



AIRPORTS COUNCIL
INTERNATIONAL



WHAT REALLY DRIVES AIR FARES

Debunking myths about airport charges &
setting the record straight on airline competition,
airport capacity and airlines' scarcity rents

INTRODUCTION

The Fitness Check currently being carried out by the European Commission on the EU Airport Charges Directive (ACD) and the EU Airport Slots Regulation (ASR) provides the opportunity to revisit a number of assumptions and practices regarding the way airports and the use of their facilities by airlines have been regulated in Europe.

Indeed, the ACD – including the way it has been implemented at national level – and the ASR both reflect and result from the predominantly airline-centric view which has dominated aviation policy and regulatory practice over the past 40 years:

- The ACD and national regulatory regimes both in the EU and other European jurisdictions are generally based on the premise that airports do not compete and that they are able to abuse their market power vis-à-vis airlines – who therefore need to be protected.
- The ASR essentially transposed the IATA Scheduling Procedures Guide, which was developed by incumbent airlines for incumbent airlines without involvement of airports – despite the fact that these rules dictate the way the facilities financed and developed by airports are to be used by airlines.

This means that the focus and “*raison d’être*” of the ACD and ASR is predominantly the airlines – not the passenger. Or rather, it was assumed that by focusing on the airlines, these regulations would also naturally and necessarily focus on the passenger.

In today’s liberalised, consolidating and capacity-constrained Single Aviation market, this assumption – and the permanent confusion between airline interest and passenger interest that it entails – is rather extraordinary. It certainly does not reflect reality.

It is therefore time to challenge this state of play. This is why ACI EUROPE commissioned Oxera to look into the drivers of air fares and understand the extent to which consumer outcomes (in terms of how much consumers are paying for travelling by air) are affected by the ACD and the ASR.

Oxera’s analysis is exhaustive – spanning over 62,000 data points covering 5,915 routes from 54 airports – across four IATA seasons between 2023 and 2025. It combines flight schedules, air fares, airport charges and runway capacity data, thus allowing the real drivers of air fares to be identified and quantified.

The results are instructive for policy makers and regulators – not just at EU level in the context of the Fitness Check, but also at national level across Europe:

- Apart from underlying demand, what primarily and most substantially drives air fares is the degree of airline competition on any given route, immediately followed by the degree of airport congestion. Oxera's deep-dive into how competitive dynamics between airlines, as well as airport congestion, are impacting air fares is truly revealing.
- Conversely, airport charges have a small and uncertain impact on air fares with a weak pass-through rate. At the same time, these charges reflect the 'user pays' principle and their *"raison d'être"* is to finance the sustainable operation and development of airport facilities – including the capacity that in turn enables competition, connectivity and... affordable air fares.

The resulting policy implication is straightforward. Affordable and competitive air travel mostly depends on:

1. Creating the conditions for effective airline competition.
2. Maximising the use of existing airport capacity.
3. Enabling airports to invest to meet demand and connectivity needs.

This means that regulation should focus on effective market access, efficient airport capacity use and infrastructure investments enabled by airport charges that deliver measurable benefits for consumers and the economy, while also delivering resilience and decarbonisation.

In other words, regulation must support a common policy objective: delivering consumer benefits through effective competition, connectivity, efficient use of scarce capacity, and long-term infrastructure investment.

THE OXERA STUDY AT A GLANCE

What really drives air fares?

Affordable air travel depends primarily on passenger demand, effective airline competition and sufficient airport capacity, not on airport charges alone.

Air fares are commercial prices. Airlines continually adjust them according to demand, remaining seats, booking patterns, travel times and the alternatives available to passengers. Airport charges, by contrast, are comparatively stable and do not change whenever demand for a flight rises.

The study draws on more than **62,000 comparable fare data points**, covering **5,915 routes from 54 European airports** across four IATA scheduling seasons between 2023 and 2025.

