Belgium

Air Transport Regulatory Competitiveness Indicators

SUMMARY

- Air transport is a key enabler of economic activity in Belgium, supporting almost 127,000 jobs and contributing EUR 11.1 billion to the Belgian economy, which is equivalent to 2.6% of Belgian GDP.
- Belgium is the 18th largest aviation market in Europe (measured by IATA Connectivity Index[1]). Air connectivity grew by 46% between 2013 and 2018. In 2017, 16.7m passengers departed from Belgium's airports.
- In order to facilitate continued growth of aviation and maximize the value of air transport, Belgium should:

1. Align the airport charging process with international best practice fostering the remit of the economic regulator in Belgium;
2. Align the terminal navigation charging process with international best practice; and
3. Develop new airport infrastructure in consultation with its users.

[1] The IATA Connectivity Index 2018 is a composite measure of number of transferred passengers weighted by a destination measure in all Belgium airports

ABOUT AIR TRANSPORT REGULATORY COMPETITIVENESS

The Air Transport Regulatory Competitiveness Indicators (ATRCI) is a framework that measures a country's air transport regulatory competitiveness. Air transport regulatory competitiveness is defined as the set of institutions, policies, and factors that determine the economic benefits that the economy can derive from aviation.

Five key determinants of the ease of doing business have been identified, which contribute to the regulatory competitiveness of a country. These five determinants are the pillars that form the ATRCI and for which performance-based assessments have been made:

Passenger Facilitation (visa requirements, open skies agreements, passenger information and border control processes). These measures support easier movement of persons around the globe and contribute to economic development and growth. Regulations that allow for easier and more secure movement of people and aircraft are therefore essential in unlocking the economic benefits of aviation.

Cargo Facilitation (trade facilitation and e-freight). These measures enhance shippers' experience by enabling the seamless cross-border movement of goods.

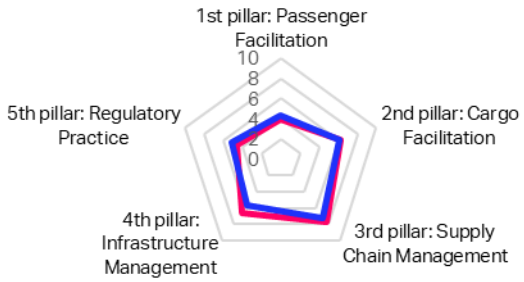
Supply Chain Competitiveness (airport and passenger charges and taxes, airport and air traffic management charging process, fuel supply management, labor efficiency). The competitive, transparent, and reliable supply of services to airlines creates an environment in which passenger demand can be stimulated through more affordable air fares. Effective and clear rules create a stable environment which boost economic growth.

Infrastructure (available runway and terminal capacity and slots). Air transport depends largely on available infrastructure and how efficiently congested infrastructure is utilized. Without sufficient capacity, airlines cannot enter the market, enhance air connectivity of the country and create seamless connections and short travel times. Effective infrastructure development and management acts as a facilitator of economic growth unlocking benefits that aviation creates.

Regulatory Practice (regulatory framework, legal framework, regulatory implementation). Without stable, clear and transparent regulations, airlines cannot operate effectively and offer competitive ticket prices or air freight rates. A smart regulatory environment and a comprehensive aviation policy are key drivers of positive economic change.

PERFORMANCE OVERVIEW

Index Component	Belgium	Regional average[2]
Air Transport Regulatory Competitiveness Index[3]	**6.0**	**5.9**
1st pillar: Passenger Facilitation	3.9	4.5
2nd pillar: Cargo Facilitation	6.2	6.1
3rd pillar: Supply Chain Management	7.7	7.2
4th pillar: Infrastructure Management	6.6	5.6
5th pillar: Regulatory Practice	4.5	5.1



Passenger facilitation (1st Pillar): It is important to improve passenger flow at Brussels Airport through more efficient border control points and to optimize the use of automated biometric border controls. As the border is the first point of contact for an arriving visitor to Belgium, these factors are important in creating a favorable first impression and minimizing delays.

Regulatory Practice (5th Pillar): Like all other EU countries, Belgium is held back by burdensome and extraterritorial consumer protection rules (The Flight Compensation Regulation 261/2004). Belgium's processes and practices for policy design have some room for improvement. They ultimately support the creation of a competitive regulatory framework that enables the business to grow.

