



## **PUBLISHED BY**

GOZO REGIONAL DEVELOPMENT AUTHORITY

75, Republic Street, Victoria - Gozo, Malta

Tel: +356 22156338

[www.grda.mt](http://www.grda.mt)

**Publication date: June 2024.**

This publication may not be used in any format or medium.

This material is property of the Gozo Regional Development Authority.

Any queries regarding this publication should be sent on: [info@grda.mt](mailto:info@grda.mt).

Designed by the GRDA. © Copyright 2024.

# Table of Contents

- Authors Bio-Note..... 3
- 1. Introduction ..... 5
  - 1.1. Background and Aims ..... 5
  - 1.2. Objectives of the Gozo Rural Airfield ..... 6
- 2. Management plan and licensing ..... 7
- 3. Aerodrome Management and Provision of an Airlink Service ..... 7
  - 3.1. Aerodrome Management ..... 7
  - 3.2. Provision of a Scheduled Inter-Island Air Transport Service ..... 11
- 4. Proposed Management Model ..... 13
  - 4.1. Benefits of the Proposed Model ..... 14

## Authors Bio-Note:

### **Mario Borg**

Mario Borg is an Economist, having worked for several years in the field amongst others at the Economic Policy Department as a Senior Economic Analyst, as a Director of Economic and Business Statistics at the National Statistics Office (NSO), and as an Economic Consultant at MIMCOL. He currently serves as the Chief Executive Officer at the Gozo Regional Development Authority. Over the years, he contributed to several technical and strategic public documents as well as published papers on socio-economic issues. He holds a first degree in Economics and a master's degree in Small Island States from the University of Malta and a master's degree in Economics from the University of York (UK).

### **George Cauchi**

George Cauchi holds a first degree in Mechanical Engineering from the University of Malta. He spent over three years working in the manufacturing industry, working mainly in data analysis, and process optimization. He is currently serving as a Project Manager at the Gozo Regional Development Authority, where as part of his role he contributed to several documents and publications, including Discussion Papers, Feedback Statements, and other documents related to the regional impact assessment and consultative functions of the Authority.

“The views expressed in this Paper are those of the authors and do not necessarily reflect those of the Gozo Regional Development Authority.

The proposals and recommendations presented in this Paper are based on research conducted by the authors. They reflect the position of the authors and do not bind the government, the Ministry for Gozo and Planning, or any other stakeholders.”

# Airfield Management and Provision of Airlink Service

## 1. Introduction

This Paper is being prepared following the completion of the Regional Impact Assessment (RIA) study on the proposed development of the Gozo Rural Airfield. The RIA study focused on the airfield's infrastructure, mainly on the proposed upgrading of the existing infrastructure and on the potential social, economic, and environmental impacts emanating from the proposed infrastructural upgrading. The various models available for the management of the Gozo Rural Airfield and the inter-island air transport service were not explored as part of the RIA Study.

Upon the conclusion of the RIA study, the Ministry for Gozo and Planning (MGP), as the project owner, submitted a development application in September 2022. Following these developments and the continued advancement of the project by MGP, the authors took the initiative to explore different operational models that can be adopted by the government to manage the airfield once the necessarily planning permits are issued and the infrastructural works are completed.

### 1.1. Background and Aims

The existing Gozo Heliport is currently administered by Gozo Heliport Limited under the remit of the Ministry for Gozo and Planning. Gozo Heliport Limited is a limited liability company fully owned by the Government of Malta, through Malta Government Investments Limited. It was established in May 2002, following the upgrade and inauguration of the existing Gozo Heliport terminal and related infrastructure, to:

“liaise and collaborate with private and public sector entities/departments, in pursuance of the objectives of the company”<sup>1</sup>

As part of the analysis aimed at identifying the optimal set-up to manage and operate the airfield, the authors considered the feasibility of having Gozo Heliport Limited managing the airfield. As an initial step in its analysis, the authors formulated the main objectives of the Gozo Rural Airfield project. These are considered in detail in the following section.

---

<sup>1</sup> Memorandum of Association of Gozo Heliport Limited, as downloaded from Malta Business Registry (accessed in April 2024)

## 1.2. Objectives of the Gozo Rural Airfield

One of the main objectives of the Gozo Rural Airfield is to enable the operation of fixed wing STOL and the introduction of a feasible inter-island air transport link, with the aim of addressing some of the challenges arising from Gozo's double insularity.

