FRENCH CITIES SAY AIRPORT SALE A TICKET TO WEAKENING PARIS POWER

News / Airports / Routes

France's provincial cities reckon they're being held back by an airport system that focuses two-thirds of passenger traffic on Paris and denies them long-haul routes. Their claims are about to be put to the test.

The governm'ent is gearing up to sell 60 percent stakes in Nice-Cote d'Azur and Lyon airports, France's third and fourth largest, after disposing of Toulouse-Blagnac in 2014 - moves the regions say will unshackle them from a state obsession with flights to the capital and propping up flag carrier Air France.

"Territories and companies must be able to grow without necessarily going through the Paris hub, which isn't the center of the world," Emmanuel Imberton, chairman of Lyon chamber of commerce, said in an interview. "You can't protect Air France come hell or high water."

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In Nice, Bernard Kleynhoff, Imberton's counterpart and chairman of the airport supervisory board, says the aim is "to develop direct intercontinental routes without having to go through another hub," adding: "I'm not here to destroy Air France, but I'm not here to sacrifice the region."

Falling Behind

The business groups may keep 25 percent stakes in their respective gateways, which fell further behind the capital's airports last year, with Nice increasing its passenger tally just 0.9 percent to 11.7 million people and Lyon suffering a 1.1 percent decline to 8.5 million, Airports Council International data show.

Paris Charles de Gaulle had a 2.8 percent gain to 63.8 million travelers and Orly posted a 2.1 percent increase to 28.9 million.

To be sure, Air France has tried repeatedly to bolster its provincial operations, retaining a regional network that's the biggest in Europe. It has also established Nice, Toulouse and Marseille as provincial bases in a bid to boost services while avoiding big-city expenses.

Nice, with a catchment area spanning the Riviera, southern France, Monaco and northwest Italy, now has five dedicated Air France aircraft, though most fly to Paris. There are also 10 domestic routes operated by specialist regional brand Hop!, which uses smaller planes, and a handful to Corsica. Lyon, at the center of France's second-biggest industrial region, has about 40 Hop! destinations.

Long-Haul Gap

While other major carriers have focused resources on their hubs -- British Airways serves only Manchester, Glasgow and Edinburgh outside London, and then just with flights to the capital -- France's secondary airports have struggled more to attract foreign long-haul operators. That's put a brake on growth, so that of Europe's 50 busiest airports last year only four were in France, versus seven each in Germany and Spain and six in the UK.

Manchester, with 22 million annual passengers, boasts services to 38 destinations outside Europe and North Africa, more than are available from all French airports outside Paris combined - and last month announced its first flights to mainland China.

Edinburgh and Glasgow airports, of a similar size to Nice and Lyon, together host all three major Persian Gulf carriers and the three main U.S. airlines, of which only Delta Air Lines Inc. and Emirates of Dubai serve the French bases.

Discount Factor

Foreign carriers are more evident in short-haul operations from the French provinces, where discount specialists led by easyJet Plc are increasingly displacing Air France. Luton, England-based easyJet serves 16 French cities, including five where it stations aircraft.

The French regions say airport privatization will also reduce conflicts of interest for the state, which owns France's railways, 51 percent of Aeroports de Paris -- which runs Orly and Charles de Gaulle -- and 16 percent of Air France-KLM Group, hands out traffic rights and negotiates cross-border flight treaties.

The winning bid for Toulouse-Blagnac, from Chinese investors, valued it at 18 times earnings. By

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that token, Nice, with a gross operating surplus of EUR100.4 million last year, may fetch up to EUR2 billion, and Lyon, with Ebitda of EUR53.2 million, about EUR900 million.

The desire for transport autonomy is coloring local attitudes to bidders for the Nice and Lyon terminals, with the Mediterranean city wary of a purchase by ADP because of its Parisian focus, said Kleynhoff at the chamber of commerce.

"The whole world is interested," he said, citing interest from Allianz SE, Macquarie Group Ltd., Ardian, Ferrovial SA and the operators of Singapore and Rome airports.

In Lyon, Imberton, who like Kleynhoff spoke last month prior to confidentiality cutoffs, said an offer from Vinci SA, which could seek to purchase both airports, would be of concern because the builder has a stake in ADP, which doesn't plan to bid itself.

Geneva airport in Switzerland would make more sense as an owner since it's overcrowded and could put ski traffic Lyon's way, he said.

"If this privatization handled properly, it will be a historic chance," he said.

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