Belgium scores slightly below the European average in overall **Cargo facilitation** (2nd Pillar). Belgium scores well for Air Trade Facilitation reflecting relatively smooth customs and border processes, which are critical to the success of the air cargo hubs at Brussels and Liège airports. Nonetheless, there remains room for improvement in the digitalization of air cargo, for example in the field of customs and cargo security.

Belgium scores higher than its regional peers for **Infrastructure** (4th Pillar) as both policies and practice in Belgium are fully aligned with the Worldwide Slot Guidelines (WSG), creating both transparency and certainty in the slot allocation process in Belgium. In spite of this fact, the main hub, Brussels Airport, has low terminal capacity.

Supply Chain Competitiveness (3rd Pillar) remains a pressing issue in spite of the relatively high score. In order to keep the advantage compared to its regional peers, Belgium should avoid imposing taxes on air transport. Belgium should also address issues with Belgian airport regulation and the process for setting airport and ATM charges (see more below).

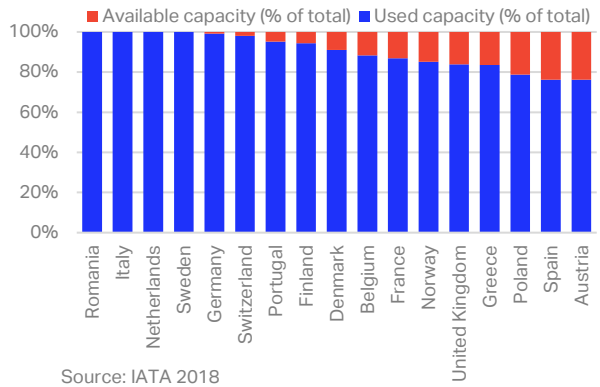
[2] Regional average consists of scores for 16 European countries: AT, BE, DN, DE, ES, FI, FR, GR, IT, NL, NO, PL, PT, RO, SE, CH, UK.

[3] The values for the ATCI range from 0 (worst) to 10 (best). The index consists of 5 pillars and 17 indicators and 26 sub-indicators which are combined together using a simple average (sub-indicators are summed together to create a single value for the indicator). These aggregate values form an index score for the country.

KEY CHALLENGES OF AIR TRANSPORT REGULATORY COMPETITIVENESS IN BELGIUM

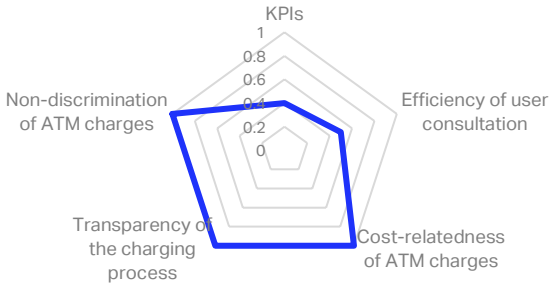
Aviation brings significant benefits to the Belgian economy. However, there are still substantial barriers to the further growth of air connectivity which would help to unlock the full economic potential of the country. The following page provides an overview of the key challenges of Belgium's air transport regulatory competitiveness.

Chart 1. Low terminal infrastructure capacity[4]



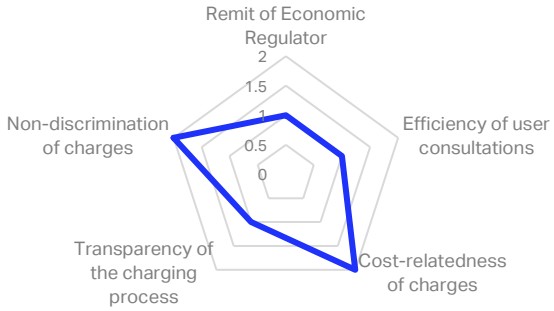
Source: IATA 2018

Chart 2. Air traffic management charges process (maximum = 1)



Source: IATA 2018

Chart 3. Airport charges process (maximum = 2) [5]



At Belgium's main airport, Brussels Airport, 88% of the terminal capacity is was used in 2018 (Chart 1). Belgium's second largest airport in terms of passengers transported, Brussels South – Charleroi, was full in 2018. Careful planning is recommended for Brussels Airport, balancing the need for its further development and the environmental impact.

Terminal navigation services are suffering from a lack of investments in technology and staff , putting also pressure on runway capacity.