An important objective and envisaged benefit of the Gozo Rural Airfield is to enhance quality tourism to Gozo. The conceptualisation of quality tourism is essential in this regard. While quality tourism might result in higher revenues, quality tourists need not be restricted exclusively to high-class visitors. Considering that the majority of Gozo's international inbound tourists are day-trippers, quality tourism also includes lengthier stays in Gozo. For instance, Gozo's international inbound visitors in 2022 accounted for 129,059 or 5.6% of the total inbound tourists to Malta. This contrasts profoundly with the number of day-trippers which stood at over 1.2 million or 52.6% of the total inbound tourists to Malta. Overall, 90.3% of Gozo's international visitors were day-trippers in 2022<sup>2</sup>

A direct airlink between the Malta International Airport (MIA) and the Gozo Rural Airfield would further highlight Gozo as a distinct destination, and further motivate single-centre and twin-centre stays, resulting in increased bed nights, snowballing direct and indirect economic contributions to the economy of the island. The creation of a healthy economic cycle within the tourism industry will also contribute to more sustainable job opportunities, and an injection of reinvestment by the private sector in their product offering.

Another objective of the proposed airfield is the development of a general aviation ecosystem in Gozo. Potential general aviation operators include flight schools, light and microlight aircraft, drone operations (eVTOL, hybrid, and electric unmanned drones), and other ancillary activities. Such ecosystem is key to the sustainability of the Airfield.

In summary, the Gozo Rural Airfield should aim to:

1. Tackle Gozo's double insularity and improve inter-island connectivity as per EU TEN-T Policy;
2. Open a direct gateway to Gozo for tourists by promoting Gozo as a distinct destination;
3. Address some of the demands of the ever-expanding local general aviation community;
4. Incubate and support aviation niche markets (drones/electric/hybrid R&D and testing); and
5. Encourage new economic activities, including investments and employment opportunities.

---

<sup>2</sup> Source: NSO

## 2. Management plan and licensing

To achieve the outlined objectives, and attain the desired socio-economic benefits, the Gozo Rural Airfield must be licensed under Article 69 of SL499.09 Air Navigation Order, which states that an aeroplane, helicopter, gyroplane, or glider which is engaged for public transport of passengers or for instruction in flying shall not take-off or land in Malta or Gozo other than an aerodrome licensed under this Order. An aerodrome is the part of an airport that is used by aircraft. In this Paper, the words 'aerodrome' and 'airfield' are used interchangeably.

The licensing requirements stipulate that an aerodrome operator must be established to obtain licensing of the Gozo Rural Airfield. The aerodrome operator would be responsible for managing and overseeing operations at the airfield, whilst ensuring compliance with the obligations established by the national aviation regulator. The aerodrome operator would also be responsible for the safety, regularity, and efficiency of aircraft operations at the licensed aerodrome.

## 3. Aerodrome Management and Provision of an Airlink Service

Considering the objectives of the Gozo Rural Airfield, as well as the duties and functions of the aerodrome operator, the success of the Gozo Rural Airfield depends on devising a suitable model that ensures:

- a. Effective aerodrome management, that seeks business development, whilst fulfilling licensing and regulatory requirements and obligations; and
- b. A reliable and efficient scheduled inter-island air transport service.

Throughout its analysis, the authors accorded equal importance to each of these components as it sought to identify a viable model for managing the airfield effectively, and which ensures the provision of a reliable inter-island air transport service.

The provision of an airlink service could be viewed either as an integral function of the aerodrome operator, or as an independent component, separate from the entity managing the airfield and its operations.

The authors initially explored different options that could be adopted to manage the Gozo Rural Airfield to its full potential. Subsequently, the analysis extended to the inter-island air transport service. This sequential approach ensured comprehensive consideration of both components, facilitating the development of a holistic solution.

### 3.1. Aerodrome Management

Aerodromes traditionally formed part of the public sector, being built and operated either



by national, regional, or local governments. However, over the last decades there has been progressive movement globally towards both commercialisation and corporatisation of aerodrome management and private sector involvement.

In the case of the Gozo Rural Airfield, given that the regeneration and upgrade of the airfield infrastructure would be financed by the government, certain management options, such as Build Operate Transfer (BOT) concession, and full privatization, were deemed not applicable, and thus were not considered in the analysis.

The level of risk, especially demand and revenue risks associated with the Gozo Rural Airfield, as well as the typical risk appetite attributed to government companies and regular enterprises, were considered. This consideration was based on the Cost Benefits Analysis (*available on GRDA's website*), which was conducted by E-Cubed Islands as part of the Gozo Rural Airfield's Regional Impact Assessment. A demand analysis conducted as part of the Cost Benefits Analysis (CBA) study determined that there is sufficient demand for the inter-island air transport service from various sources, and revealed a strong demand from general aviation operators to operate from the Gozo Rural Airfield. In light of these findings, it is anticipated that the Gozo Rural Airfield will garner considerable interest from the aviation industry.

