

Essential elements of the Mainport

Mainport Schiphol: more than just an airport, with the unique benefit of KLM's hub network

Amsterdam Airport Schiphol, the KLM/SkyTeam hub network and the surrounding Amsterdam metropolitan region have all grown together to Mainport Schiphol. Mainport Schiphol is more than just an airport with a worldwide network. It is an entity in its own right, made up of complementary companies and activities. Together, they create an international and multimodal hub for the flow of people, goods, money, information, knowledge and culture. Mainport Schiphol has developed into a high-value hub with an extensive network linking the Netherlands to the most important economic, political and cultural centres in Europe and the rest of the world. As such, the business of Amsterdam Airport Schiphol provides significant impetus to the Dutch economy, as well as employment opportunities. It also makes the Amsterdam region an attractive base for internationally oriented companies and institutes.

A high-quality network of connections is essential for a Mainport. Thanks to that network, largely made up of KLM and its SkyTeam partners' extensive European and intercontinental networks, Schiphol is one of Europe's four leading airports. Given the small size of the domestic market in the Netherlands, that is a unique achievement.

Current situation requires confirmation of Mainport definition and updating of Mainport strategy

This Mainport position is not something that is simply maintained on its own. Schiphol is facing increasing pressure in its efforts to continue positioning itself as a Mainport. The most important factors in this respect are:

- Economic development, particularly within Europe
- Current aviation situation (pax and cargo), particularly for AirFrance-KLM, with increasing competition from the Gulf region, Turkey and low-cost carriers
- Increasing competition amongst airports/hubs (within and beyond Europe)
- Specific issues for Schiphol airport: bottlenecks in capacity and pressure on perception of quality

The current version of the Mainport strategy dates from 2005 and has not been revised since. In the light of general economic developments – and those within aviation in particular – as well as the need to re-emphasise the common interests of the airport and hub carrier, there is a need to confirm the definition of the Mainport and update the Mainport strategy.

It is furthermore important that the Mainport strategy is fit for purpose in terms of anticipating both the dynamics of aviation and policy and any governmental policy – and policy priority – changes relating to the Dutch aviation sector. To this end, it is crucial to assess the Mainport strategy periodically and tailor it to current developments and/or policy changes.

Elements of the Mainport

The Mainport is characterised by three interrelated elements:

1. A strong KLM/SkyTeam network as the Mainport driver
2. A competitive airport
 - Schiphol as an attractive & efficient hub airport (for passengers and cargo)
 - Schiphol as an O&D airport and multimodal transport hub
3. Competitive region
 - Attractive region to live and work in, and for tourism
 - International business climate: the Netherlands as a competitive business location

This is represented in the diagram below:

Competitive region to live and work in
Accessibility and strengthening of Amsterdam as a destination
Competitive airport hub
Visit costs, reliable and quick ground handling and accessibility
Strong hub network with KLM/SkyTeam
Internationally competitive business sector
The Netherlands as a business location
Infrastructural and regional development

The elements making up the Mainport are discussed in more detail below.

1 A strong KLM/SkyTeam network as the Mainport driver

- **A strong, extensive network linking the Netherlands to the rest of the world**

Schiphol connects the Netherlands, the Randstad conurbation and Amsterdam to Europe and the rest of the world. Its destinations include important economic regions, political and cultural centres and large-scale passenger and cargo markets. Successful collaboration between the Schiphol Group, the government and KLM has enabled Amsterdam Airport Schiphol to develop into a powerful European Mainport over the past few decades. The network of destinations of KLM and SkyTeam partners has been the driver for this development.

- **KLM and its SkyTeam partners are responsible for 70% of traffic at Schiphol**

The network at Mainport Schiphol is mainly operated by KLM, its partners in the global SkyTeam alliance and other strategic partners. This network is the backbone of the Mainport and has been carefully built up as a hub-and-spoke system. This is the most efficient way of offering as many connections as possible. Connectivity, meaning the quality of the connections offered, is essential to the success of the hub-and-spoke concept. That means providing short and reliable transfer times along with a large variety of frequent onward connections for passengers, baggage and cargo, which KLM achieves through the optimal performance of its seven wave system.

