

**From:** [REDACTED]  
**To:** [Manston Airport](#), [Manston Airport](#)  
**Subject:** Fwd: DL5 - \*UPDATED\* Written Summary of Oral Representation at ISH 2: Need and Operations  
**Date:** 22 March 2019 02:55:15  
**Attachments:** [ISH2\\_Five10Twelve\\_DL5\\_001.pdf](#)

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Dear Sirs

Please find attached an UPDATED version of my written summary of oral submission at the Issue Specific Hearing 2 (Need and Operations), today. Please disregard my earlier email and attachment.

Please note this updated version includes an Appendix featuring the English version of the academic report into the Wiggins/Planestation business model previously employed at Manston by Mr Freudmann and Dr Dixon and analysis of its subsequent failure, as requested by the ExA. This final version of this document has also been updated to include detailed evidence and references in the footnotes.

I would also like to draw the ExA's attention to paragraph 15 of the attached report at Appendix ISH2-003, since it mentions a sum of £4.7m paid for the purchase of the Manston Airport site as far back as 1997, which may also be of relevance to the issue of Compulsory Acquisition valuation.

All the best  
Jason

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**From:** Jason Jones-Hall [REDACTED]  
**Date:** 21 March 2019 at 21:24  
**To:** Manston Airport <[ManstonAirport@pins.gsi.gov.uk](mailto:ManstonAirport@pins.gsi.gov.uk)>, Manston Airport <[ManstonAirport@planninginspectorate.gov.uk](mailto:ManstonAirport@planninginspectorate.gov.uk)>  
**Subject:** DL5 - Written Summary of Oral Representation at ISH 2: Need and Operations

Dear Sirs

Please find attached written summary of my oral representation at the Issue Specific Hearing 2 (Need and Operations) today. Please note this also includes appendix of the English version of the academic report into the Wiggins/Planestation business model previously employed at Manston by Mr Freudmann and Dr Dixon and analysis of its subsequent failure.

I would also like to draw the ExA's attention to page 4, paragraph 15 of this report, ("Manston Airport"), since it mentions a sum of £4.7m paid for the purchase of the Manston Airport site as far back as 1997, which may also be of relevance to the issue of Compulsory Acquisition valuation.

All the best  
Jason

--  
Jason Jones-Hall  
Director  
Five10Twelve

Tel: [REDACTED]  
LinkedIn: <https://uk.linkedin.com/in/thejasonhall>  
Twitter: <http://twitter.com/Five10Twelve>

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# MANSTON AIRPORT DEVELOPMENT CONSENT ORDER EXAMINATION

## SUBMISSION FOR DEADLINE 5 (Part One) WRITTEN SUMMARY OF ORAL REPRESENTATION MADE AT ISSUE SPECIFIC HEARING 2 : NEED AND OPERATIONS FROM LOCAL BUSINESS AND INTERESTED PARTY, FIVE10TWELVE LTD

### **Note:**

*There appears to have been a discrepancy during the Issue Specific Hearing (ISH) session of 21/3/19 between our own description of Mr Tony Freudmann's (TF) previous role at Wiggins and Planestation and TF's own description of his former roles as "a footsoldier" with no board-level involvement during earlier discussion at this ISH. We have previously provided detailed career history of Mr Freudmann<sup>1</sup>, including evidence of his previous roles as Managing Director of Wiggins PLC<sup>2</sup> and as Senior Vice President of Planestation<sup>3</sup>. We note that Mr Freudmann currently still advertises his previous role at Planestation as Senior Vice President on his own current website<sup>4</sup> and have provided evidence of this in the attached Appendix to this document.*

### **ORAL REPRESENTATION:**

#### **JASON JONES-HALL, LOCAL RESIDENT AND BUSINESS OWNER**

I'm delighted to have had it confirmed that there will be a business model by Deadline 5 - and I would hope it would be full and complete - because yesterday, the Applicant claimed it couldn't divulge its business model for reasons of "*commercial confidentiality*"<sup>5</sup>.

At best, this again shows a complete lack of understanding of what a business model is.

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<sup>1</sup> TR020002-003586 - DL4 submission, Five10Twelve comments on applicant's response to ExA's first written questions (funding and resources), Question F.1.1

<sup>2</sup> *Ibid* - Appendix F-007

<sup>3</sup> *Ibid* - Appendix F-003, Pg. 04

<sup>4</sup> <https://tonyfreudmann.co.uk/tony-freudmann-biography/>

<sup>5</sup> ISH1, Compulsory Purchase, 20/3/19, Tony Freudmann, at or around 15:11hrs

Taking the Netflix business model, for example, this is a classic *subscription* model, based on investing in exclusive film and tv content, thus creating value, which in turn drives subscriber and revenue growth.

That's a business model. And there's nothing confidential about it. It can be described easily, without divulging any hard numbers or commercially-sensitive details.

So what about air freight business models?

Altitude Aviation explained one such model involves airport operators offering financial incentives to freight operators to use their airports<sup>6</sup>. Which seems to support the evidence that UK freight *supply* outstrips *demand*.

Mr Cain spoke at length today on the E-commerce model being based on delivery to fulfilment centres rather than planes delivering straight to a person's door - yet he also spoke of the Applicant's model as not being a Business to **Business** model, but Business to **Consumer**<sup>7</sup>. So is the Applicant intending on building its own fulfilment centre?

Mr Cain is also on record this morning as having said that automated warehousing is key to unlocking the value of the e-commerce model<sup>8</sup>. This might help add some much needed detail to RSP's costings... but since RSP is also on record as saying it **won't be investing in automation**<sup>9</sup>, there's no need. So perhaps we can also remove this growth market from its revenue forecasts?

There are three reasons why the Applicant might continue to refuse to answer the panel's business model question.

Number one: they *really* don't understand the question.

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<sup>6</sup> ISH1, Compulsory Purchase, 20/3/19, at or around 15:50hrs, East Midlands Airport provided "4.25million in incentives to attract traffic to a well-established airport"

<sup>7</sup> ISH2, Need and Operations, 21/3/19. At or around 15:01hrs "e-business is what we're looking at ... distribution from fulfilment centres, so instead of business-to-business, its business-to-consumer"

<sup>8</sup> ISH2, Need and Operations, 21/3/19. At or around 12:47hrs, discussing Amazon integrators; ".... state of the art facility. They want automation. They want AI."

<sup>9</sup> REP3-195 - RiverOak Strategic Partners, DL3 submission, response to the ExA's written questions, Question SE.1.3

Number two: as we've seen today, if they explain the business models in the markets they've identified, massive holes start appearing in their need case and their ability to service that need from Manston for each model<sup>10</sup>. This leaves the Applicant with the kind of adhoc, low-value, niche business that characterised Manston's air freight failure in previous incarnations.

The 3rd reason why they've not divulged their business model is perhaps the most intriguing.....

As the panel may be aware, Wiggins/Planestation were prior owners of Manston Airport. Dr Sally Dixon wrote the Planestation airport acquisition business plans<sup>11</sup> whilst Tony Freudmann confirms that as **Senior Vice President** was responsible for delivery of Planestation's global airport acquisition strategy<sup>12</sup>.

I have here a detailed study of the the Dixon/Freudmann business model<sup>13</sup> for Wiggins/Planestation, written and published by a European transport infrastructure academic based in the Sorbonne in 2006, one year after Planestation's collapse.

This describes a model based on a flip of the Northern Grass "associated development" idea. It's not an airport with aviation-related properties. It's for a **business park development** with a low volume regional airport facility on the side to help attract new tenants. It was based on the cut-price land acquisition of former regional military airfield sites - or "airport wastelands" - including Manston.

I would like to submit this 9 page study to the panel as it gives some insight into the *actual* business model at play here and why this model is doomed to fail once more.