Four key findings

1. Demand explains everyday fare changes

Fares are generally higher at the most convenient times, at weekends and during holiday periods. Fares observed 14 days before departure were around **20% higher** than those observed 60 days in advance, even though airport charges remained unchanged.

2. Effective airline competition constrains fares

A 10% increase in airline concentration is associated with fares that are **1.06% higher**. Airline entry is associated with fares that are around **6.7% lower**, while airline exit is associated with fares that are around **9.7% higher**.

Competition must be assessed between genuinely independent airlines, not simply by counting different brands belonging to the same airline group.

3. Airport congestion creates a scarcity premium

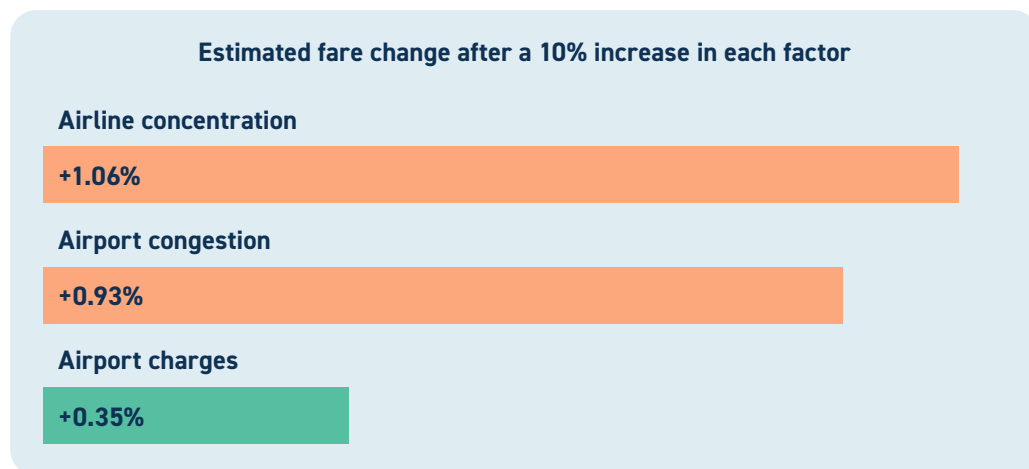
When airport capacity is scarce, airlines cannot easily add flights and new competitors may be unable to enter. As a result, a 10% increase in congestion is associated with fares that are approximately **0.93% higher**.

The resulting scarcity premium extracted by airlines is estimated at **€6.4 billion**, equivalent to an average of **€13.54 per one-way ticket** at congested airports.

4. Airport charges have a smaller and less certain effect

A 10% increase in airport charges is associated with an average fare increase of approximately **0.35%**. Only part of a change in charges is reflected in passenger fares: the estimated average pass-through rate is around **26%**.

Lower airport charges therefore do not mean lower fares.



What should policy do?

- **Modernise airport slot rules.** Recognise airline groups when assessing competition and ensure that new-entrant provisions support genuinely independent competitors capable of establishing a viable presence.
- **Make better use of existing capacity.** Ensure that scarce slots are used effectively, or returned for reallocation to airlines willing to provide additional services.
- **Enable well-judged airport investment.** Airport charges finance safety, security, resilience, decarbonisation and future capacity. Regulation should consider these long-term benefits alongside the immediate cost to airlines.
- **Focus on the full passenger outcome.** Assess fares together with choice, connectivity, frequency, reliability and service quality. A benefit granted to an airline should not automatically be assumed to benefit passengers.

The Airport Charges Directive remains fit for purpose. The priority for reform lies in modernising airport slot rules, improving access for effective competitors and enabling airports to invest in the capacity Europe needs.

The figures presented are average estimates across the study sample and should not be interpreted as predictions for every individual route or policy measure. Policy recommendations reflect ACI EUROPE's interpretation of the data.



1. STATIC AIRPORT CHARGES VS. DYNAMIC AIR FARES

The important implication of Oxera's analysis is the way in which and the timeframe over which air fares are set, compared to airport charges:

- Airport charges are set well in advance, for the upcoming IATA season(s) – and often for periods of several years at a time. Once they are set, they are static and do not change for the duration of the reference period.

