



# Economic Regulation of Airports and Air Navigation Services Providers

Strong, robust, independent and effective economic regulation is necessary to protect airlines and their passengers from airports' and air navigation services providers' abuse of their dominant position.

## SITUATION

Airports and air navigation services providers (ANSPs) are, for the most part, natural monopolies. In the absence of strong economic regulation, they can arbitrarily raise their prices, resulting in excessive and unjustified profits and/or inefficient delivery of services. Economic regulation is both necessary and desirable to constrain this market power and to deliver continuous improvements in cost efficiency and quality of service to airlines and their passengers.

## IATA POSITION

IATA supports strong, robust, independent and effective economic regulation. Regulation is required to protect users against providers' potential abuse of their dominant position, especially privatized or profit-maximizing providers. Effective economic regulation of airports and ANSPs also improves productivity and encourages timely and cost-effective new investment.

In accordance with ICAO's policies on charges, which state that the economic regulation of airports and ANSPs is a state responsibility, regulators should be independent from the operation and provision of airport and air navigation services<sup>1</sup>. This is especially crucial for airports and ANSPs that retain a degree of public sector ownership

## KEY ELEMENTS OF STRONG, ROBUST AND POLITICALLY INDEPENDENT EFFECTIVE ECONOMIC REGULATION

1. **Regulators must be independent** of direct control by governments or airports and ANSPs. They must also be given clear objectives, or statutory duties and have the resources and operational independence to meet these principles. Furthermore, economic oversight is a core state function which should be funded by government budget.
2. A **neutral dispute settlement mechanism for appeals** against the regulator's decisions must be available to users.
3. **Regulatory reviews should normally cover periods of 3-5 years**. This provides sufficient time for a regulated company to develop procedures, implement changes and extract cost efficiencies.
4. **Effective stakeholder engagement**<sup>2</sup> must ensure the early and timely involvement of airlines in negotiations on business plans, future investments and operational expenditures. This involvement should continue until a successful conclusion is reached. **Capital expenditure should only be undertaken with the agreement of airlines and their representative organizations** on both the need for infrastructure development and its financing.
5. **Single till regulation**<sup>3</sup> should be enforced, determining the level of revenue and return required and the user charges to be set on the basis of all services at an airport, irrespective of whether they are aeronautical or non-aeronautical.

<sup>1</sup> ICAO Doc 9082 (ninth edition), paragraphs 12 to 15 of Section I refer.

<sup>2</sup> IATA's position paper on Airline Engagement in Consultations refers.

<sup>3</sup> IATA's position paper on Single Till refers

6. The provisions of ICAO's policies on charges, including the key charging principles of non-discrimination, cost-relatedness, transparency, and meaningful consultation with users, must be incorporated into the economic regulatory framework.

Economic regulation must encourage airports and ANSPs to continuously strive for timely investments, cost reduction, improved cost efficiency and service levels. It must set clear and measurable cost efficiency targets, as well as quality and operational performance standards the airport needs to deliver in return for airport charges, as agreed with the airlines.

- ❖ Charges should not overlap with other national or regional environmental charging schemes.
- ❖ Government regulatory guidance at regional level (for example from the European Civil Aviation Conference) should be used where applicable and appropriate.