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<sup>10</sup> ISH2, Need and Operations, 21/3/19, various, (e.g. Dr Sally Dixon, at or around 11:05hrs - 11:18hrs)

<sup>11</sup> **Appendix ISH2-001: Dr Sally Dixon LinkedIn profile, also at**  
<https://www.linkedin.com/in/sally-dixon-2462041/>

<sup>12</sup> **Appendix ISH2-002: Meet Tony Freudmann (biog) also at**  
<https://tonyfreudmann.co.uk/tony-freudmann-biography/>

<sup>13</sup> **Appendix ISH2-003: Wiggins/Planestation or the failure of speculative networking of airport wastelands.** Original French version also at <https://journals.openedition.org/rqe/1493>

# **Appendix**

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### **ISH2-001**

**Dr Sally Dixon LinkedIn Profile**

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**Meet Tony Freudmann (biog)**

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**Wiggins/Planestation or the failure of speculative networking of airport wastelands**

# ISH2-001

**Dr Sally Dixon LinkedIn Profile**



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Sally Dixon • 3rd

Aviation consultant

Canterbury, United Kingdom

Message

...

Azimuth Associates

Cranfield University

See contact info

297 connections

Dr Sally Dixon is a skilled strategist with extensive Board-level capability. She has a wealth of experience, particularly in airport related projects including acquisitions. Sally is Reuters trained, MBA and PhD-qualified. The focus of her ground breaking doctoral research at Cranfield was on stakeholder involvement in decision-making. Sally is a leader in the field of stakeholder consultation on major infrastructure projects and has a track record for delivering workable, innovative solutions to the issues faced by organisations today.

Show less ^

Experience

**Business Consultant**  
Azimuth Associates  
Mar 2002 – Present · 17 yrs 1 mo

I am currently part of a team working on the first DCO application for a nationally significant airport project to be accepted for examination by the Planning Inspectorate. My contribution includes air traffic forecasting for air freight and passengers. I have also given evidence at a related planning inquiry. My services include:

- Airport acquisitions
- Airport specific air freight forecasting using a 'bottom up' approach
- Business planning
- Economic analysis
- Institutional analysis
- Research
- Strategy development
- Stakeholder engagement

See less

**Cranfield University, School of Engineering**  
Cranfield University  
Nov 2012 – Present · 6 yrs 5 mos  
United Kingdom

MSc Airport Strategic Planning - specialist lecture on stakeholder influences on airport master planning.

**Governor**  
St Alphege Infant School  
2011 – 2017 · 6 yrs

**Principal Aviation Consultant**  
Ricardo

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1 Messaging



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**Head of Strategic Information**

PlaneStation Group plc

2000 – 2002 • 2 yrs

London, United Kingdom

Heavily involved in master planning for Kent International Airport, Manston.

Key role in the SciPark project, a technology park for the development of airport security systems using new technologies, located in Newquay, Cornwall. Development of the business proposal and strategy for SciPark as well as responsibility for establishing a partnership with HE/FE in Cornwall.

Preparing Business Proposals for the acquisition of new airports

Writing Business Plans for all airports in the PlaneStation network

Liaison with Economic Development Agencies in regions where company was active.

Working with Christ Church University College to develop a BSc in Business Studies with Airport Operations.

Responsibility for the strategy for e-business for Wiggins and PlaneStation airports.

Managing research projects covering a wide range of aviation, economic development, regional and property development related subjects. See less

[Show 2 more experiences](#)
**Education****Cranfield University**

PhD, Airport strategy and development

2007 – 2013

**University of Kent**

MBA, The impact of ebusiness on the manufacturing sector

1996 – 1998

**Volunteer Experience****Committee member (business planning/development)**

Whitstable Twinning Association

Jan 2011 – Dec 2014 • 4 yrs

Education

Whitstable Twinning Association was formed in 1983 and has become probably the busiest in the United Kingdom, with hundreds of visits to and from European towns each year.

The association is entirely independent and self funding, having no formal connection (although good relations) with the local council.

**LEA appointed Governor**

St. Alphege C of E Primary School

Oct 2011 – Present • 7 yrs 6 mos

Children

I am the Kent LEA appointed governor at St. Alphege School working with a fantastic group of dedicated people.

**Accomplishments****25 Projects**

Gibraltar Airport passenger flight development • Manston Airport Air Traffic Forecasting • Barry Holt - ghost writing/editing • Doctoral Research • Monairit Properties Ltd • Oyster Estates UK Ltd.

• Monairit Properties Ltd • East Kent Partnership • Projektkontor2 (Germany)/Thanet District Council: Learning and Skills Council Kent & Medway...

[Language](#)



# ISH2-002

**Meet Tony Freudmann (biog)**



## MEET TONY FREUDMANN

Born and raised in London, UK, Tony Freudmann has established a [successful career in the travel industry](#) that spans over 30 years.

The Freudmann family began working in the travel agency in 1960, with Tony's father being one of the pioneers of travel in Europe after WWII. This sparked a lifelong interest in travel and aviation.

In 1967, Tony received a [Bachelor of Laws from the London School of Economics and Political Science](#). Upon graduation, Tony began working in the travel industry, successfully making a name for himself by the mid 90s. [As the Senior Vice President of PlaneStation plc, Tony was responsible for delivering the Group's global airport acquisition strategy.](#) After 11 years in this role, Tony pursued his own venture and opened a consultancy agency called FT International Ltd. As the owner, Tony delivered high level consultancy services in relation to aviation and tourism development in both the public and private sectors, throughout the UK, Germany, and the U.S.

After 8 successful years working in consulting, Tony began working with Annax Aviation Services as the Chief Executive Officer, managing global regional airports and airlines acquisition strategy of a privately owned investment group. In 2014, Tony was asked to head the [Manston Airport project](#) as the [Director of RiverOak](#), where he continues to work towards revitalizing this abandoned historic landmark into a civilian airport.



# ISH2-003

**Wiggins/Planestation or the failure of speculative networking of airport wastelands**

# Eastern Geographical Review

flight. 46 / 3-4 | 2006 :

Rehabilitation and conversion of degraded industrial and urban spaces

## Wiggins / PlaneStation or the failure of speculative networking of airport wastelands

*Wiggins / Planation or the failure to establish a speculative network from disused airports*

*Wiggins / Plane Station oder das Scheitern spekulativer Flugplatzanlagen auf Rodungen*

ANTOINE BEYER

### Abstracts

Français English Deutsch

The British group PlaneStation's approach sought to fit into two restructuring schemes that marked the European space in the 1990s: the demilitarization of the territories following the fall of the Iron Curtain and the liberalization of air transport which accompanies European economic integration. By attempting to articulate these two logics, this group previously active in real estate development is then persuaded to seize a unique opportunity for development with the cheap acquisition and networking of military airports throughout Europe. . But this highly speculative strategy has faced increasingly serious economic setbacks that will ultimately lead the group to bankruptcy in the summer of 2005.

The approach of the British company Plane Station in Europe during the 1990s: a demolition of the Iron Curtain; on the other, the growing liberalization of air transport. The company, having been trained in property development, has been persuaded to develop a unique opportunity for its development with the acquisition of a European network. However, this highly speculative strategy has been combined with the recent developments in the summer of 2005.

