MINUTES

Meeting of the

Expert Group: Thessaloniki Forum of Airport Charges Regulators
Working Sub-Group on Market Power Assessments

London, 8 September 2017

1. Approval of the agenda and of the minutes of previous meeting

2. Nature of the meeting: non-public

The UK host welcomed all attendees and acknowledge that in the UK market power assessments (MPAs) have proved to be a tool with many advantages, the main one being the better focus of economic regulation of airports.

3. List of points discussed

The morning comprised of presentations of airports and airlines' views on how to conduct airport MPAs. The 2 groups of stakeholders had the opportunity to listen to the other group's views, which was followed by a panel discussion with Q&A from the ISAs. Airports and airlines presentations are available on the Register of Expert Groups – the sections below reflect their summaries.

Presentation by the airports

ACI Europe first presented the broad market context: a forthcoming study commissioned by the airports confirms a continuation of the competitive airport market environment, with strengthened competitive constraints in particular at mid-size airports (10-25 mppa). In ACI Europe opinion, a large number of airports covered by the Directive are likely to have no or very limited market power which implies a need to avoid dissipating regulatory effort on such airports. As a consequence, airports suggest a two-stage approach to the MPA process. The first step would translate in a number of sifting criteria to reflect key aspects of competition for passengers and airlines and the airports passing those criteria would not need further assessment. A second step would represent the performance of MPAs as such. ACI Europe highlighted a number of key issues for MPAs for airports such as: the fact that there are relatively few examples of such MPAs, the market power is a matter of degree and the regulation needs to be consistent with the degree of market power found. Equally important is the market definition, the assessment of competitive constraints and the analysis of market outcomes.

Presentation by the airlines
Representatives of the airline associations A4E, AIRE, IACA and IATA (the 'Airlines') presented their views on MPAs. They consider that certain categories of airports should be automatically subject to effective economic regulation since they possess characteristics indicating market power. Such airports are those where airlines have significant operations, airports with the highest passenger movements in a MS, airport networks, airports operating at full capacity, airports with a dual till system. ISAs should identify airports that meet the market power criteria and ensure that effective economic regulation is applied. MPAs can conclude whether an airport has market power where there is doubt. Airlines presented a four-steps approach to conduct an MPA and presented for each step a number of elements which need to be taken into account. The four steps are: 1. Identify sources (assess competitive constraints by looking at the demand and supply substitutability and potential competition); 2. Define the market (product and geographic); 3. Assess market dynamics (the potential threat of airline switching cannot be automatically considered a competitive constraint) and 4. Conclude on the degree of market power of an airport. Airlines reminded that they are in competition and the whole process has to carefully evaluate passenger and airline choices.

Panel discussions

In the discussions that followed, a number of issues were touched upon such as: airport networks and the cross-subsidisation linked to them, market power for non-aeronautical services, global market versus catchment area when defining the geographic market, the criteria put forward by both airlines and airports, airports efficiency, data which need to be collected in support of the MPAs. Airports explained that they do not agree with default regulation of the largest airport in each MS, while airlines insist that there is a need to establish a clear mechanism to assess when economic regulation has to be imposed – this is lacking from the text of the Directive.

The two stakeholders groups also mentioned that they are currently preparing some relevant studies linked to the market power topic, which will be ready in late autumn.

Discussion between ISAs

The afternoon session was attended by DG MOVE and members of the Forum only. The group first discussed the industry presentations they had heard in the morning and then moved on to make a number of suggestions on the draft paper circulated before the meeting. To ISAs question, MOVE also clarified that at the moment the EC does not intend to draft any guidelines on the application of the Directive, as it considers that the Thessaloniki Forum is the appropriate forum for such discussions and recommendations.

4. Conclusions/recommendations/opinions

While there is disagreement between airports and airlines on what elements have to be taken into account when triggering an MPA, there is no divergence as to the principle of applying MPAs. There is also common ground on the sources of data and factors that need to be assessed and on the fact that it is useful to have tailored guidelines to the aviation market.
5. **Next steps**

The comments made during the meeting will be incorporated into the draft paper and circulated within one week and a conference call to fine tune it will be organised in two weeks’ time. The draft paper will be submitted to the plenary of the Forum which is scheduled for 17 November 2017.

6. **Next meeting**

No meeting foreseen in the immediate future.

7. **List of participants**

**Institutions**

European Commission – DG MOVE

**Member States**

Belgium (represented at federal level) - Regulatory Body for Railway Transport and Brussels Airport Operations
Germany (represented at federal level) – Federal Ministry of Transport and Digital Infrastructure
France – General Council for of Environment and Sustainable Development
Greece – Hellenic Civil Aviation Authority
Ireland – Commission for Aviation Regulation
Italy – National Organisation for Civil Aviation and Transports Regulation Authority
The Netherlands –Authority for Consumers & Markets
Poland – Civil Aviation Authority
Spain – National Commission for Markets and Competition
United Kingdom – Civil Aviation Authority