



Brief case 51

TERUEL AIRPORT: “EMPTY SPAIN” TAKES OFF

Lucio Fuentelsaz

Universidad de Zaragoza

Alejandro Ibrahim

Aeropuerto de Teruel

Juan Pablo Maicas

Universidad de Zaragoza

Pedro Mata

Esic Business & Marketing School

In 2006, the regional authorities of the General Provincial Council of Aragon (DGA) were immersed in a complex decision-making process. Together with the Teruel City Council, they had recently taken control of the Caudé airstrip (12 km from the provincial capital). There were many possible uses for the site and an urgent need to adopt a position that would enable the constructive exploitation of a facility that had been underused for too long in an area whose airspace was free of congestion.

Teruel has a dry and sunny climate and enjoys a good strategic position in Spain, as it is located at a relatively short distance from the country's main cities: there are more than 20 million people, accounting for approximately 60% of Spain's GDP, within a 400 km radius. Madrid is 300 km away. Barcelona and Bilbao, just 400 km away, and Zaragoza, 170 km away. It is also relatively close to some major French cities, such as Bordeaux, Toulouse, and Montpellier (all of which are around 600 km away). In addition, the Caudé airport is just over 100 km from the beaches of Valencia and Castellón. The congestion of air traffic in Valencia, with the consequent increase in CO2 emissions, longer flight times and higher operating costs, positioned Teruel at that time as an attractive alternative that could grant many carriers quicker access to the Mediterranean coast.

In 2006, the existing buildings at Caudé (a small hangar and a control tower) were obsolete and unusable. Revamping the airport would require an investment of approximately 51 million euros and take around 24 months. It was understood that a new airport should consist of a passenger terminal, control tower, a building for the firefighting service, and an annexed industrial area of 33 hectares. In total, the facility would cover 350 hectares, all adjacent to PLATEA, Teruel's industrial and logistics platform. Fortunately, financing would not be a problem as the provincial Investment Fund would provide the necessary means. The only requirement was to ensure the project would provide a return on the investment.

The evidence accompanying this decision-making process predicted sustainable growth in the number of airline passengers. The boom in international tourism and the growing number of airports in neighbouring provinces augured well for commercial aviation. 2005 had been a good year for tourism in Spain, making it the second country in the world both in terms of revenue and the number of visitors. Catalonia, with more than 14 million tourists, was the most popular Spanish region. The Balearic Islands were the second most visited destination, closely followed by the Canary Islands. Mainland Spain recorded a surge in tourism in Valencia and Madrid, albeit of a clearly different nature. In addition, record numbers also visited all the other Spanish regions. The Aragon region itself accounted for approximately





0.7% of the national total, registering a figure of around 400,000 foreign visitors, with approximately one in ten visiting the province of Teruel.

Many of these visitors came by air. Air traffic in Spain had increased from just under three million passengers in 1960 to more than 200 million expected by 2007. In addition, low-cost airlines provided exciting possibilities for those secondary airports that offered them their services. For their part, traditional airlines recorded figures that reflected a mature market, with little growth. All these circumstances indicated a highly promising future for the sector. Nevertheless, these same conditions increased the rivalry between airports while constituting a major threat due to the industry's business appeal and the potential emergence of new competitors. This was compounded by "a political will to provide Teruel with an airport". The dilemma lay in the type of airport to build, although recent statements by the deputy chair of the DGA confirm the feasibility of using the airport for passenger flights.

In 2005, the rise of secondary airports in Spain was evident. Among the most outstanding initiatives (although not without some controversy), it is worth mentioning the cases of Castellón and Ciudad Real, 175 km and 380 km from Teruel, respectively. In addition to these, the building, refurbishment, or expansion of other secondary airports had been planned, such as those in Murcia and Lleida and the enlargement of León. However, the proliferation of new airports was not without criticism. The crowded network in Spain (in 2006 there were 49 airports, 90% managed by Aena¹) has traditionally been questioned because there is a major overlap between some of them. Furthermore, a minimum number of passengers is required to ensure the facility's viability. There is some controversy over this threshold. For example, an EU study on infrastructure sustainability estimates that an airport recording fewer than 100,000 passengers per year is unviable. However, there are other reports that raise this figure to one million passengers. Whatever the case, the evidence available for the Spanish airport network shows, for example, that of the 24 airports and heliports returning positive results in the Aena network (out of a total of 49), 22 registered more than 820,000 passengers.

Commercial aviation was not the only viable option for Teruel. For example, the air freight sector was also growing, so the need for a logistics terminal for air cargo also seemed like a good opportunity. In fact, the sector had surged from under 15 million tonnes in 1960 to more than 660 million in 2006. There are at least two types of cargo airports: those that involve mainly passenger transport but also operate with freight, and those that focus directly on cargo. The first case has examples such as Madrid-Barajas, Barcelona-El Prat, and Spain's island airports; the second involves mainly Foronda, near Vitoria-Gasteiz in the Basque Country, which records only modest figures in terms of the number of passengers but occupies a very prominent place in freight transport, as some of the world's logistics giants operate there (DHL, UPS, TNT...).

Similarly, the aircraft maintenance, repair, and overhaul (MRO) sector was also booming. Mandatory certified maintenance and the need for runways long enough to accommodate large aircraft provided Caudé with another option. The importance of the MRO industry is evidenced by the fact that it commonly accounts for 12-15% of an airline's operating cost. In fact, the cost of maintenance varies from 600 USD per hour of activity for low-cost carriers to 700 USD for traditional airlines. When MRO operations are conducted in the hangars of major airports, such as Madrid-Barajas in Spain, the expense incurred is conditioned by local overheads (i.e., parking, labour, and parts, for example). In addition, the cost of storing, maintaining, and repairing aircraft is significantly reduced when it is not necessary to incur additional costs to preserve parts and components from the effects of humidity or other adverse weather conditions. Air traffic is expected to grow by around 5% per year, implying a corresponding increase in

¹ AENA (Aeropuertos Españoles y Navegación Aérea) is the public company in charge of civil air navigation and civil airports in Spain.





the demand for aircraft. As an example, Airbus alone expected to deliver more than 15,000 aircraft between 2006 and 2021.

Finally, there was the option of selling the airstrip and its facilities to private companies for industrial, manufacturing, or real estate operations (the site is beside PLATEA, Teruel's logistics platform and the largest industrial estate in the province). This would mean a significant and rapid return, albeit forgoing the opportunity to generate employment and fix the population.

Question: Define and delimit the existing strategic options and assess the suitability of each one of them. Which option would you choose?

Case date: February, 2021

More teaching resources at: www.querrasynavas.com/index_english.htm