Consideration was also given to the existing legal and regulatory environment, including the aerodrome licensing requirements and related regulations that may impact the management and operation of the airfield. Moreover, in their endeavour to determine the optimal management option, the authors also considered the recommendations which emanated from the Regional Impact Assessment Study.

Taking the above considerations into account, and considering the context of the Gozo Rural Airfield, the management options deemed to be relevant are either direct government management, a government company, or a private management through an operations and maintenance concession. The benefits and drawbacks associated with both management options were evaluated and presented in the following sections.

## **Government Management**

Direct government management through a government company would involve the government owning and operating the Gozo Rural Airfield. The government company's primary objective would be to provide a safe, efficient, and affordable STOL aerodrome that benefits the public. Through this management option, the government would be able to retain control of the aerodrome's operations, development, and pricing, potentially lowering fees for aerodrome users due to the absence of a profit motive. The government company can provide services that may not be commercially viable but are essential for the public.

The absence of a profit-making objective can pose challenges. These include a strain on government finances, and potential claims for state-aid. Another significant challenge associated with this management option is that the government company may be subject to bureaucratic inefficiencies, such as slow decision-making. This can hinder the responsiveness required for efficient aerodrome operations, especially in dynamic environments. Government

companies may also face constraints in terms of flexibility and adaptability to market changes and emerging trends, impeding the aerodrome's ability to respond effectively to evolving customer demands, and technological advancements. Additionally, a government company may also lack the incentives to innovate and continuously improve operations.

Another drawback associated with government management through a government-owned company, is that the latter might be susceptible to political influence and interference, negatively impacting decision-making processes and operational priorities.

## **Private Management**

Private management of the Gozo aerodrome entails a private company taking responsibility for all matters related to the airfield, including aerodrome management, operations, and financing of these activities. This involves having the management and operation of the Gozo Rural Airfield outsourced to a private company for a specified period of time, through an operations and maintenance concession. The private company's primary objective would be to generate revenue and maximise profits, through the activities taking place at the airfield. In such an arrangement, the government would retain ownership of the airfield and set performance standards and a list of terms and conditions that the private company must adhere to, thus, retaining a level of control over the Gozo Rural Airfield.

One of the main benefits of private management through a concession is the incentive for the company to generate profits. The private company would be motivated to operate efficiently, and maintain high service quality to attract more customers, and hence increase its profits.

Private companies are usually more agile and responsive to changing needs and market conditions than government entities, and can make decisions more quickly, thus enhancing the sustainability of the Gozo Rural Airfield. Additionally, private companies can bring expertise and experience in aviation operations and management, which can help to ensure the success of the airfield.

This arrangement of having the airfield managed by a private company through a concession, could be beneficial for the government because it enables the latter to transfer operational and financial risks associated with managing the STOL aerodrome to the private company, reducing the government's financial burden. By shifting these risks to the private sector, the government can mitigate its financial exposure and ensure budgetary stability.

Private management through a concession also has its drawbacks and might present some risks and challenges. The most notable risk associated with this management option is that the private company managing the airfield might prioritise profits over public interest and the needs of the community, potentially leading to higher fees for certain aerodrome users, such as general aviation operators. Private management also corresponds with reduced government control. However, these risks may be mitigated through the terms and conditions specified in the concession contract.

Additionally, the private company managing the aerodrome may fail to make the necessary investments to maintain the airfield's infrastructure at the required level and standards. Another drawback of private management when compared to government management is the reduced transparency in the operation of the airfield.

A summary of the above arguments is presented in the table below.

**Table 1: Decision matrix used as a guidance to determine optimal management options**

Option / Criteria	Government management through a Government Company	Private management through a Concession
Expertise and Experience	Although, there might be some limits in terms of experience in managing aerodromes, the government still has the resources to obtain technical expertise	There are private companies who have high level of expertise and experience in aviation operations and management, who could leverage the airfield's potential
Efficiency	A government company might not seek profit maximization and hence operate below its efficiency frontier	Management through a concession is expected to incentivise the private operator to operate efficiently, and optimise resource allocation
Quality of Service	Government management might be less responsive to customer requirements as it might not seek profit maximization	Private management is expected to be more responsive to demand side factors
Flexibility	A government company may face constraints in terms of flexibility and adaptability to market changes, evolving customer demands, and technological advancements	Private operators are usually more agile and adaptable to changing market conditions and technological advancements compared to government entities
Innovation	A government company may lack the same incentive for innovation and continuous improvement as private management	Private management is expected to be more innovative and adaptable to evolving standards than government management
Accountability	A government company is expected to be more accountable to the public and have greater transparency in its operations	A private company is expected to be less accountable to the general public
Project Objectives	A government company is more likely to focus on objectives beyond profits	Private management is expected to be more profit-driven, and might prioritise certain activities even if they generate less social welfare

Taking into account the considerations summarised in the above table, private management through an operations and maintenance concession was determined to be the most suitable management option for attaining the specified purposes and for unlocking the potential of the Gozo Rural Airfield. This arrangement, which is a form of public-private partnership brings the right balance between government involvement and private sector participation in the management of the Gozo Rural Airfield.