The United Kingdom Unternehmensgruppe PlaneStation strebte danach, zwei für Europa wichtige Entwicklungstrends der 90er Jahre zu nutzen: die Entmilitarisierung des Kontinents nach der Wegfall des eisernen Vorhangs und die Liberalisierung des Luftverkehrs im Zuge des Wirtschaftlichen Zusammenwachsens in der EU. The role of a firm in the field of real estate investment in the field of real estate investment in the economy and the economy of the economy and the economy. Diese höchst spekulative Strategy misslang jedoch und die Gruppe musste im Sommer 2005 Konkurs anmelden. Die dieses letztlich gescheiterten Versuchs ermöglicht,

### Index terms

**Keywords:** airport wasteland , reconversion , network , air transport , low cost companies , property development , Europe , Wiggins , PlaneStation

**Keywords:** disused airports , reconversion , network , air transport , low-cost companies , property development , Europe , Wiggins , Planestation

**Schlagworten:** Flugplatz , Konversion , Vernetzung , Luftverkehr , Low Cost Carriers , Real Estate , Europe , Wiggins , PlaneStation

### Full text

## Introduction

- 1 If we talk with admiration of the success of British and Irish companies that have benefited from the liberalization of the air - we think here of Easyjet and Ryanair, it should also be remembered that not all have been equally successful. Many attempts by regional companies have resulted in bitter failures. Among these, it seemed interesting to us to evoke the course of the Wiggins / PlaneStation group which had built an ambitious strategy of development. Its bankruptcy seals the failure of an original strategy of control and networking of former military airports throughout Europe. From a promising first acquisition in Kent, the group had sought to take advantage of the extraordinary real estate potential of land reserves in the immediate vicinity of old airport infrastructures. But the refurbished tracks remain empty and manufacturers are slow to establish themselves on the sites. In desperation, the leaders of PlaneStation then decided to bend their strategy by redirecting their activity towards the low-cost passenger transport, which pushes them to acquire a young Irish company Eujet. Its poor results will precipitate the fall of the group in the summer of 2005. However, despite a failure summarized here in a few lines, the course of this group is interesting in more ways than one. It first highlights the issue of the recycling of military airport wastelands across Europe and especially in Germany, where the withdrawal of armed forces has been very sensitive. Moreover, on the sidelines of the main companies in the sector, PlaneStation offers an unusual look at the search for comparative advantages in the current reorganization of a liberalized European sky.
- 2 The approach followed is that of economic geography, with particular attention to the territorial effects of competitive conditions in transport networks (Beyer, 1999). It is enriched here by the contribution of the industrial economy for which it is important to structure productive systems and their costs for the understanding of business strategies in a competitive situation (De Band, 1991). Therefore, this study finds its place in a broader theoretical question that is the structuring of transport networks. In its own way, PlaneStation has sought to take advantage in an original way of the territorial dimension of the activity of air transport. Several themes appear that go beyond the simple monographic approach or the niche strategy. What relationship can an airport manager have with an airline? Can there be viable alternatives to the increasing

concentration of air traffic? What forms of reticular strategies develop in the airline industry? How to take advantage of the recycling of military wastelands? Even if the evolution of the group seems to have decided on the possibility of the alternatives developed by PlaneStation, it seems instructive to understand what were the springs and to advance the possible causes of its failure. It is not said that the solutions envisaged by the British group do not find further extensions in an air sector undergoing territorial restructuring.

- 3 The factual elements of the analysis are based essentially on the confrontation of press articles from which we sought to reconstruct the course and strategies of PlaneStation. The premature failure of the group will not have allowed us to have direct contact with those responsible. The structure of the article proceeds by first recalling the regional context of airport wastelands, especially in Germany, before presenting the evolution of the British group. In the light of this experience, he will try to understand the approach followed and to try to evaluate the strategies developed and the causes of his failure in an increasingly competitive European air market.

## I. The context of the recycling of military airport wastelands in the late 1990s

- 4 With the ebb of military tensions in Europe, many airport facilities were downgraded by the armed forces, particularly in Central Europe where NATO and Warsaw Pact troops were stationed. Throughout the 1990s, the disused bases are returned to the central government, which most often yields them to local and regional authorities. Their new owners then seek to reorient their functions towards a civil destiny with high added value in replacement of the economic rent which disappeared at the same time as the troops stationed. But the plethora of projects and constraints of sites initially chosen for strategic reasons are far from the main markets and do not necessarily fit with the vocation that developers would like them to play. Also, the evolutions of the military airports were very contrasted according to the circumstances, the locations and the size of the infrastructures considered.

- 5 Among the various European countries affected by the phenomenon, reunited Germany has the largest field of view and range of the most diverse post-military purposes and to our knowledge the best documented <sup>1</sup>. It is therefore she who will serve us here as a reference to present a quick analysis of the evolution of brownfields. In his study, Sebastian Henn (Henn, 2003) estimates at 71 the number of sites decommissioned between 1990 and 2003 by the different armies. This is only the census of the main infrastructures that do not take into account the closure of many grassed tracks frequent in the East of the country, heliports (there were more than 200 for the Soviet forces only in the former GDR!) or the abandonment of portions of motorways designed to accommodate a possible military traffic (Highway Strip) <sup>2</sup>. Beside the control tower and the tracks dedicated to the air movements proper, one must add the scattered buildings on very important surfaces for strategic reasons. It includes all the equipment needed to park airborne troops sheds, workshops, various technical facilities, offices, pavilions for the military and their families. The economic potential that appears to be a priori represent these facilities has finally only rarely been highlighted because of situations too peripheral and transport potential quite low. Despite an apparent potential economic attractiveness remains very low.

- 6 In fact, few infrastructures have found a real place in the network of civil airports, even if they continue to have an air vocation (commercial or not). Their strategic vocation had favored locations away from dense areas and more sensitive lines of communication in the event of conflict. Also, many of the fallen military aerodromes are confined to hosting flying schools and flying. Others have been purely or simply closed in anticipation of improbable opportunities or lack of means to ensure the dismantling. Some, in a more central geographical position, but duplicating civilian capacity, have been restructured to accommodate industrial activities or to meet residential needs.

- 7 A quick typology makes it possible to take stock of the diversity of the evolution of military airports:

- **Strengthening the military vocation** . The trend reflects the coordination of the armed forces on the main air, and for the US Air-Force those of Ramstein and Spangdahlem in the Palatinate refurbished for the sum of 400 M Euros.
- **Restitution or opening for civilian use** . This is the case in Frankfurt where part of the capacity was devolved to US troops, improving the capacity reserves both on the ground and in the air for civilian flights. In other cases, hitherto exclusively military airports have been mixed.
- **The pure and simple abandonment** for which the closure without precise affectation make it real wastelands, on grounds whose built-up influence and the pollution can forbid other uses.
- **The multiplication of uses other than air**. For example, the Herzogenaurach (Franconia) aerodrome is intended to host a "World of sports" theme park and an international congress center dedicated to Adidas, which has its world headquarters in this small town. Bavaria or the implementation of a solar park in Lärz in the extreme south of Mecklenburg. One of the most dramatic transformations has been the creation of the "Tropical Island" theme park in one of the largest hangars in the world. The operation by a British group corresponded to the second conversion of a military site near Berlin which hosted until 2002 'Cargolift', the project of heavy load transport by airship.
- **Aeroclub, extra aerodrome or gliding school function**. This is a downgrading of the transport vocation. Moreover, the weakness of traffic sometimes allows to host important rock concerts, rave parties or large-scale cultural events. Major tracks regularly serve as a test bench for automobile manufacturers.
- **The multifaceted urban integration** seeks to combine these various functions. This is the case of the town of Zweibrücken in the Palatinate, where the maintenance of a small transport activity is completed by the development of an activity zone (project of the largest German factory store), urbanization. part of the site with development of leisure activity (Vier-Säulen-Konzept).
- **Domestic flights - charters**. The objective of these airports is to attract low cost companies and charter flights. Some are experiencing a rapid development of Weeze's image on the German-Dutch border, which has become a serious competitor for the airports of Düsseldorf and Eindhoven, or Baden-Airport, south of Karlsruhe, which has managed to attract Ryanair. With its growth, Hahn airport remains an exception. It owes its unheard-of development to its load-shedding function in Frankfurt, both for freight and for charter and low-cost flights. The adaptation will have required an investment of around 200 M Euros <sup>3</sup> .

