Brussels: Earlier today, the European Commission released a formal Report on EU Member States’ application of the EU Directive on Airport Charges, which took effect in 2009.

ACI EUROPE took the opportunity to underline the generally successful implementation of the Directive across Europe, but also stressed the need for airport regulation to evolve so as to better reflect market reality.

While the Directive is essentially based on the assumption that airports are natural monopolists and that their charges need to be scrutinised, the Commission now recognises that the development of new airline business models has resulted in a shift in bargaining power between airports and airlines - to the benefit of the latter. However, this is no longer limited to regional airports and Low Cost Carriers at a time when ‘airline hybridisation’ is becoming the rule of the game – with Low Cost Carriers moving up market and Full Service Carriers adapting. The emergence of Global hubs, in particular in the Middle East, has also added significant competitive pressure for some time on our European hubs. A comprehensive study Airport Competition in Europe was already released in 2012, documenting and quantifying these developments.

Olivier Jankovec, Director General ACI EUROPE commented “Airports cannot move to a better market location, unlike airlines who enjoy a wide choice of airports to fly from. All airports can do is work hard to make their market location more attractive. This means that for every airport, offering competitive charges is a key business requirement, to retain existing traffic and attract new air services – all without the need for regulatory intervention!”

The tensions between prescriptive regulation and dynamic competition are already evident in issues such as charges incentive schemes that airports have developed to support airline growth, as well as in the differentiation of services offered to airlines. These tensions manifest themselves not only between airports and airlines but also between incumbent airlines and new entrants. There is clearly a risk that regulation ends up caught in the middle – potentially undermining normal commercial interactions and constraining competition.

Jankovec added ”Now that we can no longer assume that the airport is the dominant party in the airport-airline relationship, surely the objective of airport regulation needs to be reconsidered – along with its scope and content. The potential benefits for the aviation sector and the travelling public are significant. We are pleased that the Commission seems to be willing to look in that direction and we very much look forward to contributing to the Thessaloniki Forum next month.”

The Thessaloniki Forum of Airport Charges Regulators, due to take place on 13 June under the auspices of the Greek Presidency of the EU, will discuss the application of the Directive and changes in the competitive landscape in which airports operate.

ENDS
Notes for Editors:

Copenhagen Economics’ independent study Airport Competition in Europe is available to download here.

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ACI EUROPE is the European region of Airports Council International (ACI), the only worldwide professional association of airport operators. ACI EUROPE represents over 450 airports in 44 European countries. In 2012, member airports handled 90% of commercial air traffic in Europe, welcoming over 1.6 billion passengers, 16.7 million tonnes of freight and more than 16 million aircraft movements.