KLM is the largest and most important Schiphol customer, but it is not the only one. The KLM group and SkyTeam partners are responsible for around 70% of traffic, and it is expected that the balance between SkyTeam and competitors will remain stable over the coming years, which is also in the interests of the Mainport and its ability to offer a competitive network of connections.

- **Focus is on extensive destination network, served by hub and Mainport-based traffic**

In a growing aviation market, Mainport Schiphol needs to be able to develop further if it is to maintain its competitive position relative to other European hubs, fast-growing hubs in the Gulf region and Turkey, and emerging airports in the catchment area. The aviation sector is not aiming for volumes and unbridled growth. It is aiming for selective development of the Mainport, in line with the agreements laid down in the Alders Agreement and the Aviation Policy Document.

This includes observing the following traffic segmentation set out in the Alders Agreement, as reconfirmed in mid July 2012 by the 'Selectivity Steering Group' and detailed in a letter of 16 July 2012 from the Ministry of Infrastructure and the Environment:

1. Hub operation (passengers and cargo): destinations served by SkyTeam and KLM codeshare partners.
2. Non-hub airline traffic to ICA destinations with more than 10,000 business-related outbound passengers travelling annually.
3. Non-hub airline traffic to European destinations with more than 10,000 business-related outbound passengers travelling annually.
4. Non-hub full freighter traffic.
5. Non-hub airline traffic to European or intercontinental destinations with fewer than 10,000 business-related outbound passengers travelling annually.

The focus is on an extensive destination network linking the Netherlands to important economic, political and cultural centres in Europe and the rest of the world, for both business and leisure passengers. These destinations are largely served by KLM and its partners. Other airlines also serve business destinations within and beyond Europe, and as such they too contribute to the Mainport network. These airlines bring additional destinations to the Mainport network and offer travellers greater choice, but will continue to be regarded from the perspective of a focus on hub and Mainport-based traffic. Thus, in the interests of Mainport continuity, it is important to consider the competitive position of the existing network and that of the hub network in particular, while also bearing in mind legal competition frameworks.

Opting for selective development at Schiphol means that any traffic not necessarily linked to the Mainport will eventually start using regional airports (Eindhoven Airport, Rotterdam The Hague Airport and – in future – Lelystad Airport). In this way, these regional airports will support the role of Schiphol as a Mainport and also offer passengers an efficient, tailor-made and compact product.

- **Strong hub carrier and high-quality airport crucial in maintaining competitive edge over other hubs**

The Mainport vision aims to secure Mainport Schiphol's internationally competitive position. It is essential to have a strong hub carrier that has Amsterdam Airport Schiphol as its home base. It is also important that this hub carrier is part of a strong global alliance and has partnerships with strategic partners.

In order to maintain a competitive edge over other hubs, it is important that airlines at Schiphol have access to a reliable, cost-effective and high-quality airport product.

- **Transfer traffic as the basis for an extensive destination network**

With a small domestic market, the transfer product is essential for maintaining the hub network and expanding it further. Without this transfer traffic, Schiphol would never be able to offer such a global and high-frequency network.

- **Cargo essential to maintaining the network (additional revenue, especially belly freight)**

The cargo network is inextricably linked with the intercontinental passenger network, with some 40% of cargo being carried through this network as belly freight or in combi aircraft. Schiphol's cargo hub therefore benefits from the extensive passenger network. Conversely, some destinations in the passenger network would not be served as well or be as high-yielding without the addition of cargo transport on those scheduled services. Cargo and passenger transport are therefore inextricably linked.

2 A competitive airport

At its heart, the Mainport is an extensive, high-quality network of direct European and intercontinental passenger and cargo connections. Schiphol's role is to serve as a primary hub for KLM and its SkyTeam alliance partners, which offer frequent global flight connections from this hub.

Mainport Schiphol facilitates the extensive global network of KLM and its SkyTeam partners as well as other airline alliances and airlines. The Mainport is also served by a high-quality, extensive rail and road network stretching far beyond the national borders. This network links the Mainport by road and rail to all major cities in the Netherlands and numerous important European cities.