- 8 In view of our purpose, it is essentially this last type of airport that will hold our attention, namely those whose regional infrastructure has maintained a strong commercial vocation. The placing on the air market of large airport infrastructure stocks will quickly sharpen appetites for the most strategic sites. It is in this context of rapid evolution that the English property development group Wiggins become PlaneStation after 2004 will seek to develop its development strategy.

## II. From Wiggins to PlaneStation: From Real Estate Development to Airport Network Project

9 Founded in 1919, the Wiggins Group is active in construction and *property development*). He enjoys a reputation that goes beyond the United Kingdom's borders for the construction of racetracks and, as such, directs achievements in the Near and Middle East. At the end of the 1980s, Wiggins specialized in the overseas rehabilitation of brownfields and the redevelopment of large-scale urban wastelands for residential construction or recreation parks. This orientation bases a specific expertise capacity and the control of a long time management, two qualities that will be solicited in its future development. In the late 1990s, the acquisition of the Manston Military Airport (near Ramsgate) with large adjacent land reserves in Kent will open up new prospects.

10 The similar opportunities that are offered at the same time on the continent, quickly mature the idea of a global concept. The aim is to take advantage of a link between local potentials and a significant capital gain. The context seems propitious: communities with limited finances do not know how to manage, or which party to draw important military holdings that are devolved to them. Public actors often face a lack of strategic visibility and significant operating losses in the management of their airport infrastructure. They are therefore quite willing to financially assist prospective buyers and to support their files with the competent authorities. The Wiggins group seems all the more reliable because it has recognized know-how in the field and financial means that allows it to be listed on the stock exchange. It relies heavily on public aid, national and European, as part of the redevelopment of brownfields, to finance its facilities. His knowledge of community legal arcannes in the editing of files is an argument that has always been put forward to gain the trust of local actors. It suggests the rapid revival of local economic activity for territories whose economic difficulties are further reinforced by the departure of troops. Transaction trading may then involve acquisitions in full ownership or on long-term leases.

11 Wiggins executives will thus build their business plan on the analysis of the major trends that they considered to be structuring in the coming years for air traffic in Europe and whose main features can be recalled here:

- The disengagement of military sites offers a historic opportunity. It allows the acquisition at a very low cost of high capacity airport equipment whose most strategic sites should be controlled from the perspective of a continental network. Valuation speculation context medium or long term is not excluded in the purchase of secondary airports. But to maintain his advantage, Wiggins must act quickly.
- The strong growth of air traffic, especially European domestic flights, seems particularly promising in the 1990s. And the low-cost airlines, which are beginning to reap the benefits, illustrate the idea that the competitiveness of the transport supply and growth margins do not necessarily pass through major airports where taxes are high. Their success highlights the development of a new market for air traffic turned to affordable leisure destinations at the best price. Saturation levels and expansion constraints of hubs also appear to make regional airport alternatives attractive. In addition to passenger traffic, freight also seemed to be gaining momentum, for example at the former NATO airport at Vatry in the Marne, which presents itself as a home airport for Parisian freight. It offers low transit costs and 24/24 opening, where the metropolitan airports must respect the stop of the nocturnal circulations. Peripheral airports therefore have lasting advantages because of their ease of access by air and by road at a reduced operating cost. The low waiting time, the absence of congestion, capacity reserves provide a flexibility that largely offsets the relative distance of the origin or final destination of traffic. The motorway service and the increasing spread of metropolitan areas tend to relativize this handicap progressively. Especially since the physical saturation of major hubs and the increasing rejection of local residents are favorable elements for the postponement of certain traffic or some companies to load shedding sites. Land availability offers a competitive advantage for industrial sites.
- The third important element of the constellation in which Wiggins operates is the outlook for developers of logistics real estate. This branch has developed earlier in Britain than in the rest of the continent. Its advance can play as an asset in a productive European space being structured with the single act of 1993 and then called to widen rapidly towards the East. The logistics promoters develop the idea of territorial networking from a uniform supply of logistics parks declined in all host countries. The advantage is the uniqueness of the interlocutor and the guarantee of the homogeneity of the technical and contractual standards. Why not transpose this perspective to the field of aviation? The design of a network service offer makes it possible to define a homogeneous service throughout Europe and possibly benefit from economies of scale for the installation and maintenance of certain equipment. This is based primarily on real estate development. But quickly the idea is emerging that endogenous growth between integrated sites can be envisaged. Complementarity of traffic is a goal to be achieved in the longer term. Integrated management is in fact ensured by a single management common to the various airports. The network is then a multiplier effect. This does not presuppose the vertical integration of transport which will be the ultimate resort in the absence of spontaneous supply.

12 The combination of these elements militated in favor of the establishment of the principle of air station (plane stations) whose implementation will define the strategy of Wiggins. The basic concept is based on the linking of regional airports acquired in various regions of Europe (or the United States) and whose characteristics will have to be quite close. The network project is based on both the homogeneity of the airport offer and, ideally, the implementation of regular air relations between the sites. The development of traffic between the "stations" (the first project involved about twenty) appears to be a decisive factor in valuing land. The purpose is clearly explained to the shareholders and developers who support the project. If it officially defends the freight especially not to alarm potential local players, Wiggins management thinks as much to the passenger transport of regional companies. It should be noted that the transmitter and receiver tourist potential is always important in the selection of selected sites. In parallel with upgrading the infrastructure, the group's strategy is to develop business parks and even plans to build hosting capacity for conferences that will in turn feed traffic while enhancing the value of land. .

13 The basic idea is to rehabilitate old military airports by putting them in the international standard to accommodate passenger and freight flights. The development of the airline business therefore remains a major objective to value the value of land acquisitions. Previous military equipment provides a good level of equipment from the outset for a minimal initial investment, which however has to be modernized. Apart from the major airport centers, the selected airports had to offer regional traffic potential and particularly interesting operating conditions. The prospects of real estate speculation remain the group's business, because beside their airport facilities, the former military sites have vast land reserves able to accommodate companies in business parks that will come back to feed the air traffic (freight and businessmen). Added to this are the maintenance of the devices that can be housed at lower cost for the smallest of them in the old hangars of the army. The availability of land finally allows the group to set up other activities, shopping centers or business parks with a more local vocation, which would further strengthen the profitability of the projects.

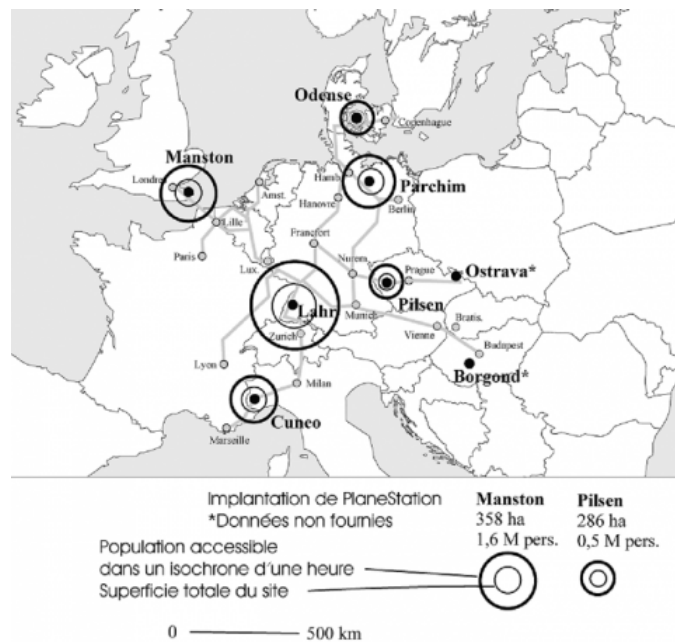
### III. Network anchor points

14 The choice of location of acquisitions retains central positions (relative barycentre and proximity of metropolitan areas), as far as the relative remoteness of military activities allows. Of the more than 180 proposals studied, only a dozen, corresponding to the best potentials, will be selected. In the early 2000s, Wiggins created a portfolio of airports with similar characteristics and significant potential. In most cases, the angel investor was indeed welcomed with open arms by local elected officials who were promised rapid economic spin-offs. However, despite hopes and promises, the number of



passengers and freight volumes will remain very modest. It is not uninteresting to quickly recall the features of each of these airports according to the perception of the potential that could be made by planners PlaneStation. At its peak, the network had half a dozen sites.