Airports do not set their charges as they see fit, as they have to abide by both EU and national regulations. This involves systematic consultations with airlines as well as adherence to the principle of cost-relatedness – which significantly limit variations in airport charges over time. In many cases, especially at larger airports, the regulator actually ends up setting the level of the charge.

- Conversely, air fares are based on dynamic pricing defined by airlines and change constantly – by the hour, sometimes even more frequently, as anyone who has ever purchased an airline ticket online can attest.

Airlines are entirely free to set air fares as they see fit. They use Revenue Management techniques involving pricing algorithms, aimed at optimising revenues on every single flight. Revenue managers are tasked with striking the optimal balance between yields (prices) and volumes (load factor). They do so based on actual, past and forecasted demand levels and competitors' pricing. Indeed, revenue managers often set and adapt air fares without even considering the underlying costs of providing the service – let alone the level of airport charges on the routes they are dealing with!





2. DEMAND, COMPETITION BETWEEN AIRLINES... AND AIRPORT CONGESTION DRIVE AIR FARES

Oxera's analysis shows that, beyond underlying demand, **the most important drivers of air fares are the degree of airline competition on a route and the availability of airport capacity.**

These factors determine how much pricing power airlines have, and whether they can react to passenger demand increases with more seat capacity.

A. Passenger demand

As previously mentioned, airlines use dynamic pricing to set and adjust fares as demand for a flight varies. They consider how many seats have already been sold, how much time remains before departure, the popularity of the travel date, and the fares offered by competing airlines.

As a result, two passengers sitting next to each other on the same flight may have paid very different prices, even though the cost of operating the flight (including airport charges) is the same.

Oxera's analysis shows clear and intuitive variations in air fares:

- **Time of day:** fares for departures generally peak for flights in the morning between 08.00 and 10.00 and in the afternoon between 16.00 and 19.00, when passengers place the greatest value on convenient departure times.
- **Day of the week:** weekend fares are generally higher than weekday fares, particularly during the summer season.
- **Time of year:** fares are higher during the main spring and summer travel periods and around Christmas.
- **Booking date:** fares observed 14 days before departure are around 20% higher than fares observed 60 days in advance.

These variations occur even though airport charges generally remain unchanged.

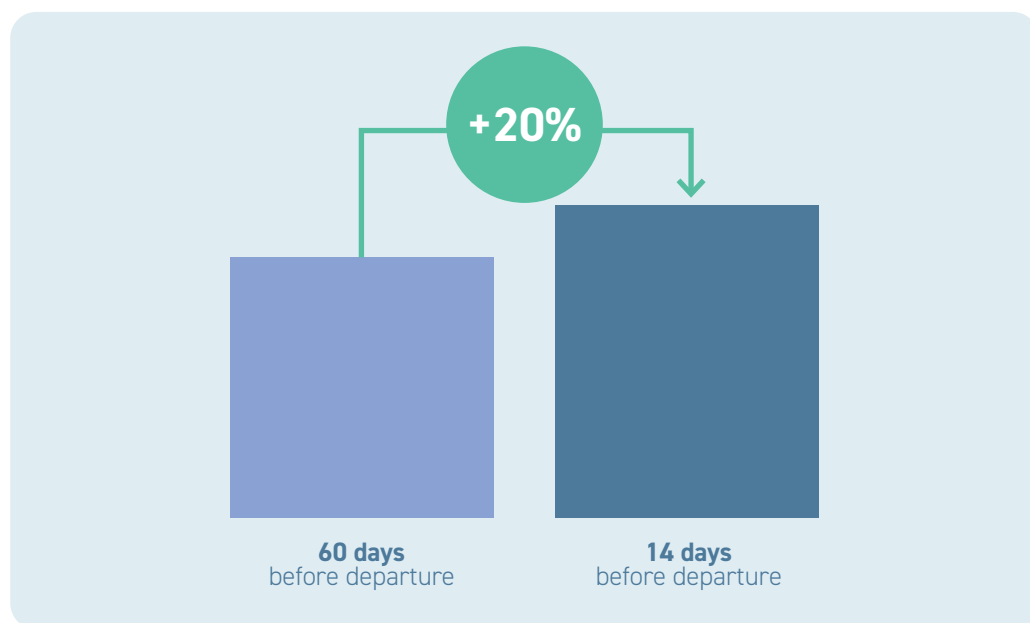
A seat on a specific flight is a finite product. Once the aircraft departs, an empty seat can no longer be sold. At the same time, passengers who need to travel on a particular date or at a convenient time only have a limited number of suitable alternatives.

