Fresh analysis pitches new approach to airline-airport bickering about charges

For immediate release 13 March 2014


This new analysis is the latest chapter of a debate about airport competition which began in June 2012, when Copenhagen Economics and Dr Harry Bush, former UK airport regulator, published the first-ever comprehensive study of Airport Competition in Europe. That study provided quantitative evidence of the significant extent of airport competition. In particular, it looked at the shift in the airport-airline dynamic resulting from the cumulative impact of aviation liberalisation, new and evolving airline business models, digitally empowered passengers and commercially driven airports.

In November 2013, airline trade association IATA contributed to the debate with its own briefing paper on the subject. That paper provided an alternative perspective and challenged the extent to which both passenger and airline switching between competing airports actually happens. However, the IATA paper also revealed potential common ground as regards the policy responses and solutions that the debate on airport competition requires. As a result, both ACI EUROPE and IATA seem to share the view that the using one rigid approach to regulating airports should be avoided – and that regulation needs to be proportionate to the actual degree of market power enjoyed by individual airports.

The new ACI EUROPE analysis paper released today builds on these commonalities with the objective of moving the debate on airport competition forward. It refines the way in which the market power of both players should be assessed and considers the impact upon their respective negotiating positions. Most notably, it advocates for a more innovative approach to airport regulation in Europe based on trigger regulation or price monitoring – which limits regulatory intervention and incentivises airports and airlines to develop better commercial relationships based on long-term contracts.

Olivier Jankovec, Director General ACI EUROPE commented “Today, price-cap and other traditional forms of regulation are polarising the airport-airline relationship over the single issue of airport charges. We need to break the constant cycle of accusation and counter-accusation. That means we need get to a point where we can just do what other industries are doing: negotiate long-term contracts with airlines that best suit each other’s interests. This is what trigger regulation is about, as it is essentially based on the threat to regulate – and leaves airports and airlines free to focus on their commercial dealings rather than on lobbying their regulator. This could potentially open the way for expanded cooperation on many issues, including service quality or incremental commercial revenue generation.”

Dr Harry Bush said “Almost everyone now accepts that airports are no longer natural monopolies but that the degree of market power they hold varies considerably, depending on individual circumstances. Yet, policies and regulations too often fail to adequately reflect this reality. The ACI EUROPE analysis paper released today should help aviation regulators shift the current framework away from what essentially remains a zero sum game approach, and instead facilitate the potential for genuine industry cooperation.”

CONTINUED ON PAGE 2
CONTINUED FROM PAGE 1

He added “Crucially, the debate between ACI and IATA demonstrates that within the industry there is both a genuine appetite for change as well as a basic understanding of the direction that needs to be taken.”

ENDS


For more information, please contact:

Robert O’Meara, Director, Media & Communications, ACI EUROPE at e-mail: robert.omeara@aci-europe.org, tel: +32 (0)2 552 09 82 website: www.aci-europe.org twitter: @ACI_EUROPE

ACI EUROPE is the European region of Airports Council International, the only worldwide professional association of airport operators. ACI EUROPE represents over 450 airports in 44 European countries. Member airports handle 90% of commercial air traffic in Europe, welcoming over 1.5 billion passengers, 18 million tonnes of freight and more than 20 million aircraft movements each year.

EVERY FLIGHT BEGINS AT THE AIRPORT.