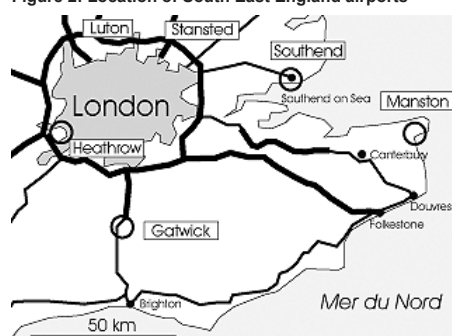
Figure 1: Location of PlaneStation sites across Europe



**London Manston Airport** was the centerpiece of the device and was called upon to play the role of "flagship airport of the group" thanks to the London potential to which it could lean. Wiggins bought the former military airport at the Ministry of Defense in East Kent in 1997 for £ 4.7 million. The site, itself opened in 1916, was mainly developed during the Second World War thanks to its advanced position on the mainland. Developed for military purposes, the 2.7 km runway hosted its first civilian traffic in 1959 and was mainly confined to a maintenance activity. By acquiring the airport, Wiggins also intended to add value to a thirty-hectare property it owned in the immediate vicinity, Manston Park. The latter benefitting from a good motorway connection had been commercialized since 1997 and hosted industrial and logistics activities. The upgrading of the airport opened to civilian traffic in 1999 was provided for £ 14 million by Wiggins and £ 10.2 million for European contributions (piloting tools, increased car parks and new taxiways). The re-equipped airport hosted until 2005 a commercial import trade of tropical fruits developed by MK Airlines, a British company with British capital. With a record-breaking 24-minute transit time between cargo bunkers and truck loading, the site had become the main gateway for imported grapes to the United Kingdom. Manston was also the destination of other flights especially from the Middle East with companies that made stops in Bergamo, Paris or Amsterdam. The adaptation of the processing of fresh produce has ensured the development of particularly African traffic to the London market (fishery products, fruits, vegetables and flowers).

Aeronautical conditions remain poor: some of the traffic flies over Ramsgate and pilotage is frequently hampered by fog. As the British Ministry of Transport's White Paper stated that no new tracks would be allowed in south-east England before 2011, London Manston hoped to become the fifth London airport 100 km from the capital with the gradual saturation of other sites (Jones, 2004). Road access from the M2 motorway and the A299 is correct; On the other hand, the service provided by public transport penalized from the outset the outlook for the 6 to 10 million passengers then forecast in 2015, notably by the development of charter flights to southern Europe, even though some projects envisaged a connection to the LGV.

Figure 2: Location of South East England airports

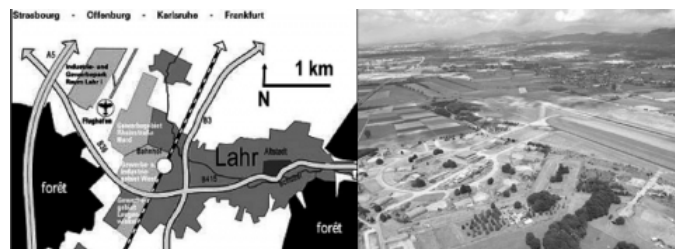


The **Cuneo** site had lost all military vocation with the defeat of the fascist armies in 1943. The modern airport was born in 1962 under the auspice of the local authorities. It has been open since 1992 to international flights and offers a possible access although still difficult to the hinterland of Nice by the neck of Tende. It is in fact mostly oriented towards Turin easily accessible by road. With a minority shareholding in 2000, Wiggins was counting heavily on the 2006 Olympic Winter Games to see significant regional infrastructure investments that would enhance its attractiveness. The relative proximity of Menton, Monte Carlo and the cities of the Ligurian Riviera remind us again that the tourist potential, both summer and winter, has been an undeniable attraction in the choice of investors.

The **Black Forest Airport** in Lahr in Baden Country, is an old NATO base, managed until 1967 by French troops. Taken back by Canadian troops, the military site occupied an important logistic function for all Central Europe, from where the length of track of 3.5 km designed to accommodate very large cargo ships, a tool envied by its neighbors. Wiggins purchased the site in 2001 and succeeded a first private company that went bankrupt. Backed by the A5 (Frankfurt-Basel) and close to a major railway line, the airport offers good conditions to develop as a major hub for freight. For passenger transport, however, it comes up against two immediate competitors: in France, Strasbourg-Entzheim and, further north, Baden-Airport in Söllingen. For almost three years, Wiggins will suffer the administrative refusal of authorization of transport of passengers. But the obstruction of the Land, which is also the main shareholder of the Stuttgart airport and, as such, the operator of Baden-Airport, will have to bow to the decision on appeal (2004). The administrative court denouncing its position as illegal ordered the regional government to issue a permit (February 2005). This reversal profoundly changes the situation and

enhances the potential of the site. Unfortunately the court decision will come too late for Wiggins to benefit. The administrative court denouncing its position as illegal ordered the regional government to issue a permit (February 2005). This reversal profoundly changes the situation and enhances the potential of the site. Unfortunately the court decision will come too late for Wiggins to benefit. The administrative court denouncing its position as illegal ordered the regional government to issue a permit (February 2005). This reversal profoundly changes the situation and enhances the potential of the site. Unfortunately the court decision will come too late for Wiggins to benefit.

**Figure 3: The Blackforest Airport in its regional environment**



Renamed **Baltic Airport**, the former military airport Schwerin-Parchim (Mecklenburg) is an abandoned Soviet facility which was taken over by the Land and fully re-equipped before being sold to the Wiggins group in 2001 for 3 M Euros according to a lease of 25 years. Since the return in 1994 of the equipment, the deficit of the airport amounted to 2 M annual Euros supported by the public authorities. Halfway between Hamburg and Berlin, the 3,000m long uninterrupted runway offers interesting opportunities for cargo traffic to Scandinavia, Russia and even East Asia. But it is especially towards charter flights to Mediterranean regions that the airport will eventually move.

With 400 hectares of land reserves, **Ostrava Airport** also has a very interesting development potential. Until the departure of the Warsaw Pact soldiers in 1993, it functioned as a mixed site. Located at the center of an area of high human and manufacturing density, its development was to follow the redeployment of the economic activity of North Moravia and Upper Silesia. This frontier industrial area between Poland and the Czech Republic has already emerged as a favored location for international investors, which has been confirmed since the development of major car assembly plants.

**Pilsen Airport** is also a former military infrastructure, converted to civilian activities with the financial support of the Czech Republic and the EU. Close to the German-Czech border, its area of action covers a particularly attractive area for German investments. The 2,000 ha site can accommodate large industrial sites. In addition, South Bohemia offers a strong tourism potential.

In the geographical center of Denmark, the airport of **Odense** allows for him to reach in two hours the entire Danish population. The signature in 2000 of a 30-year lease foreshadowed an ambitious development project. In addition to expanding airport capacity, it included the construction of a hotel center, conference rooms and shopping centers. Finally, over a large area, the operator even envisaged the partnership development of a large leisure park on the theme of Andersen's tales which can be recalled that Odense is the hometown.