Schiphol fulfils two roles in the Mainport, which are inextricably linked:

- Schiphol as an attractive & efficient hub airport (for passengers and cargo)
- Schiphol as an O&D airport and multimodal transport hub

2.1 Schiphol as an attractive & efficient hub airport (for passengers and cargo)

- **An efficient and high-quality airport is crucial to the functioning of the Mainport**

Schiphol, as a multimodal hub, provides high-quality infrastructure and systems. This enables it to facilitate the passenger and cargo destination network served by KLM, its SkyTeam partners and other alliances and airlines. The airport product is largely aimed at providing fast, efficient and comfortable ground handling services for the hub and transfer product offered by KLM and its partners. The backbone of the airport product is the successful seven wave system, which includes ensuring the central positioning (in the terminal and airside) of the transfer product and baggage systems in order to facilitate short transfer times (MCT). This is essential for the Mainport and an important condition for airlines to be able to benefit from a high-quality and sustainable destination network.

- **Competitive cost levels compared to other European Mainports**

If Mainport Schiphol is to maintain its competitive position, it is important that it has competitive cost levels relative to other European hubs. While it is also important to maintain a competitive cost position relative to hubs in the Gulf region and Turkey, those hubs operate in a different economic, fiscal and political context. The airport's business operations are therefore focused on strict cost control. Schiphol also carefully plans its capital investments, with appropriate timing, flexible phasing and modular approaches all serving to minimise the financial impacts of such investments on airlines. Furthermore, the scale of traffic and transport at Schiphol should be sufficient (and comparable in makeup to that at competing hubs) to ensure comparable (and competitive) costs per unit and airport charges.

- **Partnership between Schiphol and Aéroports de Paris strengthens AF/KLM dual hub concept**

The strategic partnership between Schiphol and Aéroports de Paris strengthens the AirFrance/KLM dual hub through the joint creation of synergies such as cost savings, sharing best practices, innovations and passenger services.

- **Good relationship between the airport operator, network carrier and government**

Collaboration between the hub carrier, airport and government is crucial to the success of the Mainport. This is illustrated by the 'Golden Triangle':

['Golden Triangle']

Schiphol Group: Infrastructure

Air France KLM: Home carrier

Central government: Regulator]

KLM and Schiphol reinforce each other: KLM supplies the main part of the Mainport's destination network (including an important share of intercontinental destinations) and Schiphol Group provides high-quality airport infrastructure (largely tailored to the hub product). The government (specifically the Ministry of Infrastructure and the Environment) makes an important contribution in setting regulatory boundaries (aviation agreements,

regulations, air traffic control, etc.) and is responsible for good landside accessibility by road. It also plays a key part in improving rail accessibility in its role as a commissioner of services from NS and ProRail.

Schiphol emphasises the crucial role that KLM and its partners play as the Mainport's hub carrier – after all, they provide 70% of the traffic – and wants to build on this successful partnership in the coming years, bearing in mind the market trends and challenges heading our way. Without a strong, collaborative approach with KLM and the Ministry of Infrastructure and the Environment, these trends could be significantly detrimental to the Mainport's competitiveness. This, in turn, would have other detrimental effects, not least for business in the Netherlands. In that sense, and bearing in mind EU-level activity, it is important for all parties – KLM, Schiphol and the government (the Ministry of Infrastructure and the Environment) – to join forces in securing the Mainport's competitive position relative to the rapidly growing hubs of the Gulf region and Turkey. The existing collaboration therefore needs to be given greater impetus and developed further to create a genuine partnership and guaranteed ongoing success.

2.2 Schiphol as O&D airport and multimodal transport hub

- **Passengers to/from the Netherlands have access to an extensive destination network**

The Mainport's real power lies in the network offered by KLM, its SkyTeam partners and other airlines. For passengers departing from or travelling to the Netherlands, Schiphol provides good connections to virtually every region and major centre around the world.

- **Good, multimodal airport accessibility is essential for passengers**

For passengers, it is crucial that Schiphol offers an extensive and fully reliable network of connections to the rest of the country, by road, public transport or high-speed rail. Those connections place economic, political and cultural centres such as Amsterdam, Rotterdam and The Hague within easy reach.

- **Compact, efficient airport product at competitive prices**

Good landside connections are not enough on their own. Given the competition with other airports in the catchment area, an efficient, state-of-the-art and highly compact airport product offering good value for money is essential to ensure that passengers travel through Schiphol. Schiphol wants to continue developing the airport into an efficient and sustainable multimodal hub. It will do so by working with partners and remaining fully focused on the passenger, ensuring that all passengers from around the world feel welcome in a dynamic and inspiring environment.