When demand is strong and few seats remain, airlines can charge more. When bookings are weaker than expected, they may reduce fares to attract additional passengers.

A seat at a popular time costs more because more passengers want it and fewer alternatives remain – not because the airport suddenly costs more to use.

EXHIBIT 1: ONE JOURNEY, MORE THAN ONE PRICE

Air fare comparison: The route and date of travel are the same. Only the booking date changes.



Across Oxera's dataset, fares observed 14 days before departure were consistently around 20% higher than those observed 60 days in advance.

What changed? Passenger demand, the number of seats remaining and the airline's pricing decisions – not the airport charge.

B. Airline competition

The degree of competition on a route is a fundamental determinant of the prices paid by passengers

Where several genuinely independent airlines compete, each carrier must reckon with the fares and services offered by its rivals. Where only one airline operates, or one carrier has a dominant position, passengers have fewer alternatives and competitive pressure is weaker.

Oxera finds that a **10% increase in airline market concentration is associated with an average increase in air fares of 1.06%.**

To illustrate what this means, a 10% increase in concentration could represent a route moving from two airlines with equal market shares of 50% each to a market in which one airline has 66% and the other 34%.

Putting it differently, imagine a route served by two airlines, each operating one daily flight (or seven flights per week). If one airline cancels four weekly services, it operates only three flights while its competitor continues to operate seven. Total frequency falls from 14 to 10 flights per week, and the larger airline's market share rises from 50% to 70%. Passengers therefore face fewer travel options and a significantly more concentrated market, i.e. two factors that can weaken competitive pressure on fares, even though airport charges have not changed.

Changes in the number of airlines serving a route provide an even clearer illustration:

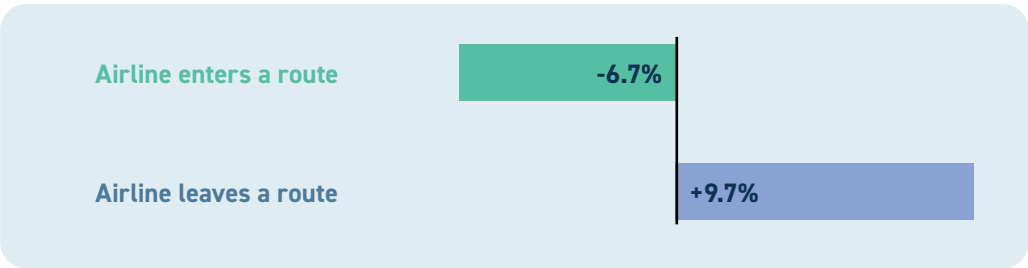
- **Airline entry is associated with fares that are approximately 6.7% lower on average.**
- **Airline exit is associated with fares that are approximately 9.7% higher on average.**

These figures are average estimates across Oxera's sample. They do not mean that every new airline will reduce fares by exactly 6.7%, or that every airline exit will produce a 9.7% increase. The outcome on an individual route will also depend on demand, capacity, and the position of the airlines involved.

