



Crafting Airport Charges Policies That Extend Benefits To Consumers – Airports Need A Responsive And Flexible Regulatory Framework

ACI Asia-Pacific

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Introduction

- The last examination of the ICAO's policies on charges in Doc 9082 and ICAO's positions on the economic oversight of airports was done at the Conference on the Economics of Airports and Air Navigation Services (**CEANS–2008**), in Montréal, Canada in 2008.
- The main objective was to develop and refine policies on cooperation between providers and users of infrastructure.
- However, since then, the competitive and economic landscape of the airport industry and the aviation ecosystem has changed dramatically, certainly in the past 2 years.

Pre-COVID-19: Airport Competition is the new normal

- In the past, airports used to be regarded as monopolistic infrastructure providers, even though airport competition has long been a reality.
- The competitive dynamic of airport industry has been growing. Airports have faced a strong multi-faceted competition as they compete for airline services and capacity, for passengers, for cargo, and for commercial activities.



Point-to-point

- Switch to other airports in departing region and/or in the destination region.
- Multiple airports in same catchment area.



Transfer

- Transfer passengers have all these switching possibilities.
- Choose between connections at different hubs.

And in the commercial sphere



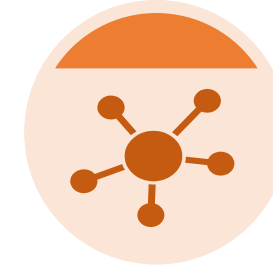
E-Commerce

- Airport retailers compete with online retailers.
- E-commerce enable consumers to have goods delivered without airport security restrictions.



Advertisements

- More advertising platforms are now competing with airports traditional advertising space.



Sharing economy

- Particularly in the ground transportation and hospitality services e.g. Uber and Airbnb
- Disrupt airport revenues from car parking, car rentals and airport hotels.

- Overall, intense competitive trends are shaping the dynamics of the airport industry in the interest of consumers.
- Competition is a key driver of the airport business. Airports compete on all aspects of their business—from aeronautical business to on-site and off-site commercial activities.

Airports are facing severe financial challenges

- The air transport industry felt a triple shock from the COVID-19 global pandemic:
 1. Administrative travel restrictions
 2. Global economic downturn
 3. Significant behavioral shifts in travel
- Airport cost structure is characterized by predominantly high fixed costs in the operation and maintenance of major infrastructure components, such as runways and terminal buildings.
- With supply side restrictions on travel and the collapse in air transport demand, airport operators have neither sufficient traffic to drive down costs and achieve economies of scale.
- Airports' liquidity positions and financial health are at risk.

Weaknesses of the current framework

The existing global framework of ICAO on airport charges based primarily on the cost recovery principle is considered outdated by the airports' community of Asia-Pacific.

- Not fully reflective of a changed industry and the competitive landscape.
- Not able to resolve pricing in extreme circumstances.
- Insufficiently responsive to market realities.
- Cost-based approach considers only one side of the market, and should be reassessed.
- It ignores the demand side of the market and the need for airport pricing policies that provide the right incentives and signals based on competitive factors and market dynamics.

The work of ICAO Airport Economics Panel

- Following the recommendations of the eighth joint meeting of the ICAO Airport Economics Panel and Air Navigation Services Panel (***AEP-ANSEP/8***) in Nov 2021, a new Working Group was established:

“with the task of conducting a general review of ICAO’s policies on charges contained in Doc 9082, comprising the assessment of its ongoing relevance and responsiveness, including with regard to the effect of the long-term impact of the COVID-19 pandemic and an examination of which airports and ANSPs were most significantly affected.”



Actions by the Conference

- **The Conference is invited to:**

1. Acknowledge the changed competitive landscape of the airport industry over the past decades and the long-term airport infrastructure needs to meet international targets;
2. Note the activities and tasks of ICAO's Airport Economics and Air Navigation Services Panel (AEP-ANSEP) to conduct a general review of the ICAO policies on charges contained in Doc 9082, including the assessment of its ongoing relevance and responsiveness to industry changes and ensure encourage an adequate active representation and active participation of Asia-Pacific States in the Panel.

THE VOICE OF ASIA-PACIFIC AIRPORTS



W

www.aci-asiapac.aero

E

ilioutov@aci-asiapac.aero

philip@aci-asiapac.aero

T

+852 2180 9449



@ACIAPAC



@Airports Council International – ACI Asia-Pacific