

Low Cost Carriers and Airports Performance: Empirical Evidence from a panel of UK Airports.

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During the last decade, the proliferation of Low Cost Carriers and the related huge increase in traffic has been the most visible effect of the deregulation of the airline market in Europe. Little attention has been paid to how airports were affected by the changes in the new institutional environment. In this study we estimate with different econometric techniques total factor productivity (TFP) for a panel of the UK largest airports over the 2002-2005 period and we investigate whether the presence of LCCs had some impact on airports' TFP. Empirical results are consistent with the hypothesis that conspicuous entry of LCCs on European markets has impacted positively on the vertical chain by facilitating airports' productivity improvements. This result is robust to reverse causality issues associated with the possibility that most efficient airports are those that are more likely to attract LCCs. Different possible arguments may explain our results: traffic increases brought about by LCCs for a given installed capacity might have generated higher TFP; more efficient organizational models might have been adopted to meet LCCs operational requirements (short turnaround times); cost reductions might have been realized in order to lower charges and attract LCCs; competition from a larger number of airports induced by LCCs' wider catchment areas (with respect to full service airlines) might have exerted further pressure toward TFP improvements.