3 Competitive region

Mainport Schiphol delivers socio-economic benefits at regional, national and international levels, and these benefits justify its 'licence to grow'. All stakeholders involved with Mainport Schiphol recognise the immense value of good relationships with parties in the airport's surrounding area and the fact that those parties are exposed to both the drawbacks of the airport's presence as well as the benefits.

The socio-economic benefits provided by the Mainport include its contributions to:

- Attractive region to live and work in, and for tourism
- International business climate, with the Netherlands as a business location: e.g. AirportCorridor and Zuidas

3.1 Attractive region to live and work in, and for tourism

- **Socio-economic importance of the Mainport - residents**

Mainport Schiphol has a special socio-economic role, being a pillar of the Dutch economy and society. The parties involved with the Mainport, including AirFrance-KLM and Schiphol in particular, feel a shared responsibility for creating an appealing region and a sustainable environment. In regional terms, the reduction of noise pollution continues to be an important issue for residents, politicians and organisations. So far, 12,000 homes have had noise insulation installed. Schiphol and AirFrance-KLM both greatly value their dialogue with the Schiphol Regional Consultative Committee and the Alders Platform and the agreements that have been made for the selective development of air traffic. These agreements – which are set out in the Aviation Policy Document – form the framework for the further development of Mainport Schiphol.

- **Socio-economic importance of the Mainport - economy**

Mainport Schiphol plays an important role in the Dutch economy. The economic impact generated by the airport and its stakeholders extends beyond the boundaries of the airport itself. Recent research has shown that aviation, including its catalytic effect, contributes more than 26 billion euros to the GDP of the Netherlands.

- **Socio-economic importance of the Mainport - employment**

The businesses located at Schiphol itself as well as those in the surrounding area make the Mainport the most important source and hub of employment in the Randstad conurbation. More than 500 businesses employ 62,000

people in and around Schiphol. The aviation sector employs 120,000 people regionally, and up to 290,000 people nationally. That makes Mainport Schiphol an important driving force in the Dutch economy.

- **Socio-economic importance of the Mainport - tourism**

Mainport Schiphol plays an important role in positioning the Netherlands as a tourist destination. Its extensive network makes the Netherlands easily accessible from all over the world.

3.2 International business climate: the Netherlands as a competitive business location

- **Mainport Schiphol: enabler for a competitive business climate**

An airport distinguished by an extensive network can offer passengers and cargo transporters freedom and choice. This is essential for attracting international business and strengthening the Netherlands as a trading partner and knowledge economy. With its convenient geographical situation, the Netherlands can offer passengers and cargo from all over the world excellent connections via Schiphol to other global destinations.

This advantage has been jointly developed over the years by the hub carrier KLM and the other airlines that have offered continuing services to their destinations, and by Schiphol as a high-quality airport. Distinguishing itself as a global hub for European and intercontinental connections contributes to the Netherlands' appeal as a business location as it is therefore in the interests of the Netherlands that Schiphol and KLM maintain and develop their leading position.

- **The Amsterdam metropolitan region competes with other highly developed regions in the world**

Urban regions in Europe and around the world compete with each other to attract important international companies and organisations to established offices there and to attract international tourists. Thanks to the Mainport network, the Amsterdam metropolitan region is at the top of the hierarchy of economically important world cities. This is the single most important factor for international organisations that choose the Amsterdam metropolitan area as their base of operations.

4 Mutual expectations

Schiphol and KLM are the most important players at the Mainport and they each have their own roles and responsibilities. The success of the Mainport depends on optimal collaboration between the two parties at strategic, tactical and operational levels. Air Traffic Control the Netherlands (LVNL) and the Ministry of Infrastructure and the Environment also play important roles.

