



Untapped potential

With airport revenues primarily passenger-based, they are also highly sensitive to external shocks and uncertainty from events such as the Covid-19 pandemic. Paul Sillers reports on how non-aeronautical revenues from car parking and commercial real estate opportunities are fundamental to boosting airport revenues and driving economic growth.

As evidenced during the pandemic, when planes don't fly, it's not just airlines that suffer – the absence of passengers at terminals means airport revenues from passenger-related activities nosedive.

These income streams account for a significant slice of an airport's bottom line. An example of just how big that slice is can be gleaned by taking a peek at Manchester Airports Group's (MAG's) latest stats.





Non-aeronautical revenues

Manchester Airports Group's stats for the financial year ending 31 March 2023.



Aviation
£355.9 million



Car parks
£325.1 million



Retail space
£234.5 million

For the financial year ending 31 March 2023, MAG reported £234.5 million of income from retail concessions, and £325.1 million from car parking – in contrast to aviation income, which was £355.9 million.

In other words, non-aeronautical activities generated around 61% of MAG's overall revenue.

Worldwide, non-aeronautical airport income is on a growth trajectory.

A report published in November 2022 by Technavio (covering airport concessions, parking and car rentals, land rentals, terminal rent by airlines, and other services), estimated that the global airport non-aeronautical revenue market is likely to grow at a CAGR of 7.88% between 2022 and 2027. This increases the value of the airport ancillaries market by US\$35,045.11 million in a five-year period.

PARK THAT IDEA

Car parking is obviously a conspicuous and lucrative source of income for airports – but a key factor in leveraging this revenue potential is when airports integrate parking amenities and pre-booking options with technologies that streamline the customer experience.

This October the SP Plus Corporation, a technology and operations management provider of mobility services for aviation (as well as commercial, hospitality, and institutional clients throughout North America and Europe), extended its SaaS e-commerce platform that increases non-aeronautical revenues, branded AeroParker, at a handful of regional airports: Chicago Rockford International Airport (RFD), The Cincinnati/Northern Kentucky International Airport (CVG), Sioux Falls Regional Airport, aka Joe Foss Field (FSD), and El Paso International Airport (ELP).

For airports, the AeroParker platform provides business intelligence features including a dashboard overview of all parking and ancillary KPIs; parking, ancillary, occupancy and transactional reports; flexible data extraction to 3rd party systems; and the facility to build customised reports.

From the customer experience perspective, the platform provides multi-language and customisable branding; optimisation for mobile, tablets, and desktop devices; and a MyAccount area for self-service.

Branded emails and triggered messages, promotional codes and customer programmes are also integrated into the platform to help build loyalty.



Opportunity: Manchester Airport plans to open 27 new shops and restaurants in Terminal Two.





For passengers arriving at airports, it's the technology that underpins the ease of getting in and out.

SP Plus says that AeroParker's platform integrates with all barrier systems and payment service providers and integrates with ANPR (automatic number plate recognition) systems, QR Codes, PIN codes and RFID entry to car parks.

Alan Daring, VP Business Development at AeroParker, adds: "Through the launch of our AeroParker reservation system at these regional airports, which collectively handle millions of passengers each year, we are proud to enable them with a user-friendly, online pre-booking reservation system.

"With the addition of AeroParker technology at these airports, SP Plus is instrumental in providing passengers an enhanced and efficient experience at these four airports."

LAND OF OPPORTUNITY

One strategy to leverage the non-aeronautical growth trend – and reduce airports' reliance on air traffic – is to transform the airport into a destination in its own right, or a business hub.

At a regional airport scale, a compelling example is evolving at Berlin Brandenburg Airport (BER), where work is under way to create "HORIZN BER CITY" – a "climate-friendly urban space" that

offers a mix of commercial usages.

Alongside modern office, hotel, and congress uses, the aspiration is that HORIZN BER CITY will attract the technology sectors and an array of small hospitality outlets, local shops, and cultural facilities.

Part of the allure is that the buildings are embedded in parkland, encircled with a "Garden Loop" with footpaths and a cycle track to enhance leisure and

"The district directly adjacent to BER airport creates the invaluable opportunity to create one of Europe's most central innovation hubs in the Berlin-Brandenburg region."

