Perhaps we could talk about something else now?

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Over the past two years - and especially since airlines' representation in Brussels has been overhauled - discussions about how to finance airport infrastructure in Europe have systematically led to entrenched, yet mostly sterile debates. Constant bickering about issues such as single-versus-dual tills, consultation mechanisms, cost-relatedness and transparency all come down to airlines asking for more regulatory intervention to control airports – which they essentially portray as being natural monopolists, hopelessly inefficient and earning far too much money.

The airlines' arguments are well known and I do not feel I need to repeat them here – not least because airlines always have the upper hand when it comes to attracting publicity. Of course, I can understand what pushes them to make these arguments: paying less for something is always bound to be attractive and worth a try. But their persistence has begun to give everyone a vivid dose of *déjà vu*. What truly puzzles me is how airlines are making their case with a total disregard not just for market reality, but also for policy choices already made by governments in Europe and the EU as to how airport infrastructure should be run and financed.

Let me start with market reality. What airlines are essentially saying is that while the single European aviation market has revolutionised European air transport, it has only produced perfect competition between airlines, leaving airports both untouched and unconcerned – with their shareholders enjoying the rewards of this splendid isolation from market forces. In other words, they claim that the formidable expansion of low-cost airlines and the significant restructuring of full-service airlines has not resulted in airports being exposed to increasing competitive pressures. That these airlines have the ability to move aircraft around Europe at the blink of an eye (and they exercise that ability without remorse) and that they have accounted for the bulk of the growth in passenger traffic at Europe's top 20 airports should also be considered as irrelevant to airport competition…

All this obviously does not stand the test of any reality check. Without going into details, quite aside from the proactive route-development strategies of airports of all sizes, there is also the fact that airlines now routinely run 'beauty contests'. This is when airlines call on dozens of airports of all sizes to make their best offers, so as to *"give all of the airports in our network the opportunity to secure the best outcome"* from their route planning - as recently written by a major airline. This is clearly nothing more than airport competition at play, orchestrated by powerful, dominant and profitable European airlines.

It is quite remarkable how airlines' rhetoric in Brussels and other national capitals is completely at odds with the way they actually behave today in the market. But luckily, the European Commission is no fool. It has duly acknowledged the reality of airport competition. Its *Competition Policy Brief* published with the release of the 2014 State Aid Guidelines for aviation rightly states: *"Now there is effective and growing competition among European airports, brought about by route liberalisation and airport privatisation. The major European airports compete for point-to-point and transfer traffic in order to expand both their route/airline portfolio and reduce their dependence on established hub carriers… Small regional airports have also become accustomed to market pressures, as they compete for no-frills and regional services."*

But now is the time for airport regulation to reflect these new market dynamics – and to become aligned with State aid rules. If the Commission considers that State aid should be ruled out for airports with more than 5 million passengers because these airports compete, why would these same airports need to be systematically regulated ex-ante when it comes to their charges? The current evaluation of the EU Airport Charges Directive should certainly look at addressing this paradox.

Beyond new and fast-evolving market realities, the EU State aid rules for aviation are also linked to policy choices. Indeed, one of the reasons that led the European Commission to restrict the ability of EU States to publicly finance airport infrastructure was the sovereign debt crises – and the need for more fiscal discipline. Interestingly, this was something Member States were quite keen on.

Round-table debate during the Dialogue, *from left to right:* Thomas Reynaert, Olivier Jankovic, Simon McNamara, Sylviane Lust, Rafael Schvartzman, Jeff Poole and moderator David Feldman.

It mirrored the fact that they were actually no longer willing to pour public money into airports, nor to use airports as instruments of support for their national airlines. Instead, one by one, Member States have followed a new policy agenda requiring that all their airports be self-financed (except the smallest ones) – pushing them to become businesses in their own right through corporatisation or privatisation. Europe is now at the forefront of this business evolution, with the highest share of airports with private shareholders globally.

The consequences, in terms of the financing of airport infrastructure, are pretty straightforward – and all too logical. Without the luxury of public funding (which remains widespread in other world regions, including in the US) the money can only come from users, i.e. airlines and passengers. What is more, today's airports' shareholders, be they public or private, also expect a return on their investment in financial terms. And private shareholders rightly benchmark Europe's airports with other investment opportunities on our continent and beyond.

Against that background, the airlines' rhetoric on airport charges only sounds like a call for a return to the good old days of airports cross-subsidising their own businesses. It regrettably makes them sound like they are living in *Alice in Wonderland* – very out of touch with reality.

It is high time that they accepted the implications of policy choices already made by the EU and national governments for airport financing. Just like Alice, it is time to grow up. And they should not worry too much – I am quite sure they are going to be alright all the same…

It is not like we, in air transport, do not have other issues that we need to address. Decarbonisation, external relations and Open Skies, Brexit, security, safety and increasingly relevant digital disruption. How about we move on to those? ■

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About ACI EUROPE

- ACI EUROPE is the European region of Airports Council International. It represents over 500 airports in 45 European countries. In 2015, 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 EUR 675 billion each year (4.1%) of GDP in Europe.

Olivier Jankovec became Director General of the European region of the Airports Council International (ACI EUROPE) in September 2006. Mr Jankovec first joined ACI EUROPE in March 2006 as Director of Strategy & Communications. He has more than 20 years of governmental and lobbying experience, having worked for Alitalia (2002-2006), Air France (2000-2002) and the Air Transport Directorate of the European Commission (1994-2000). Immediately prior to joining ACI EUROPE Mr Jankovec was the Director of Institutional Relations for Alitalia where he was in charge of governmental affairs at national, European and international levels. During this time, he was also Chair of the Association of European Airlines Policy Committee. In 2006 and 2007, he participated in the EU's High-Level Group on the future of aviation regulation in Europe and he is also a member of the Advisory Board of the World Tourism Forum.