

New study reveals consumers paying higher air fares at congested airports

For immediate release

25 January 2017

ACI EUROPE

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Brussels, 25 January 2017: Yesterday saw the release of a new research study in which SEO Amsterdam Economics & Cranfield University found that consumers in Europe are paying **€2.1 billion** a year in additional air fares, due to capacity constraints at airports.

Scarce capacity ultimately means a limit to the number of aircraft that can arrive at or depart from an airport – particularly at the busiest times of the day or year. While economic regulation of larger airports keeps airport charges low – and even below actual airport costs, it does not suppress demand.

With passenger demand to fly at peak times continuing to rise at congested airports, but the supply of aircraft & air services remaining constant, prices go up – meaning that passengers have to pay higher air fares to airlines if they wish to fly to/from these airports. And with no spare airport capacity, market access is blocked – effectively preventing more airlines from entering and competing down air fares.

Speaking at the New Year reception of European airport association, ACI EUROPE* at the European Parliament last night, **Augustin de Romanet, President of ACI EUROPE and President & CEO of Groupe ADP** said *"This new study spells it out very clearly. Incumbent airlines are collecting scarcity rents at capacity constrained airports – which of course undermines their incentive to support capacity expansion and also helps explain why they so fiercely oppose increases in airport charges. By 2035, passengers will be paying every year **€6.5 billion** in higher fares, specifically due to a lack of airport capacity."*

This situation also has implications for airport regulation. If airlines are pricing on the basis of what passengers are prepared to pay, rather than on a cost-basis, then lower airport charges will not result in lower air fares – instead any savings will go straight into airlines' back pockets.

Commenting on the European Commission's recently launched evaluation of the EU Airport Charges Directive, de Romanet added: *"Ultimately, what this shows is that what may be good for airlines – like lower airport charges – is not always good for passengers. Along with the rise of airport competition, this calls for a significant reset of the regulatory mindset – Europe needs to move towards a more passenger-focused and market-based approach to the regulation of its aviation sector."*

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Notes to Editors

*The annual New Year reception of ACI EUROPE took place at the European Parliament in Brussels, hosted by **Deirdre Clune MEP** (Ireland) and **István Ujhelyi MEP** (Hungary), Vice-Chair of the Parliamentary Committee on Transport & Tourism.

Previous studies quantifying the impact of airport congestion on air fares include: PWC (2013) *'Fare differentials Analysis for the Airports Commission on the impact on the capacity constraints on air fares'* and Frontier Economics (2014) *'Impact of airport expansion options on competition and choice.'*

** The full study by **SEO Amsterdam Economics & Cranfield University** entitled *The Impact of Airport Capacity Constraints on Air Fares* is available to download here: <https://www.aci-europe.org/component/downloads/downloads/4883.html>

An **ACI EUROPE synopsis** of the study entitled *'How Airport Capacity Impacts Air Fares'* is available here: <https://www.aci-europe.org/component/downloads/downloads/4884.html>

The full speech of Augustin de Romanet, President of ACI EUROPE can be accessed here: <https://www.aci-europe.org/component/downloads/downloads/4885.html>

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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 **500 airports** in 45 European countries. In 2015, our member airports handled over 90% of commercial air traffic in Europe, welcoming more than **1.9 billion passengers, 18.9 million tonnes of freight** and **22.8 million aircraft movements**. These airports contribute to the employment of **12.3 million people**, generating **€675 billion each year (4.1%) of GDP** in Europe.*

EVERY FLIGHT BEGINS AT THE AIRPORT.