

Airport Market Power Assessments

Presentation to the Thessaloniki Forum

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ACI EUROPE presentation

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Market Context

MPAs of airports can add value; this should be seen in light of the competitive airport market

Forthcoming study confirms a continuation of the competitive airport market environment

- > Airlines prepared & able to switch between airports – result of **growth of point-to-point LCC and adoption of more flexible business model**
- > Passenger choice increases with growth of market, as more routes available from multiple airports in the same catchment area
- > Passenger choice for hubs from **more hub-on-hub competition** – but also **hub-bypass**

2012-2017 evolution demonstrates strengthened competitive constraints

- > **Small airports: Long-established and recognised high levels of competition**
- > **Mid-size airports: strengthened competitive constraints**
 - Airline switching has **strengthened significantly among the mid-sized & larger airports**
- > **Larger airports: constraints stronger, and study shows improving service quality**
 - Middle Eastern hubs & Istanbul have grown their share of the market and now **provide significant transfer competition to major European hubs**
 - **Hub by-pass**
- > Outcome is that more commercially focused airports able & willing to respond to the competitive environment, reflected in pressures on charges and/or increases in service quality



→ Implications for Market Power Assessments

- Large number of airports covered by ACD likely to have no/very limited market power
- Need to avoid dissipating regulatory effort on such airports
- Two-stage SMP process
 - > limit burden of applying tests on regulators, stakeholders, airports and EC
 - > focus efforts where SMP most likely to be found
 - > encourage harmonisation across EU MS in application of SMP tests
- Sifting criteria to reflect key aspects of competition for passengers & airlines
- Numerical thresholds
 - > based on readily available data
 - > robust and reproducible
 - > set at conservative levels
- Airports passing criteria would not need further assessment

→ Should make market power assessment process more tractable for regulators

Organising market power assessments

- **Market power guidelines**
 - > should be airport specific
 - > reflect how the market works
 - > analyse key issues for regulators and stakeholders
 - > improve regulatory efficiency and increases EU MS consistency
- **Potential role for Thessaloniki Forum**
 - > value from regulatory interchange
 - > potentially more formal role to assist individual regulators
 - > keeping up to date with market developments
- **Streamlined processes**
 - > clarity upfront about:
 - timelines
 - information required from all parties
 - nature of stakeholder responses - evidence not assertion
 - > organising resourcing (volume and mix) - ensuring that sufficient from the outset
 - > use external expertise - but maintain regulatory leadership

Key issues for MPAs for airports

- There are relatively few examples of airport MPAs
 - > take account of changing airport market and dynamics
 - > guidelines provide framework, but analysis must vary by airport
- Evidence needs to be considered in the round
 - > no one definitive piece of evidence
- Market power is a matter of degree
 - > not a binary assessment
 - > evidence may point in different directions
- Historical vs forward-looking analysis
 - > needs to consider current and historical data
 - > look at future trends and more competitive airports market
- Regulation needs to be consistent with the degree of market power
 - > provisions of the ACD (consultation, transparency and non-discrimination) and the presence of competition law already provide some protection

→ Key issues for MPAs for airports

Undertaking SMP assessments at airports

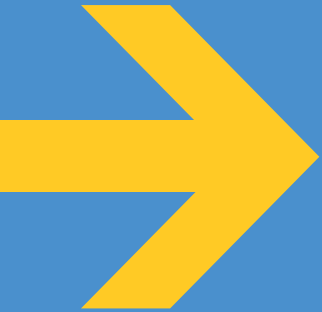
- **Market definition**
 - > provides context for the assessment of SMP and competitive constraints
 - > product and geographic dimensions
 - > consider different types of passengers and airlines
 - > geographic market definition should not be constrained by national boundaries
- **Assessment of competitive constraints**
 - > countervailing buyer power
 - > capacity
 - > market shares
 - > all this in context of how the airport industry operates
- **Analysis of market outcomes**
 - > testing for the effects of market power
 - > different outcomes need to be taken account of together
 - > need to account for regulation if it is in place

Airport practices on information and data

Scope and sharing

- Airports currently collect a range of data
 - > Traffic
 - traffic figures (pax, mvmts, mtom, noise, seat load factor, average of mtom/mvmnt) & forecasts
 - modal split, schengen/non-schengen, intercontinental, destinations, market share, number of carriers, etc.
 - passenger information, such as post code, transport to airport, amount of baggage
 - Capacity (runway, terminal, road access, security checks, etc.)
 - > Experience and quality
 - surveys on service quality performance
 - quality KPI's; for example security through-put, wait time, baggage delivery times, cleanliness
 - commercial survey data and retail profiles
 - > Infrastructure
 - Historical and future planned investment to meet capacity/quality development needs
 - > Operational
 - Energy use & environmental protection, etc.
 - Air traffic related operational daily reports
- Main purposes for data collections
 - > Airport master plan
 - > Airport charges definition
 - > Monitoring of services performance and quality





THANK YOU

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