Despite the turmoil besetting the group in June 2004, one option is even taken to develop the airport site **Börgönd** with the neighboring Hungarian city of Szekesfehervar located north of Lake Balaton, tourist mecca of the country. Former heliport of the Soviet army, its relative proximity to Budapest designates it as a possible alternative to the international airport of the capital whose extension is hampered by its urban integration. By taking a 50% stake in the facilities, PlaneStation committed to begin development in early 2006 for a capacity of 500,000 annual passengers and 60,000 t of freight, a promise that will remain ineffective.

**Table 1: Synthetic Table**

Aéroport (pays)	Localisation + pistes	Acquisition	Desserte
London Manston Airport (UK)	Kent (GB) 2 752 m	1997 du ministère britannique de la défense (RAF)	Kent et agglomération londonienne
Black Forest Airport (D) 2001	Lahr (D) 3 525 m	Avril 2001 95 % d'une société privée mise en faillite	Europa Park Rhin supérieur
Odense (Dk)	Odense (Dk) 1 845 m	Avril 2000 d'une société privée	Tourisme / Parc Hans Christian Andersen
Cuneo Levaldigi Airport (I)	Cuneo (I) 2 500 m	Février 2001 Participation de 43 %	Tourisme / Affaires Côte d'Azur et côte Ligure, Alpes et Piémont
Baltic Airport (D) 2001 tions	Parchim Schwerin (D)	Mars 2001	Charters vers des destinations méditerranéennes
Line Airport res	Mecklenbourg 3 000 m Pilsen (Cz) 2 450 m	Pacte de Varsovie Août 2000	Tourisme, voyages d'affaires et fret
Smyrna Airport	Tennessee / USA, deux pistes	du ministère tchèque de la défense	Retrait fév. 2003

Sources diverses

As suggest the last two lines of the table, the group's ambition went beyond the limits of the old continent. Its development plan envisaged extending its system to the United States. The former Trudy Military Airport near Nashville, Tennessee, was acquired in 1999 for this purpose, whose adaptation to civilian traffic was handled by the US Department of Defense. Wiggins hoped to make the third regional airport a hub for European freight.

In the Middle East, where the group was already in contact in the United Arab Emirates for the construction of a \$ 500 million racetrack (2003) at Barhein, PlaneStation was commissioned in early 2000 to build a new airport in Al Helour (Emirate of Ajman) through a "Built Operation Transfert", turnkey operation. With a capacity of 2 million passengers, the \$ 100 million operation should have opened to international traffic in 2006, but the construction seems to have quickly ended. Once again, it was part of a development perspective combining tourism and industrial activities. The new infrastructure was even expected to become part of a franchise network that should eventually have no less than thirty points of support around the world including 11 in the Middle East <sup>4</sup>. We can see that at that time the group's ambition was part of a long-term development and in the horizons of a globalized world. Changes in group priority will decide otherwise.

## IV. Discrepancies and strategic shift of the project

The seductive concept is slow to translate into economic results. Significant efforts have been made to make airports accessible. They all have a license for international operations. But despite the first successes in Manston, the traffics do not develop. While it gained momentum to realize its new strategy, the group must face the consequences of the sudden economic downturns that followed the September 11, 2001 <sup>5</sup>. The first equity investments and initial airport developments were made possible by the withdrawal of certain real estate assets. The mobilization of funds is, however, more difficult than expected



because the valuations expected in this area often depend on long legal procedures and market variations. In addition, the liquid assets released quickly prove insufficient. It must then be obvious: the upgraded equipment is not sufficient to attract traffic. But these are essential to promote the selected sites. Although the reasons vary from one site to another, the overall downward trend in traffic and the resulting intensification of competition between airports are not favorable to the project.

27 The group's financial statements therefore degrade inexorably, from a surplus of £ 3.9 million in 2002 to a deficit of £ 5.4 million the following year. Such results compel him to reschedule his debt and sell off the remaining land assets still in his possession. The share price is temporarily suspended. A £ 1.5m capital increase launched in July 2003 saves the day. The capital is open to new shareholders <sup>6</sup> who recapitalize up to £ 70 million, including 35 to clear the debts. However, it is becoming increasingly clear that the only way out of this situation is the control of air traffic. It is in this way that a renewed direction is then committed <sup>7</sup>. It is betting on the focus on the transport business and is restructuring in 2004.

28 Acquisitions deemed non-strategic are sold. The group then withdraws stakes in Pilsen, Cuneo and Odense. He abandons the Ajman project and a similar contract in Bahrain to restrict himself to the key elements of the system, those offering the best potential. In the restructuring movement then underway, Wiggins is renamed "Plane Station Group" to signify a complete strategic reconversion in the management of airport infrastructures. As of September 2003, the official registration of the main activity of the entity thus passes from the construction sector to that of transport. Finally, to seal its anchor in the world of the air and to reduce the administrative expenses, the seat of the group, hitherto London, is transferred in Kent in November 2004, which also corresponds to the dismissal of a large part of the staff. Airport servicing costs are also reduced. The idea of the regional airport real estate network, which involves long-term investments, is being erased to make way for a faster return on investment policy, based on the development of low-cost passenger transport. It involves getting closer to an airline and enhancing the tourism potential offered by the airports maintained in the portfolio. This underlying trend will be further strengthened. The idea of the regional airport real estate network, which involves long-term investments, is being erased to make way for a faster return on investment policy, based on the development of low-cost passenger transport. It involves getting closer to an airline and enhancing the tourism potential offered by the airports maintained in the portfolio. This underlying trend will be further strengthened.

29 The strategic development of PlaneStation is then moving towards a specific service offer for leisure parks departing from the London metropolis. Two flagship projects are highlighted to redress the situation:

- Serving Blackforest Airport in Lahr, in the immediate vicinity of Europapark (4 million visitors in 2005), the second leisure park in Europe after Disneyland Paris (12 million visitors). But the denial of authorization of passenger traffic that the government of Baden-Württemberg opposes on the site comes to thwart the development of his project, as mentioned above. The authorization will finally be granted by court order after three years of proceedings; it will come too late for PlaneStation.
- The 28% stake in the Orlando-Melbourne airport in Florida ensures the exclusivity of transatlantic traffic management. It involves adding to domestic flows (400,000 annual passengers) the prospects for international development. The potential is real because the site has the advantage of being close to Florida's top tourist spots on the "Space and Treasure Coast". Major attractions include Disney World whose exhibitors hope to attract an English audience, the major movie studios (MGM, Universal), the Orlando Science Center, Sea World, or the Kennedy Space Center (the Cape Space Center). Canaveral). The proximity of the sea also offers another major destination: Port Canaveral, second world port of embarkation for cruises in the Caribbean. The European tourism potential is thus estimated in an annual range of 150,000 to 200,000 passengers easily mobilized. Contacts had been made with tour operators for charter flights. In return, why not sell trips to London or, via the TGV Paris or the Normandy side with its landing beaches? It can be recalled that in 2000, the operator "Renaissance Cruise Line" provided 15 rotations between Manston and JFK in New York to serve cruises departing from Dover. via the TGV Paris or the Normandy side with its landing beaches? It can be recalled that in 2000, the operator "Renaissance Cruise Line" provided 15 rotations between Manston and JFK in New York to serve cruises departing from Dover. via the TGV Paris or the Normandy side with its landing beaches? It can be recalled that in 2000, the operator "Renaissance Cruise Line" provided 15 rotations between Manston and JFK in New York to serve cruises departing from Dover.