Nevertheless, the overall conclusion is clear: **when passengers gain a credible alternative, downward pressure on fares increases. When an alternative disappears, that pressure weakens and fares rise.**

EXHIBIT 2: AIR FARES WHEN COMPETITION CHANGES

More competition gives passengers greater choice and places additional pressure on air fares.



The type of airline competition also matters

Oxera finds that fares tend to be lowest on routes served by Low-Cost Carriers (LCCs) and highest on routes served only by Full-Service Carriers (FSCs).

Greater competition is generally associated with lower fares, but the effect is particularly strong when FSCs face competition from LCCs. LCC fares are already comparatively low and therefore tend to decrease less when competition increases. Their presence, however, places significant pressure on the fares offered by FSCs.

It is therefore not sufficient to consider only the number of airlines operating on a route. **Who is competing (and how strongly they compete) is equally important.**

Airline brands are not necessarily independent competitors

European aviation keeps consolidating into a relatively small number of large airline groups. Several airlines may continue to operate under different brands while belonging to the same parent company and closely coordinating commercial strategy.

For passengers, a longer list of airline logos no longer means more independent competition.

Oxera finds that **airline concentration is, on average, 20% higher when competition is measured at airline-group level rather than by counting individual carriers that comprise the group.**

This finding has important implications for the Airport Slots Regulation. The Regulation may treat two airlines belonging to the same group as separate competitors, even though their network and commercial decisions can be coordinated.

Passengers benefit from genuinely independent alternatives – not simply from a greater number of airline brands.

C. Airport congestion and scarcity

Effective airline competition also depends on access to airport capacity.

Airport congestion occurs when demand for take-off and landing slots approaches or exceeds the runway capacity available. At a congested airport, existing airlines may be unable to add frequencies, while new competitors may find it impossible to enter.

When passenger demand remains strong, but the supply of flights cannot expand, competition automatically weakens. Airlines holding scarce airport slots then benefit from their privileged access to capacity.

This produces what economists call a **scarcity premium or scarcity rents**: fares are higher than they would be if sufficient airport capacity were available.

Oxera finds that a **10% increase in airport congestion is associated with an average air fare increase of approximately 0.93%**, after accounting for competition and other route characteristics.

A 10% relative increase in congestion could, for example, result from average runway utilisation increasing from 50% to 55%, or from 80% to 88%.

The relationship between congestion and air fares becomes stronger at airports that are already highly congested.

EXHIBIT 3: THE SCARCITY PREMIUM PAID BY PASSENGERS

Oxera estimates that airport congestion generates approximately:

€6.4 billion

**in additional economic rents
paid to airlines by passengers
at European airports**

This corresponds to an estimated average premium of:

€13.54

**per one-way ticket
at congested airports.**

The scarcity premium is embedded in the air fare. It is not an airport charge or a separate item shown on the passenger's ticket.

Airport congestion affects passengers through two connected channels.

- First, scarcity limits the number of flights and seats available. When demand exceeds this supply, air fares can increase.
- Second, a lack of available airport slots can prevent new airlines from entering and existing competitors from expanding. This reduces passenger choice and further weakens competitive pressure – also leading to air fares increasing.

In the short term, better allocation and use of airport slots is essential to maximise the use of airport capacity. In the longer term, however, meaningful relief from congestion requires investment in additional infrastructure.





3. AIRPORT CHARGES: SMALL & UNCERTAIN IMPACT ON AIR FARES VS. BIG IMPACT ON CAPACITY, RESILIENCE AND SUSTAINABILITY

Airport charges are often portrayed as an important determinant of air fares. Airlines routinely cite them when opposing proposed charge increases, while regulators scrutinise charge levels on the assumption that lower charges will benefit passengers by limiting increases in air fares.

Oxera's findings clearly challenge the assumption that changes in airport charges are automatically passed through into air fares.

The analysis finds that **a 10% increase in airport charges is associated with an average air fare increase of approximately just 0.35%.**

The relationship is therefore positive, but substantially smaller than the relationships identified for airline competition and airport congestion. It is also less certain: in some model specifications, the estimated airport-charge effect is not statistically significant.