### **3.2. Provision of a Scheduled Inter-Island Air Transport Service**

The private operator who shall fulfil the duties of the aerodrome operator, through an operations and maintenance concession, would be responsible for managing the airfield and its terminal, including operations, maintenance of terminal, runway, and other airfield facilities. It would also be responsible for apron management, and for providing air traffic services, perimetral and passenger security, rescue and firefighting services, ground handling services, and other related services.

Another important function of the aerodrome operator is to enable the provision of a scheduled inter-island air transport service. As was outlined earlier in this report, along with effective aerodrome management, the success of the Gozo Rural Airfield also depends on ensuring a reliable and efficient scheduled inter-island air transport service.

The provision of an airlink service could be viewed either as an integral function of the entity managing the airfield and its operations, or as an independent component, separate from its functions. In this regard, the establishment of an inter-island air transport service can be accomplished through different approaches, which comprise different level of involvement from the aerodrome operator.

As part of its analysis, the authors identified the following options for establishing a scheduled inter-island air transport service:

#### **I. Liberalisation of Service**

The first option consists in opening the market to multiple aircraft operators (air carriers). This approach could potentially foster competition among multiple operators, resulting in benefits such as lower fares, and improved service quality. Competition also incentivises operators to innovate and improve efficiency to attract customers.

However, there are also risks associated with this approach. Complete liberalisation might be hindered by the small market which might not cover costs, resulting into inconsistent service standards, and limited-service coverage especially in certain less profitable times.

#### **II. Provision of Airlink Service by Aerodrome Operator**

The second option entails incorporating the scheduled inter-island air transport service as part of the operations and management concession, with the selected operator entrusted with managing the aerodrome, and with providing a scheduled inter-island air transport service. This approach would streamline the procurement process by selecting one private operator capable of managing both functions. This integrated approach would optimise overall effectiveness and sustainability by ensuring better coordination and alignment of objectives. Also, by combining these two main components, potential synergies and cost efficiencies may be achieved since the concessionaire would be able to optimise resources and operations across both functions.

Despite these benefits, there are potential drawbacks and risks to consider. This approach introduces a risk of a conflict of interest between managing the aerodrome and providing air transport services. This risk should be carefully managed to ensure fair and transparent operations.

### III. Separate Selection Process for the Provision of Airlink Service

This approach addresses the provision of an airlink service, and the management of the aerodrome independently, using separate procurement processes. Opting for a separate procurement process for the provision of an air transport service allows the government to specifically target operators with expertise in STOL air transport operations. Treating the airlink service as an independent component from the aerodrome management enhances the government's flexibility to set specific requirements for the air transport service.

This approach presents some risks which need to be taken into consideration. It introduces complexity in managing multiple tenders and contracts. Moreover, coordination between the aerodrome operator and the air transport service provider may be challenging, potentially leading to inefficiencies or conflicts. Furthermore, there's a risk of duplication of efforts and resources if separate entities are managing the aerodrome infrastructure and providing air transport services.

A summary of the above arguments is presented in Table 2 below.

**Table 2: Decision matrix used as a guidance to determine optimal approach for the provision of an inter-island air transport service**

Option/ Criteria	Liberalisation	Including airlink in management concession	Separate selection process
Competition	High competition due to market liberalisation	Moderate level of competition, as selected operator should have competence in both management and air transport	High level of competition as operators specifically compete for airlink service

Coordination	Low coordination as different carriers operate independently	High level of coordination since both functions are managed by the same private operator	Moderate level of coordination as two separate entities would be involved
Administrative Complexity	The market self-regulates but the outcome is unclear	A moderate degree of complexity since the concession tender would incorporate both management and air transport	High level of administrative complexity due to multiple tenders and contracts
Government Control	Limited government control as market dictates operations without direct government intervention	The government retains a high level of control through the requirements specified in the tender/contract	The government retains a high level of control through the requirements specified in the tender/contract
Quality of Service (Schedule)	Schedule and pricing likely to reflect solely market conditions	A schedule can be imposed with some costs being compensated by other activities originating from the airfield	State aid might be required

Taking into account the benefits and drawbacks of each option, as well as the considerations outlined in Table 2, it was determined that incorporating the air transport service as part of the aerodrome management concession is the most suitable approach to achieve the specified objectives and have a successful project that reaches its potential. This arrangement emerged as the optimal approach as it ensures good integration of operations, optimal use of resources, and promotes synergies and efficient coordination, ultimately enhancing the overall sustainability of the airfield project.