In this context, **Schiphol** will be expected to:

- work towards the selective and sustainable development of Mainport Schiphol, in line with relevant agreements made in the Alders Platform and laid down in the Aviation Policy Document;
- fully devote itself to strengthening the networks of KLM, its SkyTeam partners and other strategic partners in the interests of the continuity of Mainport Schiphol and within the bounds of competition law;
- also facilitate other airlines to the greatest possible extent and insofar as they constitute Mainport traffic, in the interests of Dutch passengers (and without losing sight of the continuity of the Mainport);
- always make sure that any new airline, destination or frequency actually adds value for the Mainport and has only a limited impact, if any, on the competitive position of the Mainport's existing hub network;
- ensure the availability of sufficient capacity, good levels of quality and optimal processes in order to accommodate hub and Mainport traffic to the greatest possible extent and at competitive costs;
- involve stakeholders and the KLM group in particular, as the largest user of the airport, when planning any developments and timing new capacity or products (e.g. investments, timing and positioning of the SkyTeam and other airlines);
- fully commit to (and be accountable for) the provision of a good and reliable product/service from other stakeholders who also contribute to activities at the Mainport but are not directly controlled by Schiphol, including:
 - NS/ProRail (which play a crucial role in Schiphol's landside accessibility),
 - Dutch Border Police (Koninklijke Marechaussee),
 - Dutch Customs;
- in the interests of the future of the Mainport, ensure the continuity of both Schiphol Group as a financially independent business and (especially) the infrastructure used to facilitate the network, by achieving a reasonable yield and healthy financial position. Non-aviation activities and revenues are an essential

component of the business model designed to achieve these objectives. When considering non-aviation activities, Schiphol will prioritise the interests of the Mainport;

- inform stakeholders about the strategic direction of the business in relation to the development of the Mainport.

In the same context, **KLM** will be expected to:

- maintain and further develop a high-quality and competitive hub-and-spoke system, with an extensive network connecting the Netherlands to the important economic, political and cultural centres of Europe and the rest of the world, both for business and leisure passengers;
- take shared responsibility with Schiphol (and any other stakeholders) for investment proposals to ensure the lowest possible costs (based on functional specifications), and to make integrated and sector-wide assessments in which, aside from the costs associated with the investment, any advantages (savings) for the sector are included in the full business case and the decision-making process.
- recognise that other airlines besides KLM and its SkyTeam partners operate at Schiphol and therefore make a contribution to the Mainport network, facilitated by Schiphol;
- notify Schiphol of any strategic decisions that are relevant to the development of the Mainport and share specific information relating to the planned development of the network and fleet in order to allow timely development or adjustment of infrastructure.

In the same context, **airlines** not associated with the hub operated by KLM and its partners (segment 1) will be expected to:

- commit to the sustainable development of the market at Schiphol and be willing to invest in a sustainable relationship with Mainport Schiphol, thereby contributing to its continuity;
- give Schiphol timely notice of any proposed development of their contribution to the Mainport network and fleet in order to allow timely development or adjustment of infrastructure.

In the same context, **Air Traffic Control the Netherlands (LVNL)** will be expected to:

- perform its evident duty of the safe, efficient handling of air traffic, at the lowest possible cost and minimising any disturbance to the immediate airport surroundings;
- base its investment decisions in part on a comprehensive and sector-wide assessment;
- deliver the required operational capacity in a timely way in order to allow for the successful development of the Mainport, in line with the Master Plan.

In the same context, the **government**, and specifically the **Ministry of Infrastructure and the Environment** as the relevant policy-making ministry, will be expected to:

- take into account international competition when devising its national policy so that the Dutch aviation sector can operate on a level playing field, and also to work towards fair competition at the European policy level, both in the European Union itself and beyond;
- ensure transparency and simplicity in rules and regulations applicable to Mainport Schiphol, including economic regulations;
- conclude the evaluation of the Aviation Act, creating a structure to provide maximum support for the development of the Mainport. In practical terms, this means ensuring healthy business operations and particularly aviation activities at Schiphol, and ensuring that any investment needed to maintain and develop the Mainport are indeed realised;
- adhere to the agreements set out in the covenant on 'Maintaining and strengthening Schiphol's Mainport function and the quality of its network' as set out in the Alders Agreement and to make capacity available at regional airports (i.e. environmental capacity, opening hours, airspace capacity) and develop preconditions for aviation policy and procedure in which Schiphol's selectivity policy can actually be carried out, and to cooperate with it;
- assess whether any new airlines/destinations introduced as part of bilateral aviation agreements with other countries deliver added value to the Mainport;