Putting the results on a common scale

Applying the same 10% change to each factor makes the relative effects easier to understand.

EXHIBIT 4: ESTIMATED AIR FARE EFFECT OF A 10% INCREASE

The estimated effects of airline concentration and airport congestion are approximately three times the effect of airport charges.

Factor	Description	Estimated air fare effect	Illustration of a 10% change
Airline concentration	10% increase in city-pair level concentration by IATA season increases prices by...	1.06% (€1.82)	Market shares change from 50/50 to 66/34
Airport congestion	10% increase in monthly airport-level congestion increases prices by...	0.93% (€1.60)	Average runway utilisation rises from 50% to 55%
Airport charges	10% increase in total turnaround charges increases prices by...	0.35% (€0.61)	Total aircraft turnaround charges rise from €5,000 to €5,500

Source: Oxera analysis. Figures are illustrative averages across the study sample.

No euro-for-euro pass-through

Pass-through describes the extent to which a change in an airline’s costs is reflected in the fares paid by passengers.

Full pass-through would mean that every additional euro of airport cost resulted in an equivalent increase in fares. Conversely, it would mean that every euro saved by an airline through lower charges was transferred to passengers through lower fares.

This is not what Oxera’s analysis finds – far from it.

The model implies an average airport-charge increase pass-through rate of approximately **26%**. Changes in airport charges are therefore only partially reflected in air fares.

The remaining cost may be:

- absorbed by the airline;
- reflected in the airline’s profit margin;
- offset through other commercial or network decisions;
- distributed differently between passengers according to demand and willingness to pay;
- balanced by improvements in operational efficiency.

What is even more striking is the fact that decreases in airport charges tend not to translate into lower fares paid by passengers.

The important policy conclusion is that **limiting increases in airport charges should not automatically be treated as an equivalent saving for passengers**. Whether some of the benefit actually reaches passengers depends primarily on market conditions and the airline's commercial response.

Airport charges finance the infrastructure that airlines and passengers use

Airport charges are fees paid by airlines for using airport facilities and services. They commonly cover passenger facilities, aircraft landing and parking, security, terminals and other operational services.

These charges reflect the **user-pays principle**: those using airport infrastructure contribute to the cost of providing it.

Airport charges fund:

- the building and operating of terminals, runways and taxiways;
- safety and security;
- passenger and baggage-processing systems;
- maintenance and operational resilience;
- digitalisation and more efficient operations;
- the decarbonisation of airport infrastructure and other sustainability measures;
- additional capacity to meet future demand.

Airport infrastructure is capital-intensive and takes many years to plan, approve and deliver. This means that investment often needs to be made before demand fully materialises.

Restricting airport charges without considering these requirements reduces an airport's ability to maintain service quality, improve resilience, or expand capacity. Over time, underinvestment contributes to congestion, delays and higher operating costs. It also prevents existing airlines from adding flights and makes it more difficult for new competitors to enter.

Conversely, well-targeted airport investment can create additional usable capacity, improve operational performance, sustainability and passenger satisfaction. This makes airline entry and expansion easier, strengthens connectivity and improves passenger choice.

Where investment reduces delays, shortens aircraft turnaround times or alleviates congestion, part of the initial increase in airport charges may also be offset by lower airline operating costs, better aircraft utilisation and more reliable operations.

Crucially, such investments improve airports' ability to withstand operational disruptions and external shocks, including cyber-attacks, pandemics, security threats and geopolitical crises. They also strengthen the resilience of the European aviation network, safeguard connectivity and support adaptation to climate-related risks and extreme weather events. As resilience and critical infrastructure preparedness move higher up the policy agenda, the role of airport charges in financing these investments deserves greater recognition.

EXHIBIT 5: HOW AIRPORT INVESTMENT BENEFITS PASSENGERS



Airport investment can benefit passengers even if airport charges rise.