## V. The attempt to integrate the air system and the collapse of 2005

30 The opportunity for a merger with an airline comes with the Irish low cost carrier Eujet, which commits to serving Manston. Founded in 2002 by a former Ryanair manager, this young company then had 5 Fokker 100s of about 100 seats, leased. Quickly, PlaneStation will seek to acquire the capital of the company by issuing shares. A minority stake of 30% is completed by the complete control of the capital made in September 2004. Eujet relocates on the Kent site its services previously located in Shannon in Ireland. The latter brings together 400 employees. From Manston, around 20 destinations to the UK, Ireland and Continental Europe <sup>8</sup> are then insured regularly. For 2005 the transport plan provides for an annual supply of 1.3 million seats.

31 The traffic ramp-up has yet quickly ensure the economic viability of the company and result in benefits for the airport through revenues on fuel sales and revenues generated by passengers. Traffic, which actually went from 7,000 in December 2004 to 35,500 in May and June 2005. The figure, however, remains well below expectations <sup>9</sup>. The average filling rate stagnates around a third of capacity throughout the first half of 2005. The forecasts for the operation of the service are not encouraging for the following months. For 2005, internal analyzes indicated a significant need for liquidity. The only operation of the Eujet service required £ 16.4 million a year (aircraft maintenance and crew compensation), plus £ 10.6 million for fuel, the price of which will continue to grow, 12.4 M £ for airport fees, and £ 3.3 M for marketing. Added to this are investments in the Group's various airports (£ 11m) and financial charges (£ 10m).

32 The attempt of reorientation towards the activity of transport turns out to be a boring failure. The latest real estate properties are sold off for nearly £ 4m. The accumulation of financial difficulties and the rapid depreciation of equities lead to various banking interventions to redress an increasingly precarious situation. The disappointing results of traffic in the spring of 2005 led the banks to withdraw their support. Due to lack of liquidity, the Eujet company is forced to cancel all of its flights to and from Kent International Airport just ten months after their launch. This decision finally leads to the administration and then the liquidation of its parent company, PlaneStation,

## VI. Teaching about the risks and opportunities of an airline integration strategy

- 33 Was the British group's approach fundamentally doomed? To what extent did the circumstances and financial characteristics of the group ultimately weigh more against him? These questions lead us to a double perspective: on the one hand, to evaluate the relevance and the limits of the orientations taken in the particular context that was that of PlaneStation; on the other hand, to see to what extent these strategic approaches to integration and networking are echoed in the current development of the aviation sector. But before that, we have to go back to the definition of integration as economists envisage it.
- 34 In its attempt to integrate the transport network, PlaneStation presents a unique case in the air economy. It is based on both the control of an airport infrastructure network and the takeover of an airline. To what extent is there then a coordinated integration strategy? In the sense of the industrial economy, integration can be vertical or horizontal. It is described as vertical, when the firm seeks to control more than one of the successive stages of the production of a good and horizontal when it tends to control its direct competitors to increase its market power or aim for savings. scale. In the first case, the motivations can also be various: to release a reduction of the costs of supply, protect themselves or the market power of a supplier. Finally, it can be done more simply in order to guarantee access to a resource or an essential factor of production. This is the option chosen by PlaneStation. Its attitude is not so easily assimilable to a horizontal integration (we also speak of concentration), because in the constitution of its network, the considered production units, the airports therefore, do not produce goods of the same nature. The transportation capacities of the various airports are offered in specific territories. Despite the seeming resemblance of the offer, they are not substitutable. Which is also valid for the ancillary activities. The mesh strategy does not, therefore, fall squarely within the logic of horizontal integration.
- 35 The simultaneous constitution of the network and the vertical integration were tightly claimed in the speeches of the management team. However, their implementation and their coincidence are not verified in the facts. The lack of time that would have prevented the two strategies from being articulated more closely can be invoked. The establishment of facts and the logic of development as they appeared to us, militate instead for the independence of the two logics:
- The actual development of EUjet traffic from Manston highlights how independent the sites were from each other and there is no reason to believe that the only leisure flows would have been able to operate any mesh network. The off-center position of the potential Manston base ruined any hub configuration that would have allowed for any rationalization of flights. The complementarity of the two logics is therefore very weak.
  - The two strategies developed by PlaneStation seem rather to have succeeded one another in time and to raise different logics. The constitution of the network is part of a logic of real estate modeled on that of the logistics promotion to the search for a portfolio of comparable sites meshing the European territory. The integration of the airline intervenes more in desperation of the cause: the operator manages to attract neither the low cost carriers nor the industrialists. The former find among public managers more welcoming interlocutors because they are willing to finance part of the flights in exchange for traffic.
  - The largely loss-making transport operation is deemed to be offset by the external economic benefits (tourism expenditure injected into the local economy, accessibility in terms of regional planning, etc.), which in no way does PlaneStation, a private company, could not afford companies. The industrialists that the air potential was to attract did not come. While the project was based on the prospect of European logistics organization increasingly relying on the use of air, it remains today exceptional on this scale. Unlike the United States, transportation management is essentially by truck, which is seven times cheaper than the plane. The relative concentration of the economic clusters makes the road transport plans very efficient in terms of deadlines. The choice of location in more peripheral areas of the Union, if it could justify the use of air for deadlines, does not correspond to the needs of often underdeveloped economies. The future of air logistics begins with the globalization of flows, which intensifies the need for intercontinental trade. The nature of the traffic at Manston or Parchim militated in this direction. But if the long haul could possibly find good technical conditions on the old military airports, PlaneStation had mainly developed a regional concept whose limits we have underlined. Was it then necessary to use the network in a logic of redistribution from an entry point, according to a hub model? Still, it is necessary to convince freight forwarders to settle there by offering them the high level of service they are entitled to expect. Competition from major hubs is also very strong, as they can benefit from the capacity of the intercontinental passenger aircraft in the hold, which PlaneStations could not rely on because of its essentially regional project. Outside the major airports, only Vatry in the Marne has risen to the challenge, with the political and financial support of a very rich local authority. according to a hub model? Still, it is necessary to convince freight forwarders to settle there by offering them the high level of service they are entitled to expect. Competition from major hubs is also very strong, as they can benefit from the capacity of the intercontinental passenger aircraft in the hold, which PlaneStations could not rely on because of its essentially regional project. Outside the major airports, only Vatry in the Marne has risen to the challenge, with the political and financial support of a very rich local authority. which PlaneStations could not rely on because of its essentially regional project. Outside the major airports, only Vatry in the Marne has risen to the challenge, with the political and financial support of a very rich local authority. which PlaneStations could not rely on because of its essentially regional project. Outside the major airports, only Vatry in the Marne has risen to the challenge, with the political and financial support of a very rich local authority.
  - With limited financial means, the two strategies were therefore not compatible as partially underlined by the 2004 turnaround, as the group only partially abandoned the idea of setting up a network. Yet the facts underscored the weakness of the possibility of economic synergy derived from networking from a carrier's point of view that it had become.
  - Thus the choice of sites and fundamentally the network are primarily a policy of real estate speculation. The military wasteland offered prospects for acquiring assets with very low costs and substantial public support. They have undeniable potential assets (relative centrality, good road connection). But their actual valuation was dependent on the long time, since it is the saturation of central airports that would eventually feed a report, assuming of course that traffic follow the upward curve that has long been theirs. It is therefore necessary to have financial means to wait to cash the rent. Moreover, it is illusory to think that the managers of these major airports will not seek to control the flows they can not accommodate on their main site.
- 36 If networking and vertical integration have succeeded, it is because the failure of the first strategy pushed Wiggins become PlaneStation seeking control flow. But rising too quickly in power, it has accelerated the economic deterioration of the group, because the financial requirements required for air operations are particularly high. Added to this are contextual elements that have undoubtedly precipitated the natural deterioration of the situation: the consequences of September 11 and the increase in energy costs.
- 37 Is the double attempt of PlaneStation then isolated? The search for competitive advantages is in effect crossing the whole of a sector subject to increasing competition, which partly erases the territorial monopoly that airports could enjoy. The search for better profitability and greater control of flows pushes actors to closer coordination between the elements of the transport

chain. It is expressed in various forms (Graham, 2004). However, PlaneStation's approach of offering a common standard for an airport network and the control of an airline differs from all the strategies implemented by its competitors.

