Airport Market Power Assessments
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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