#### 4. Proposed Management Model

Based on the analysis and considerations outlined in this report, it is proposed that the government retains ownership of the Gozo Rural Airfield infrastructure through Gozo Heliport Limited, while the management of the airfield and its facilities be outsourced to a private company through an operations and maintenance concession.

Apart from owning the infrastructure, it is being proposed that Gozo Heliport Limited maintains a role in the management and operations of the airfield, by initially leading the concession process

to select a competent aerodrome operator, and then by managing the concession agreement. As part of this role, Gozo Heliport Limited would be the legal entity to enter into contract with the selected private operator, and monitor compliance with the contract. The aerodrome operator shall be selected through a competitive concession tender, issued by Gozo Heliport Limited.

In this regard, it is proposed that Gozo Heliport Limited imposes a number of criteria, including the inter-island air transport schedule that the economic operator commits to provide. The schedule should cater for the needs of the Gozitan residents and facilitate the tourism industry but without imposing unreasonable burden on the operator that would render the service unprofitable in the long run. It is being proposed that the schedule of the inter-island air transport service is imposed a priori, as part of the concession document, while the pricing is left to the operator to establish. This reflects the fact that since the operator will enjoy a de-facto monopoly over the concession period, it can either set the supply i.e., the schedule, or the price, but not both.

Under this proposed model, the economic operator awarded the concession would be entrusted with managing the operations and the development of a general aviation ecosystem, and for establishing a reliable scheduled inter-island air transport service between the Gozo Rural Airfield and the Malta International Airport. The concessionaire, who would be designated as the aerodrome operator of the Gozo Rural Airfield, must also fulfil all the licensing obligations, and the emanating duties and responsibilities.

Based on the findings of a detailed Cost Benefits Analysis (CBA), prepared as part of the Regional Impact Assessment study, the proposed management model is expected to be financially viable for the private operator awarded the concession. Based on the results of this CBA study, it is expected that through the revenue generated from the airlink service and additional revenue from the general aviation and leasing of facilities, the private operator shall cover the costs of operation and also generate an annual return on investment.<sup>3</sup>

This arrangement shifts the operational and financial risks associated with the airfield, in particular those related to inter-island air transport service, to the private operator (concessionaire). Also, it allows the government to maintain control over the infrastructure while leveraging private sector proficiency in aviation management and air transport services. By retaining some level of control over the aerodrome operator, through the terms and conditions agreed in the concession agreement, the government would ensure that a satisfactory air transport schedule is provided.

## 4.1. Benefits of the Proposed Model

The proposed model presented in this paper presents various benefits, both to the government, as well as the airfield users and passengers using the inter-island air transport service. The most important benefits are listed below:

1. A cohesive approach, that fosters collaboration, coordination, and streamlined decision-making, and which contributes to smoother operations and enhanced

---

<sup>3</sup> [https://grda.mt/wp-content/uploads/2022/02/Gozo-Airfield\\_CBA-Publication.pdf](https://grda.mt/wp-content/uploads/2022/02/Gozo-Airfield_CBA-Publication.pdf).

service delivery.

2. Effective management set-up, which leverages private sector proficiency in aviation management and air transport services, ensuring compliance with standards, and enhancing the service quality and safety of the airfield.
3. Incorporating the airlink service and aerodrome management under a single concession would optimise resource utilisation and operations across both functions, enhancing the financial viability and the long-term sustainability of the Gozo Rural Airfield project. This integrated approach also contributes to more streamlined operations, including streamlined check-in procedures and improved assistance, enhancing overall service quality and customer satisfaction.
4. The government will not bear any direct costs to operate and manage the Gozo Rural Airfield and its facilities.
5. By retaining a level of control over the private operator, through the terms and conditions agreed in the concession agreement, the government would ensure that a satisfactory air transport schedule is provided.
6. The proposed model enables the realisation of the associated socio-economic benefits, including improved accessibility, reduced travel time, and enhanced employment opportunities.





**GOZO REGIONAL**  
DEVELOPMENT AUTHORITY

Tel: +356 22156338

Email: [info@grda.mt](mailto:info@grda.mt)

[www.grda.mt](http://www.grda.mt)