This does not mean that charge increases should go unscrutinised. Charges should be transparent, efficient and subject to airline consultation and appropriate regulatory oversight where duly justified.

But they should not be assessed only as an immediate airline cost. They must also be considered in terms of the infrastructure, capacity, resilience and sustainability benefits they finance.

4. WAY FORWARD & POLICY IMPLICATIONS

The central policy lesson from the Oxera study is straightforward.

Affordable and competitive air travel depends less on controlling one visible airline cost and significantly more on creating the conditions for effective airline competition, efficient use of airport capacity and investment to meet future demand.

This is particularly relevant to the European Commission's Fitness Check of the EU Airport Charges Directive (ACD) and the EU Airport Slots Regulation (ASR).

Both instruments were developed for an aviation market that was very different from today's. Since then, Low-Cost Carriers have grown rapidly, legacy airlines have consolidated into large groups, airline commercial cooperation has expanded through alliances and joint ventures, airport competition has become a reality on a Pan-European level and many European airports have become increasingly capacity-constrained.

The Fitness Check provides an opportunity to update the regulatory framework, factoring in the interests of passengers and the wider European economy.

1. Recognise airline groups and enable effective competition

The EU ASR should reflect the consolidation of the European airline market.

The current new entrant definition may allow an airline belonging to an established group to qualify as a new entrant at an airport where another carrier from the same group already holds a significant slot portfolio.

Airlines belonging to the same group should be treated as a single economic entity when market concentration and new entrant status are assessed.

New entrant provisions should:

- give priority to genuinely independent competitors;
- allow new entrants to obtain enough slots to operate a viable schedule;
- avoid reinforcing the positions of already dominant airline groups;
- enable credible challengers to build a meaningful and sustainable presence.

The policy objective should be to ensure **effective and independent competition that improves passenger choice and puts pressure on air fares.**

2. Maximise the use of existing airport capacity

Airport slots are a scarce economic resource. Airlines should use the slots they receive for free effectively or return them for reallocation in case they do not plan to use them.

Accordingly, airport slot policy should:

- improve transparency around slot utilisation, transfers, leasing and exchanges;
- allow persistently underused capacity to be reallocated;
- consider whether airport capacity is being used efficiently and qualitatively, rather than focusing only on compliance with the minimum-use rule;
- support additional services where these can improve competition, connectivity and passenger choice.

Better airport slot allocation cannot eliminate every capacity constraint, but it can help existing airport infrastructure to accommodate more services and foster more effective competition.

3. Enable airports to invest in resilience, sustainability and future capacity

In the longer term, growing demand and severe congestion cannot be addressed through slot allocation alone.

The regulation of airport charges should therefore avoid an excessively narrow focus on reducing immediate airline costs. It should consider the investment, capacity and consumer benefits financed by airport charges.

Airport investment should be economically justified, environmentally responsible and subject to appropriate consultation and oversight – as already foreseen by the EU ACD.

At the same time, regulation should recognise the long-term costs of underinvestment:

- greater congestion and delays;
- weaker operational resilience;
- fewer opportunities for airline entry and expansion;
- reduced connectivity;
- higher scarcity premiums;
- higher vulnerability of critical infrastructure;
- slower progress in the decarbonisation of airport infrastructure.

The lowest immediate airport charge does not necessarily produce the best outcomes for passengers nor for the competitiveness of the European aviation market and the broader economy.

4. Assess the full consumer outcome

Air fares are important, but they are not the only measure of passenger benefits.

