



# Zurich Noch

Scenario and requirement



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## Background

Zurich-Noch Airport is situated in Switzerland within Europe but which is outside the Euro zone. The local currency is the Swiss Franc (SFr). It began life in the 1930s as a flying club and was extended in 1947, providing scheduled services within central Europe.

By 1989 the airport was handling 500,000 passengers per year. It is forecast to increase to 3.5 million for both incoming and outgoing passengers in the current financial year to 30 June 2018. The airport mainly serves holidaymakers flying to destinations within Europe and only 5% of the passengers who use the airport are business travellers.

### Divisions and market/competitor comparison

A group of four local state governments, which are all in easy reach of the airport (hereafter referred to as the LSGs), took over the running of the airport in 1961. The four LSGs are named North (NLSG), South (SLSG), East (ELSG) and West (WLSG). These names place their geographical location in relation to the airport. In the early 1970s flights from the airport to European holiday destinations commenced with charter flights operated by holiday companies. In 1986, the first transatlantic flight was established and the airport terminal building was extended in 1987.

Zurich-Noch Airport was converted into a company in 1990 and the four LSGs became the shareholders, each with an equal share. The company is not listed on a stock exchange. The airport has undertaken extensive development since 2000, with improvements to its single terminal building. The improvements have mainly been to improve the airport's catering facilities and to increase the number of check-in desks. There has also been investment in the aircraft maintenance facilities offered to the airlines operating out of the airport.

Tomlinson Universal Airport is located about 100 kilometres away from Zurich-Noch Airport and serves a highly populated industrial city. The Board of Directors of Zurich-Noch Airport considers TUV Airport to be its main competitor. There are another three competing airports within 80 kilometres of Zurich-Noch Airport. Tomlinson Universal Airport purchased one of these three competitor airports and subsequently reduced services from it in order to reduce the competitive threat to it.

### Zurich-Noch Airport development plan

The Board of Directors produced a development plan in 2013. The Board of Directors consulted with businesses in the area and followed central government airport planning guidelines. It was assumed that the views of other local stakeholders would be represented by the four LSGs which would feed comments to the Board through the Chairman. The plan relates to the development of Zurich-Noch Airport and its forecast passenger growth for the next two decades. The Board proposed that future development of the airport will be phased and gradual in order to avoid unexpected consequences for the local communities and industry.

### Analysis of revenue by business segment

The forecast split of total revenue of 23.4 million (SFr) by business segment for the current financial year ending 30 June 2018 is:

|                                   | Shareholding |
|-----------------------------------|--------------|
| Aviation income                   | 48           |
| Retail concessions at the airport | 20           |
| Car Parkin                        | 15           |
| Other income                      | 17           |

(Other income includes income from property rentals, and other fees and charges.)  
Zurich-Noch Airport offers discounts for prompt payment.



## Aviation income

In addition to the standard charges, which are set out below, there is a range of surcharges which are levied on airlines for such items as "noisy aircraft" (charged when aircraft noise exceed the Government limits for acceptable noise levels), recovery of costs and expenses arising from cleaning or making safe any spillages from aircraft and extraordinary policing of flights (for example, arrests made as a result of anti-social behaviour on aircraft).

Standard charges made by Zurich-Noch Airport to the airlines.

| Aircraft size | Charges per aircraft |
|---------------|----------------------|
| Large         | 300 (SFr)            |
| Medium        | 170 (SFr)            |

Parking charges for the first two hours are included in the landing charge. Thereafter, a charge of 200 (SFr) per hour is imposed for each large aircraft and 250 (SFr) per hour for each medium aircraft. The parking charge is lower for large aircraft because they take at least two hours to clean and refuel, so they almost always have to pay for an hour's parking, and also because there is less demand for the parking areas used for large aircraft. Medium aircraft tend to take off again within one hour of landing. Approximately 10% of medium sized aircraft landings result in the airline incurring parking charges for one hour. This is normally either because their scheduled departure time requires them to park or because of delays imposed by air traffic restrictions, technical malfunctions or problems with passengers.

| Passenger load                   | Charges per passenger | Direction of travel   |
|----------------------------------|-----------------------|-----------------------|
| Flights to European destinations | 1.60 (SFr)            | Departing             |
| Flights outside Europe           | 4.00 (SFr)            | Departing             |
| Passenger security               | 1.20 (SFr)            | Departing or arriving |

## Financial objectives of Zurich-Noch

Extracts from Zurich-Noch Airport's forecast income statement for the year ending 30 June 2018 showed the four LSGs have made it clear to the Board of Directors that the airport must at least achieve financial self-sufficiency.

The financial objectives of the airport are to ensure that:

1. The airport does not run at a loss;
2. A strict policy of credit control is maintained;
3. Gearing levels do not exceed 20% (where gearing is defined as debt to debt plus equity) and any long-term borrowings are financed from sources approved by the four LSGs.

## Strategic development

The Board of Directors is now actively considering its strategic options which could be implemented in the future in order to meet the following strategic objectives which have been established in the development plan:

1. Create a planning framework which enables Zurich-Noch Airport to meet the demands of the forecast passenger numbers;
2. Reduce to a minimum the visual and audible impacts of the operation of the airport on the local environment;
3. Ensure that the airport is financially secure; 4. Improve land based access to the airport;
5. Minimise the pollution effects of the operation of the airport.
6. Maintain/increase employment opportunities for people living close to the airport.

By the year ending 30 June 2021, Zurich-Noch Airport is expected to support about 3,000 local jobs and have a throughput of 5 million passengers per year, an increase of 1.5 million from the 3.5 million passengers forecast for the current financial year ending 30 June 2018. In order to accommodate the forecast increased number of passengers and attain the development objectives, it will be necessary for the airport to extend its operational area to the east of the land it currently occupies.

## Requirement

You will be required to first brainstorm and then present several suggestions to the Management team of Zurich Noch on how they can improve the overall performance of the airport.