

# Economic Regulation of Airports and Air Navigation Service Providers

## Strong, robust and independent economic regulation is needed to protect airlines and their passengers from monopoly abuse.

Airports and ANSPs are, for the most part, natural monopolies. As such, they need to be subject to additional supervision to ensure that, in the absence of sufficient competition, prices to airlines and passengers are cost efficient and that service quality improves.

### IATA POSITION

IATA and the airlines support the need for strong, robust and independent economic regulation. Regulation is required to give sufficient protection to users against potential monopoly abuse of dominant position, especially for privatised or profit-maximising providers. The independence of regulators from government, especially for airports and ANSPs that retain a degree of public sector ownership, is critical in order to provide objectivity.

### KEY ELEMENTS TO INCLUDE IN STRONG, ROBUST, & POLITICALLY INDEPENDENT ECONOMIC REGULATION

- 1 Effective stakeholder engagement should 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.
- 2 Transparency should be provided on the future business strategy and plans, future investments, essential historic and forecast financial and operational performance data.
- 3 Capital expenditure should only be undertaken with the agreement of airline users who agree both the need for and the financing of infrastructure.
- 4 Strong support to encourage airports and ANSPs to strive for cost reduction, and better cost efficiency on a continuous basis by setting clear and measurable cost efficiency targets.
- 5 Agreed quality and operational performance standards through service level agreements. These should be regularly measured to ensure performance.
- 6 Charges should be non-discriminatory.
- 7 No cross subsidisation between user groups.
- 8 Single till should be applied at airports.
- 9 ICAO Policies on charges for airports and air navigation services should be applied<sup>1</sup>.
- 10 An independent appeal body should be available in the event of a dispute.

<sup>1</sup> ICAO Doc 9082/7 - paragraphs 13 & 15