Policy should also consider:

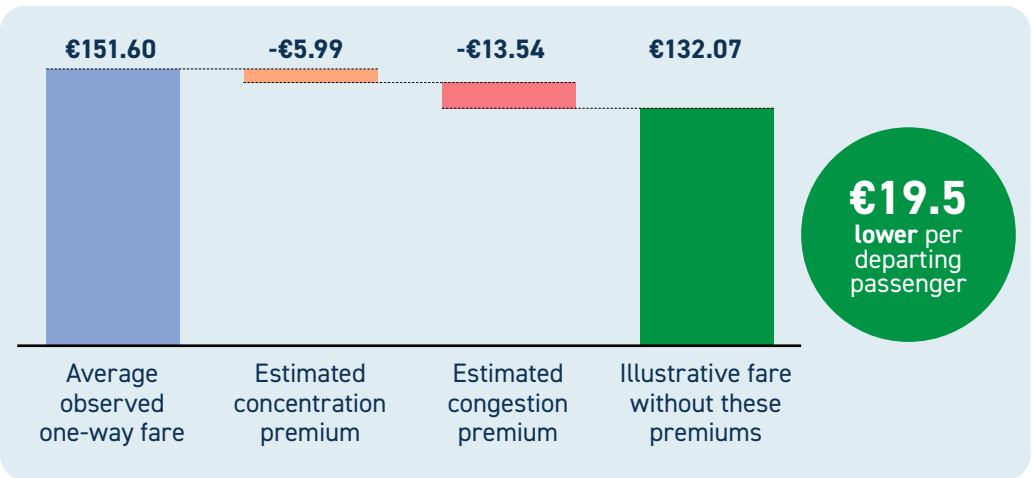
- the number of destinations available;
- flight frequency;
- the presence of credible airline alternatives;
- operational reliability and resilience;
- service quality;
- regional connectivity;
- the capacity required to meet future passenger demand.

A regulatory or financial benefit granted to an airline should not automatically be treated as a benefit to passengers. Whether, and how much of it, actually reaches passengers will depend on competition, demand, capacity and the airline's own commercial decisions.

The scale of the opportunity

Oxera estimates that European passengers could save approximately **€19.5 per one-way ticket**, or **€8.2 billion in total annually**, if all airports in the study sample operated at or below the median levels of congestion and airline concentration.

EXHIBIT 6: HOW COMPETITION AND AIRPORT CONGESTION CAN ADD TO THE AIR FARE



This is an illustrative scenario, not a forecast. It does not identify the infrastructure investment required at each airport and does not include wider benefits such as additional choice, connectivity, service quality and operational resilience.

The analysis nevertheless demonstrates the scale of the passenger interest and benefits involved in effective airline competition and sufficient airport capacity.



CONCLUSION

Air fares are not a simple reflection of airline costs. They are commercial prices shaped by passenger demand, the intensity of airline competition, the availability of airport capacity and airlines' continuous efforts to maximise revenue from a limited number of seats.

Airport charges are part of this picture, but they are not even remotely the central explanation for the air fares paid by passengers. The evidence shows that their impact on air fares is small, uncertain and only partially passed through. By contrast, airline competition and airport congestion have a much stronger effect on consumer outcomes.

Crucially, airport charges finance the infrastructure that supports connectivity, operational resilience, decarbonisation and future airline competition.

The priority for policy makers and regulators should therefore be clear:

- **create the conditions for effective airline competition;**
- **maximise the efficient use of existing airport capacity;**
- **enable airport investment to meet demand, resilience, decarbonisation and connectivity needs;**
- **put the passenger at the core of regulation by assessing policy from the passenger's perspective, not only that of the airline.**

The Fitness Check carried out by the European Commission should therefore lead to a move beyond the assumption that lower airport charges automatically mean lower fares. Regulation should focus instead on effective market access, efficient capacity use and well-funded infrastructure investment that delivers measurable benefits for consumers, connectivity and the long-term competitiveness of European aviation.





AIRPORTS COUNCIL INTERNATIONAL

ACI EUROPE is the European region of Airports Council International (ACI),
the only professional association of airport operators.

ACI EUROPE represents over 600 airports in 55 countries. Our members facilitate over 95% of commercial air traffic in Europe. Air transport supports 14 million jobs, generating €851 billion in European economic activity (5% of GDP). In response to the Climate Emergency, in June 2019 our members committed to achieving Net Zero carbon emissions for operations under their control by 2050, without offsetting.

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