

With margins still a major concern in some European markets, ground handlers in the region are investing in several business areas to survive and grow while keeping up with constant change



UNDER PRESSURE

According to Anna Rosek, chief operating officer and chief commercial officer at LS Airport Services (LSAS) in Poland, the presence of low-cost carriers (LCCs) has changed the European market significantly.

She explains: "By limiting costs, LCCs also limit the scope of required activities. For example, due to the fact that low-cost airlines generally do not carry cargo, this obviously means that the activity of the handling agent in this area remains at an almost untouched level."

Warsaw Modlin Airport, meanwhile, was designed and built especially for LCCs. "The walk-in/walk-out positions were included in the airport project," Rosek says. Thanks to that, we could disregard the purchase and future use of extremely expensive airport passenger buses, which had a direct impact on our commercial offer to the interested carrier."

The widespread use of the Internet and self-check-in technology, meanwhile, mean that first contact between passengers and ground handling staff often does not take place until boarding. However, that does not mean that staff are becoming less important. Indeed, in situations such as flight delays or cancellations, ground handling staff are essential to provide a quality, personal service to passengers.

Currently LSAS, like many others in the Polish (and wider European) market, is struggling with the tough labour market.

The company has implemented a number of initiatives for the education of young people in the aviation sector, including internship agreements with aeronautical schools and aviation technicians under a new project entitled LS Academy.

In addition to the difficulty in finding new recruits, the high level of security in the airport environment requires

each employee to be vetted by the relevant authorities before they are granted – or not – the necessary permits to enter restricted areas.

LSAS is negotiating with airport management to develop better solutions; however, Rosek notes that "the seriousness of this problem requires the involvement of all parties operating in the area of the airport and taking action that deviates from current standards".

Simon Messner, senior vice president Europe at Swissport, highlights another tricky aspect of staffing.

"Recruitment in a seasonal business like ours continues to be a challenge as we are in competition with many other employers in the service industry," he says. "It can be a challenge to attract and retain staff, both young and experienced. Working hours in the service industry are irregular and other industries may offer superior compensation."

However, he considers: "What does play out to our advantage is the emo-

tional component of the aviation sector, which still appeals to a lot of people. We are also investing in our leadership programmes, training excellence and career planning in order to attract qualified employees.”

INVESTMENT

Many US and Middle Eastern carriers are expanding their network in Europe or adding frequencies on existing routes – and many European airports are almost at capacity, while passenger and cargo volumes continue to rise. But Messner points out that there is a trend towards developing current airport infrastructures, both to increase capacity and to enhance the passenger experience.

Thus: “Several European airports have impressive investment programmes in place, such as Amsterdam, Helsinki or Zurich Airport, to cope with the predicted growth in 2030. Some Eastern European airports are [being] rebuilt or renovated.

“At the same time, digitalisation is the key trend in our industry. Due to a change in European directives in 2018, we are just about to roll out baggage reconciliation systems throughout Europe in order to follow the baggage journey digitally and to know at any time where customer bags are located,” Messner adds.

Such measures may not be easy for a handler to implement, depending on the

existing infrastructure and, of course, finances.

Traditional ground handling is under a great deal of cost pressure in Europe. Therefore, Swissport has been diversifying and expanding its cargo handling business and other airport services such as special services for passengers with reduced mobility, security and fuelling, often through local partnerships.

Messner says: “In Europe Swissport has very strong market positions in Spain, Benelux, Switzerland, Germany, Finland, Greece, Bulgaria, Cyprus, and the UK and Ireland. Projects are under evaluation in various other European countries where Swissport is not yet present.

“As of 1 April 2018, Swissport in Germany will take over all ground handling services for Ryanair at Berlin Schönefeld Airport. Ryanair has stationed 10 aircraft in Schönefeld and operates around 16,000 flights a year. Our service scope includes ticketing, check-in, gate, passenger transport and baggage handling services.”

Swissport is hiring around 150 new employees at Berlin Schönefeld and will invest around 3 million euros in new ground service equipment, he confirms.

Elsewhere, Swissport Belgium has renewed its ground handling licence with Brussels Airport Company. The new seven-year licence will come into effect on 28 October 2018. Swissport Cargo Services Belgium has also extend-

ed its cargo handling licence for another seven years.

BALANCE

Seeking to grow its ground handling business is Worldwide Flight Services (WFS) – whose core activity remains cargo handling.

