

EC Airport Charges Report shows no misuse of airport market power

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Brussels, 11 July 2019: The European airport industry has reacted to the findings of a new report about airport charges by the European Commission, released yesterday. The report which evaluates the effectiveness of the current EU Directive on Airport Charges recognizes that new market dynamics have resulted in increasing competitive pressures upon airports of all sizes across Europe, thus limiting their market power.

Olivier Jankovec, Director General, ACI EUROPE commented: *“The Commission’s report has rightly identified the key drivers of increasing airport competition¹: from the relentless development of Low Cost Carriers and their move up market into primary airports to the multi-hub strategies of powerful Full Service Carriers and their alliances – and the expansion of a number of non-European carriers which are courted by airports globally.”*

#AIRPORTSCOMPETE

It is thus not surprising that the report points to airports in Europe generally not being in a position to misuse any market power they may have. Indeed, the report does not validate airlines’ tired allegations that airports exhibit excessive profitability levels, that they overcharge for the use of their facilities and that the ‘dual till’ system reflects excessive market power.

Jankovec said *“If there is one thing that comes out very clearly from the Commission’s analysis, it is that airports’ market power has significantly diminished in Europe over the past 10 years. Today, 98% of Europe airports offer incentives and rebates to attract and retain airlines’ business and develop their connectivity. Surely, if airports did not face competitive pressures, they would not need to do that. Similarly, the fact that at industry level charges paid by airlines only cover 80% of airports’ operating costs² and do not even contribute to investment and capital expenditure is striking.”*

Further reflecting these new competitive dynamics, the Commission’s report also points to the ability of airlines to exert dominance upon airports to block or delay their investment in capacity or quality. Doing so allows them to limit airline competition and charge higher fares – to the detriment of consumers and connectivity developments. Clear evidence was presented to the Commission about the extent of this problem and its implications.³

LACK OF ALIGNMENT

While ACI EUROPE concurs with and supports most of the analysis conducted by the Commission, it however raised concerns at the disconnect and lack of alignment between this analysis and some of the initial conclusions of the report.

Jankovec stated *“If - as the report shows - the Commission is unable to prove and conclude that airports are able to misuse whatever market power they may still have, how can it consider at the same time that the risk of such market power being misused persists in any significant & systemic way? This contradiction needs to be resolved. It also shows that the Commission has not taken on board all of the implications of current national regulatory frameworks that go well beyond the principles set out in the Airport Charges Directive. Indeed, charges at most major European airports are already reviewed and set by national regulators. Subsidiarity is and should remain a prerequisite in this regard.”*

Another concern is that the evaluation report seems to believe that regulation is the solution to every problem. In all of the questions posed during the evaluation, the report states that the objectives set by the existing Directive are largely being achieved, but that more could be done, with more prescriptive rules. However, experience across many industries in Europe shows that the best way to allow markets to operate efficiently and deliver better outcomes is actually for regulators to step back - and let commercial entities resolve their own supply agreements, under the protection of the EU's robust competition rules.

Finally, ACI EUROPE also considers that sustainability and the Climate Emergency also need to be part of the evaluation of the EU Airport Charges Directive. Apart from the fact that airports will need to invest in the full decarbonisation of their facilities, this issue is about ensuring coherence with the *user pays* principle.

ACI EUROPE and its members look forward to continuing their engagement with the Commission and EU States on these important issues.

ENDS

Notes to Editors

¹ To learn more about how airports compete to attract airlines, watch our 4 part video series: <https://www.youtube.com/watch?v=qXUkwOB2U5s>

² Download the latest graph on Airport Revenues versus Costs here: <https://www.aci-europe.org/component/downloads/downloads/6054.html>

³ Download the publication *How Airport Capacity Impacts Air Fares* here: <https://www.aci-europe.org/component/downloads/downloads/4910.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. Our members facilitate over 90% of commercial air traffic in Europe: **2.3 billion passengers, 21.2 million tonnes of freight and 25.7 million aircraft movements** in 2018. In response to the Climate Emergency, in June 2019 our members committed to achieve net zero carbon emissions for operations under their control by 2050, without offsetting.*

EVERY FLIGHT BEGINS AT THE AIRPORT.