture

#### The economics context and evolution of aviation policy: Is economics good for aviation policy?

Hans-Martin Niemeier, University of Applied Sciences of Bremen

### 11. 9:45-11:00 Passenger based airport pricing

The economics and implications of airport fee structures is a popular topic among airport scholar and practitioners. Airlines 4 Europe claimed that airport charges increased by 80% over the last decade, whereas ACI Europe claims that they have actually risen only by 25%. What is the actual record? What are the trends to passenger based airport charges? Are they getting higher or lower? Do they reflect the actual cost? Are the charges justified based on airport cost structures? Do they reflect an exercise of market power, or do they represent new costs and/or scarcity rents? Should congestion pricing at airports be justified to finance airport expansion?

Chair: Peter Forsyth, Monash University

Panelists:

- Julian Jäger, CEO of Vienna
- Rafael Echevarne, CEO Montego Bay Airport, Jamaica  
(Former ACI Chief Economist)
- Thomas Reynaert, Airlines for Europe
- Fabio Soleri, Aeroporti di Roma
- Ernst-Jan Heuten of the Dutch consumer and markets authority. Req

## Coffee Break with Poster Session

### 12. 11:30-13:00 The future impact and role of non-aviation revenues for airports

Non-aeronautical revenues are a key contributor to the financial success of airports. But at last year's conference we heard that nonaeronautical revenues are declining at many airports. According to ACI, total airport industry revenues in 2016 amounted to USD161billion, of which USD89 billion (55%) was aeronautical revenue and USD64

billion (40%) non-aeronautical. What is the impact of online-shopping on commercial revenues? What about new forms of ground transport? What are the trends of the non-aeronautical revenues? How different regulatory modes (single/dual/hybrid till) and ownership models impact non-aero revenue generation? Would revenue-sharing partnerships in terminal management between airports and airlines really work?

Chair: Thomas Immelmann

Panelists:

- Walter Seib, CEO of HMSHost International / Autogrill
- Romano Pagliari, Cranfield University
- Mark Friesen, Managing Partner, QUINTA Consulting
- Luigi Battuello, Director Non-Aviation, SEA Milan Airports

## Lunch

### 13. 14:00-15:15 What is wrong with ATM pricing?

ANSP pricing is governed by the accounting rules established by ICAO last century – ‘cost recovery’ is the basis for ATM charging. It also assumes technology from last century too. In the meantime, the rest of the industry takes a modern, economic pricing approach, with dynamic offer management, continuous pricing, volume discounts, differential pricing and demand-based charging. Digitization is driving different thinking in the way services are delivered, as well as priced. When will the ATM community start to price their product effectively and efficiently, taking advantage of the new digital technologies? Should there be brokers? Should each airline buy its services end-to-end? What difference would it make to how service is delivered?

Chair: Andrew Charlton, ATM Policy Institute

Panelists:

- Margaret Arblaster, Monash University, Melbourne, Australia
- Lubos Hlinovsky, Czech ANSP
- Magdalena Jaworska, PRB and former CEO of Polish Air Navigation Services Agency
- Nicole Adler, Hebrew University, Jerusalem, Israel

### 14. 15:15-15:30 Conference Wrap-Up, Closing Remarks, Presentation of EAC Host 2020

Conference ends 15:30