Aletta von Massenbach, CEO, Flughafen Berlin Brandenburg GmbH

Work is under way at Berlin Brandenburg Airport to create HORIZN BER CITY, billed as a 'climate-friendly urban space' offering a mix of commercial usages.





Non-aeronautical revenues

networking within the district.

“With the kick-off of the HORIZN BER City development district, the BER business engine has emphatically shifted up a gear,” says Aletta von Massenbach, CEO, Flughafen Berlin Brandenburg GmbH.

“The district directly adjacent to BER airport creates the invaluable opportunity to create one of Europe’s most central innovation hubs in the Berlin-Brandenburg region.”

There’s also a socio-economic benefit, says Professor Jörg Steinbach, State of Brandenburg Minister of Economic Affairs, Labour and Energy.

“Airports are international magnets for services, commerce, and airport-related production. That impacts the surroundings favourably and thus a new business hub is expected to arise next to the capital city’s airport, bringing growth, jobs, and prosperity.”

GREEN DIVIDEND

Another approach to commercial exploitation of the land surrounding regional airports is by fostering energy generation, whether that’s for the immediate term in the form of electricity generation through use of solar farms, or for the longer-term energy needs of aviation, in the form of hydrogen generation.

Energy company EnergyVision recently started to install 66,200 ultra-large solar panels in the grounds of Ostend-Bruges Airport, transforming it into Belgium’s second largest solar park.

The electricity generated will initially be used to satisfy the needs of the entire airport site with 100% green power.

But with an annual electricity production of almost 37,000 MWh, the airport will be able to generate much more electricity than it can consume itself.

Therefore, part of the generated electricity will be diverted to Antwerp Airport (Deurne), with the remainder going directly to power local Ostend homes with 100% sustainable electricity, saving 9,600 tonnes of CO₂ annually in the process.



Energy company EnergyVision recently started to install 66,200 ultra-large solar panels in the grounds of Ostend-Bruges Airport, covering an area equivalent to 61 football pitches.

Eric Dumas, CEO of Ostend-Bruges Airport, says: “Besides greening our own power consumption, the remaining energy we get from the solar panels will be able to be used by almost 10,000 families in the area. For us, it is important that our neighbours can also benefit from this.”

And it’s not just the airport and the energy company that stand to benefit from the project.

“Soon, Ostend citizens – families, but also SMEs – will be able to register and buy the generated electricity on a priority basis, at fixed prices, without any price increase, and for the long term,” says Maarten Michielssens, CEO of EnergyVision.

“We are also setting up a platform for citizen participation. Anyone who wants to can co-invest in the installation in the form of an eight-year loan with a fixed annual interest rate of 5%.”

HYDROGEN SOLUTION

In a similar vein, and in anticipation of new energy paradigms that will complement and eventually replace aviation’s reliance on fossil fuels, an initiative to use airport real estate for hydrogen production is under way.

This September, East Midlands Airport (EMA) entered into an initiative that will form part of the UK’s largest inland hydrogen cluster, which will lead to the creation of 110,00 jobs and pave the way for carbon-free flying from the

Midlands gateway.

East Midlands Hydrogen, a partnership between D2N2 Local Enterprise Partnership, Leicester and Leicestershire Enterprise Partnership, Cadent, Uniper, Toyota, Midlands Engine and East Midlands Freeport, is intended to connect supply and demand through a new 100% hydrogen pipeline.

With aircraft manufacturers, in particular Airbus, pushing hydrogen as a mainstream fuel for the 2030s – an initiative that is likely to start with regional scale aviation – EMA is a natural supporter of the East Midlands Hydrogen partnership as use of hydrogen starts to gain traction in the coming years.

The airport estimates that it could see a daily demand for around 700,000 litres of liquid hydrogen by mid-century.

“We can see the role of hydrogen to decarbonise flight through hybrid electric, hydrogen propulsion and direct combustion of hydrogen,” says Adam Freeman, Head of ESG and Environment Strategy at EMA.

The initiative will support EMA’s aspirations to drive economic value for the region.

The airport is already the nation’s biggest dedicated air cargo hub, shifting over 400,000 tonnes of goods annually, in addition to handling 4.5 million passengers per year, and an employment hub for over 8,000 personnel. ■