Belgium still has some room for improvement in the process of setting airport charges (Chart 3). This mainly concerns the relatively narrow remit of the regulator, the efficiency of user consultations and transparency of the charging process (Chart 3). A more constructive dialogue between the airport management and the airport's users respecting the ICAO guidelines[6] is recommended. The economic regulatory framework (Royal Decree) should undergo a thorough review strengthening the regulator's remit. Furthermore, the Brussels Region imposes strict noise standards pursuant to which even the most modern aircraft are subject to fines. The noise restrictions are unrealistic for the technology available today. Such burdensome regulations create an unfavorable operating environment and additional costs to airlines and, ultimately, passengers.

[4] The main hub for each country: AMS, ARN, ATH, BRU CDG, CPH, FCO, FRA, HEL, LHR, LIS, MAD, OSL, OTP, VIE, WAW, ZRH

[5] Values for the sub-indicators (0-to-2 scale) are summed together and transformed to 0-to-10 scale to create a single value for the Airport Charges Process Indicator.

[6] ICAO's Policies on Charges for Airports and Air Navigation Services

FROM PERFORMANCE MEASURES TO RECOMMENDATIONS

In order to increase Belgium's air transport connectivity, it is important to create an environment where businesses flourish and that attracts new businesses. Belgium should therefore focus on:

1. New airport infrastructure

With the congested terminal at Brussels Airport, Belgium should put in place a stable legal framework, balancing the need to optimize punctuality, further development and the environmental impact.

2. ATM charging process

The second Reference Period of the SES Performance and Charging Scheme demonstrated shortcomings in the timely implementation of the Belgian performance plan, particularly with regard to implementing technology and the recruitment of air traffic controllers. This resulted in a poor delay performance. To avoid similar experiences in the next regulatory periods, focus should be given to robust performance planning and the strengthening and independence of the national supervisory authority. Part of the terminal navigation services are currently funded by federal or regional governments, limiting pressure to deliver more cost-efficient services. To meet future demand, Belgium must invest in solving structural issues in staffing and technology.

3. Reviewing the airport regulation

Belgium should review the economic regulatory framework (Royal Decree), with attention to the 5-year contract for airport charges and the remit of the regulator.

Chart 4. Forecast scenarios for passenger traffic, jobs and GDP footprint*

		Passengers	EUR GDP	Jobs
2017		16.7 m	€11.1 bn	126,967
2037	Current trends	23 m	€15.1 bn	147,998
	Upside	25 m	€16.4 bn	160,249
	Downside	20 m	€13.2 bn	129,247

* Passengers are counted as departures, including connections. The passenger forecasts are based on the IATA 20-year passenger forecast (October 2018). Data on GDP and jobs are from Oxford Economics. GDP and jobs forecasts are from IATA Economics.

In 2017, 16.7 million passengers departed from Belgium's airports.[7] There were 33.2 million terminal passengers[8]. Robust air connectivity is an enabler of economic activity in Belgium creating 126,967 jobs and contributing EUR 11.1 billion to the economy in 2016.[9] In the next 20 years the number of departing passengers from Belgium will increase by 36%.[10] However, if Belgium is able to implement the policies noted in this report, there is an upside potential to increase this value and ultimately deliver wide economic benefits through the higher number of jobs and contribution to GDP.

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The aim of the ATRCI

The Air Transport Regulatory Competitiveness Index is a framework that assesses the regulatory environment across countries and how governments facilitate or inhibit growth of the air transport sector through their regulations. The framework measures a country's aviation regulatory competitiveness and offers a snapshot of where the potential gaps are in following the international best practice. It provides a guideline to build up a more efficient regulatory environment to unlock the economic benefits that aviation creates.

Methodology

ATRCI uses both quantitative and qualitative data that are normalized to 0-to-10. Qualitative data were collated based on an objective framework. Respectively, quantitative data are used from international organizations and partner organizations. Sources: Eurocontrol, United Nations World Tourism Organization, Verisk Maplecroft, World Economic Forum. All dates relate to 2018 unless stated otherwise.

The index structure and computation

The index contains three levels of values which are combined together applying a simple average (if not stated otherwise). From the highest to the lowest level: Index value, Pillar values, Indicator values and Sub-indicator values. At the lowest level (sub-indicator) the values are summed to create one single value for an indicator. All indicator values within a pillar are then aggregated using an arithmetic mean in order to produce the Pillar score. At the highest level of aggregation (Index value), the score of the five pillars are combined applying a simple average to create one single value for Air Transport Regulatory Competitiveness Index for each country.

[7] SRS Analyzer 2017
[8] ACI 2017. Departing passengers includes passengers connecting through Belgium and terminal passengers includes both arrivals and departures.
[9] ATAG 2018
[10] Oxford Economics 2017