None of the major types of relationships that can be established between airports and companies has led to a merging of actors, although there may be an increased willingness to coordinate:

- In the context of major hubs, the domiciled reference company works in fact in close symbiosis with the managing company of the airport. The economic efficiency of the two partners is linked and, even if other companies intervene, they only play the supporting roles. This is the case between ADP and Air-France, Fraport and Lufthansa, BAA and British Airways. A long common history unites the partners, especially since share ownership can be public on both sides. The report is therefore likely to favor well-understood common interests. The privatization of the two partners' capital could lead to a strategic rapprochement to guarantee the strength of such a link. But any formalized participation would run up against competition regulation by establishing a dominant position.
- At the other end of the airport hierarchy, there is a clear imbalance in favor of air carriers. This is particularly clear in the case of low-cost airlines that dictate their law at second- or third-tier airports. Controlled managers are most often required to participate financially in the activities of the company serving them. This advantage helps to ensure the attractiveness of their flights. In this case, why own airports if not to assume the costs? But once the airport is chosen, the low-cost airline seeks to establish long-term contracts with its interlocutors, which is less true in freight.

airline's point of view, the effective vertical integration does not seem feasible in the first case and in the second it is not economically desirable for them, even if close coordination exist, but without transfer of ownership. The case of the acquisition of Coventry Airport and West Midlands by the TUI tour operator, symmetrical case of PlaneStation has been only very temporary. In their diversification, some airport managers have however been tempted by the downstream integration of travel agencies<sup>10</sup>, hotels or convention centers to enhance their attractiveness.

Vertical integration is therefore weak, and there are more marked trends in airport acquisition strategies. The analysis shows that such operations rely more on the transfer of know-how or the reinforcement of the financial structure to smooth investment needs than on the complementarity in strict terms of transport or territorial control, as illustrated by BAA, Schiphol or Hochtief (Graham, 2004). A more strategic acquisition policy can be created to desaturate a hub or enter a new market - this is the case of Fraport in Hahn (charter / freight) and ADP in Liège (freight), moreover on two former NATO bases. Some takeovers may also be defensive to prevent the entry of competitors. The geographical proximity of the acquisitions and the partial substitutability of the resulting supply is then the expression of a horizontal integration. Yet, no actor seems to have sought to establish homogeneous territorial coverage like PlaneStation.

What about actors in real estate development? In the United Kingdom, where the process of privatizing airport infrastructure is well advanced, investment companies are mainly engaged in regional airports with assured potential. So they did not run the speculative risks that PlaneStation was looking for. Among these, let us mention the group TBI plc which, passing from the real estate promotion, became a specialty in the management of the regional airports (with the airports of Luton, Cardiff, Belfast or Bolivia), on financial logics mentioned previously. Sold for £ 17m<sup>11</sup>, the centerpiece of the Kent International Airport came under the control of Glasgow Prestwick Airport, a New Zealand-based investment company also holding the majority stake in Wellington Airport. The new operator intends to limit his activity without seeking to control the air flap<sup>12</sup>.

At the end of this short perspective, no configuration between air sector players in Europe seems to present the features that PlaneStation has targeted, the networking of European airports and the vertical integration of the transport function.

## Conclusion

The strategic approach of Wiggins / PlaneStation sought to articulate three businesses: the air carrier, the airport operator and the real estate developer. But it is fundamentally this last quality, his original profession that has won over others and strongly influenced subsequent choices. With the acquisition of brownfields, her commitment focused first and foremost on the potential valuation of real estate assets. Without the control of the transport this approach included a speculative risk not insignificant, relying on the long-term postponement of traffic congested centers. The programmed failure of this strategy led him to become an airport manager and then a carrier, without the economic conditions being reunited for the success of such a project.

The counter-current strategy of the group is undoubtedly due to the desire to build a transport network from infrastructure, while the control of flows has always been a key factor in the transport economy. Thus, despite a seemingly judicious choice of converted military sites at low cost based on the good capacity, the quality of the tracks and a relative proximity of the European economic centers, it will not have been enough to generate traffic in the too short delays imposed by a rapid financial deterioration. The bet opened by the prospect of a long-term management as a real estate developer closes thus on the impossibility to feed the day-to-day traffic of its planes. The poorly controlled handicaps were too numerous, the underestimation of the weight of fixed costs related to air management (firefighters, specialized personnel), even though the traffic has remained below the effective potential. The lack of attractiveness is partly due to the absence of low cost carriers and the low growth of freight which we know could evoke the reasons. Despite the selection made in the choice of sites taken over, the supernumerary supply of secondary airports (in which PlaneStation fully participates) reduced the chances of penetrating a surplus market for this type of infrastructure by the massive military disengagement and overinvestment. local authorities. The integration of an air carrier then only precipitates an announced disaster. The final dismantling of the group and its infrastructures underlines the lack of value represented by an airport network as such for the market. A final point deserves to be underlined here, it is the central spring that represents the tourist activity and the leisure in the logic of recycling of the airport military wastelands. In various forms, the reuse of sites often sold off and a conversion largely supported by public finances constitute a significant relay of the branch.

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

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## Notes

- 1 The approach to brownfield sites is part of a much broader context of civilian reconversion of former military holdings. On this topic, please refer to the following websites: [www.konversion.com](http://www.konversion.com) (Rhineland-Palatinate), [www.bicc.de/liegenschaftskonversion/links.html](http://www.bicc.de/liegenschaftskonversion/links.html), [www.bbb.bund.de](http://www.bbb.bund.de) (Projektplanung Ostaufbau).
- 2 A detailed census of 1990 air facilities with their characteristics and trends up to 2000 is available online at [www.mil-airfields.de](http://www.mil-airfields.de). It mentions 230 significant sites off highway sections and heliports used in Germany during the Cold War, among which a hundred had runways of more than 2000m.
- 3 Of which Land Rheinland-Pfalz (85M Euros), Land Hesse (20M Euros), Fraport AG (110M Euros),
- 4 *Gulf Construction*, July 2003.
- 5 In a statement, the management went so far as to present the strict security instructions that followed the attack as an additional element of attractiveness for their facilities, by increasing the congestion of the main airports for freight.
- 6 Prudential PLC 14.77% Artemis Fund Mgrs 13.12% New Star Hedge Fund 7.06% Morley Fund Management Ltd. 5.10% Goldman Sachs Group Inc. 4.01% Other Dirs 0.20% (as of April 8, 2005).
- 7 The initiator of the strategic redeployment Olivier Iny is replaced by Martin May recognized for his qualities as a corporate rectifier.
- 8 Amsterdam, Copenhagen, Dublin, Edinburgh, Faro, Geneva, Barcelona, Glasgow, Madrid, Malaga, Manchester, Milan, Murcia, Nice, Palma De Mallorca, Prague, Salzburg, Toulouse, Turin.
- 9 An annual total of 800,000 travelers was required to balance the operating budget, or 66,000 monthly passengers.
- 10 For example, regional airports in Norwich and Cardiff wanted to demonstrate to tour operators the existence of a viable market (Graham, 2004).
- 11 While the airport has been invested in the order of £ 28 million since 1999.
- 12 Times, August 26, 2005.

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## About the author

### Antoine Beyer

Paris-4 Sorbonne University - 191 rue Saint Jacques 75 005 Paris - [antoinebeyer@yahoo.fr](mailto:antoinebeyer@yahoo.fr)

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