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# Time for airlines to come to terms with the 'user pays' principle & end their double-speak on capacity

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**Brussels, 17 December 2018:** The European Commission's stakeholder conference on sustainable transport infrastructure charging takes place today in Brussels, with a focus on the implementation of the 'user pays' principle. This principle has underpinned EU policy on transport financing & pricing for the past 20 years\*.

Participating in the event, ACI EUROPE stressed how the business transformation of airports has been instrumental in ensuring a greater reliance on the 'user pays' principle. Through corporatisation, privatisation<sup>1</sup> and becoming B2C (Business to Consumer), Europe's airports have moved on from being instruments of airline subsidisation through artificially low user charges. This is the direct result both of governments no longer willing to use tax payers' money for airport development and EU policies limiting airport public financing - in particular, the Growth & Stability Pact and stricter State aid control<sup>2</sup>.

While the 'user pays' principle is now more widely applied for airports, ACI EUROPE made clear that user charges levied by European airports still do not cover the full cost of operating and developing their facilities.

**Olivier Jankovec, Director General of ACI EUROPE** said *"Today, user charges only cover about 2/3 of total airport costs, with the resulting €12bn funding gap covered by a wide range of non-aeronautical revenues - from retail to real estate and advertising. This funding gap reflects competitive pressures from airport competition and airline dominance, as well as effective regulatory controls over airport charges. Both are delivering positive market outcomes, as evidenced by the relentless expansion of air connectivity enjoyed by an ever increasing number of travelers<sup>3</sup>."*

Yet, airlines and their trade associations have been campaigning for lower airport charges through tighter regulation and a questioning of airport privatisations. ACI EUROPE today exposed this self-serving agenda, which is clearly at odds with the 'user pays' principle: *"IATA is calling for airports to be operated as a public service<sup>4</sup>. It also "advises" States selling their airport assets to do so for less than their market value<sup>5</sup> - supposedly considering 'broader stakeholder interests' to ensure lower user costs for airlines. In doing so, IATA is just asking Governments to put private user interest ahead and above taxpayers' interest. In fact, this is nothing else but a throwback to yesteryear: going back to when governments used airports to subsidise airlines."*

Aside from the 'user pays' principle, IATA's demands are also incompatible with EU State aid rules. The decision<sup>6</sup> taken last week by the European Commission to clear the concession for Athens International Airport only subject to the price to be paid to the Greek State being increased from €484 million to more than €1.1 billion is a case in point.

Airport privatisation (through asset sales or concessions) is not only an important way for governments to bring in revenue and reduce public debt. It also a way to ensure timely investment in airport capacity, quality and sustainability - without weighing on taxpayers and without corporate risk taking for States. As such, it is a legitimate part of responsible growth.

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On this, Jankovec said *"Airport privatisation in Europe has proven to be a successful and resilient basis for airport development – delivering benefits for taxpayers, governments, consumers, businesses at large and aviation industry stakeholders. Looking ahead, private investment and user charges will be crucial to addressing the airport capacity crunch<sup>7</sup> that Europe is facing. We all know well that with a few exceptions, the funding needed will not come from Governments – and that money still does not grow on trees.*

He concluded *"IATA looks rather disingenuous when it raises alarm over the lack of airport capacity, but at the same time campaigns against airport privatisation and looks for ever-lower airport charges. This paradox reveals the true nature of the airline agenda. Indeed, we now see airlines more and more opposing airport capacity expansion - as this allows them to limit competition, increase their pricing power and market dominance."*

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#### Notes to Editors

\* The European Commission's **White Paper on Transport states**, *"Transport users pay for the full costs of transport in exchange for less congestion, more information, better service and more safety."* Economic principles recognise that efficiency and welfare is maximized when users of infrastructure (in this case) pay for the full costs incurred in providing these facilities and services.

<sup>1</sup> Since 2010, the percentage of EU airports with private shareholders has increased from 23% to more than 50%.

<sup>2</sup> The 2014 Guidelines on State aid to airports forbid public aid to airports with more than 5 million passengers per annum. They allow public aid to smaller airports only under strict & restrictive conditions to address market failures.

<sup>3</sup> Over the past 10 years, connectivity at EU airports has increased by +28.5% (2008/2018). Over the past 5 years alone, passenger traffic at EU airports has increased by +28.7% (2012/2017), more than 3 times GDP growth. Last year, EU airports were the second largest contributors to global passenger traffic growth (20.4%) – just behind Chinese airports (22.8%) and well above North American airports (11.2%).

<sup>4</sup> See Page 36 of IATA Annual Review:  
<https://www.iata.org/publications/Documents/iata-annual-review-2018.pdf>

<sup>5</sup> IATA "Balanced Concessions" that consider "broader stakeholder interests" :  
<https://www.iata.org/policy/infrastructure/Pages/index.aspx>

<sup>6</sup> European Commission decision of 12 December 2018 (SA. 48509) -  
[http://europa.eu/rapid/press-release\\_IP-18-6785\\_en.htm](http://europa.eu/rapid/press-release_IP-18-6785_en.htm)

<sup>7</sup> Find out more about EUROCONTROL's latest *Challenges of Growth* forecast here:  
<https://www.eurocontrol.int/publications/european-aviation-2040-challenges-growth-report>

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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. 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.**