“So far we have ground operations in Europe (France and Spain), and in Asia (Hong Kong, Singapore and Bangkok),” says Will Facey, executive vice president ground handling Europe, Middle East, Africa and Asia.

“France is a complicated market. It’s heavily licensed, especially Paris, although it is more open in the provinces. There’s an imbalance, with very busy commuter periods, and costs are high so margins are not that healthy.”

While WFS is headquartered in Paris, Facey expects that other locations will contribute more to the growth of the company’s ground handling business.

For instance, Spain is “a mature and balanced market. The country has gone through its social pain and financial crisis, the unions are more flexible and it’s a healthier commercial environment”, he says.

In the UK, price is “through the floor” and ground handlers generally make very low – or no – margins.

Facey remarks: “There’s a lot of tension as airlines think they are not getting what they were promised. Elsewhere in Europe, there are margins and better

HOW MIGHT BREXIT AFFECT GROUND HANDLERS IN EUROPE?

Rosek: “Brexit should not significantly affect the number of passengers and in consequence the number of carriers and handling agents on the market. To be honest, it is too early to predict the real influence of this process on the ground handling market in Europe. We still do not know enough about the new law regulations.”

Messner: “As a globally present company, we are generally in favour of open markets. At this stage, it is difficult to predict if and how the Brexit might impact our business.”

Facey: “EU261 legislation (otherwise known as the Passenger Charter), originally developed in the 1990s, has since been abused in several court cases so that almost anything can now be grounds for an airline to have to pay compensation. Airlines are now the insurers of last resort – and because of Brexit, the UK has no chance of injecting any common sense into this.”



Anna Rosek, chief operating officer and chief commercial officer, LSAS



Simon Messner, senior vice president Europe, Swissport



Will Facey, executive vice president ground handling Europe, Middle East, Africa and Asia

long-term relationships – there’s a balance between the airlines and the handlers, and the tensions are controlled.

“The situation in the UK is purely down to market forces. The airlines push the cost down as much as possible, and handlers are sometimes willing to go into a market at zero or a very low margin in order to gain market share.”

This is something that WFS is determined to avoid as it expands its ground handling activities. The company will provide resilience in terms of on-time performance, service quality and so on, but it will do so only based on sustainable margins, Facey says.

Asia offers quite a contrast to the European business environment, he goes on.

For instance: “Labour in Asia is less of a cost for ground handling operators so they can assign more people to things. The service expectation is higher among travellers in this region because it has always been that way – and cheap labour enables you to provide a fantastic service.

“This is not possible in Europe, so you have to have multi-function, multi-skilled staff who are willing to operate on flexible rosters.”

CHANGE

Facey is clear that the ground handling

business has to change: “It’s not a great experience for the passenger, generally. The successful airlines are those who get rid of queuing (for instance through auto-bag drop systems) and give people their personal time back, making flying an easier and more pleasurable experience.

“For passenger handling, you almost want to be invisible. Below the wing, you want to be safe (that means both staff and the aircraft) and efficient so the flights you handle leave on time. You need to be consistent and accountable, with an open and just reporting culture.”

Plus, Facey points out: “You’ve got to remember ground handling staff are working shifts, in exposed conditions, and not for the highest pay; they ought to be well trained and respected.”

Overall: “Airlines are up for new suppliers who can offer long-term partnership, better service, resilience and transparency. The existing players are all very similar, very traditional, offering nothing new in regard to their relationships with the airlines,” he feels.

Messner believes that the current price pressure in some European countries is not sustainable, and expects further consolidation in the market.

In addition: “Regulatory authorities and governments need to ensure that the ground handling industry works

according to common standards, especially in a growing industry with significant pressure from different stakeholders,” he says.

Swissport is working towards this with its Swissport Formula, an operational framework that is implemented throughout its network. A key focus area is safety; the company has invested in several programmes to enhance safety awareness and culture in its operations. It reduced aircraft damages in 2017 by more than 20% over the previous year.

LSAS, meanwhile, is optimistic for the future. It has raised wages and other benefits as well as beginning a 12 million euro investment programme to modernise its GSE fleet with the addition of electric vehicles – something that requires close collaboration with airport management to ensure adequate infrastructure is put in place.

“We are and always have been very ambitious,” says Rosek. The company is positioning itself to serve Poland’s new Central Airport that is to be built between Warsaw and Lodz (scheduled for completion by 2027), as well as keeping up with growth in passenger and cargo throughput at its existing stations.

“2018 will be the year of diligent work to make sure those plans come to life,” she says. 

