

# Kyran Hanks

Thoughts on airport regulation

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- Why and how is airport regulation different?
- Features and failures of airport regulation
- The future of regulation?

# Differences

- No licence
  - No formal intervention powers
  - No financial ringfence, duty to finance etc
- No contracts for use of assets
  - Who owns runway capacity anyway?
    - Slot trading highly illiquid
  - No market in capacity
- Double regulation
  - Formal role of CC in setting price controls
  - Does Stansted have market power?
    - Yes, no ....

# Differences

- Cost relatedness of regulated airport charges?
  - No charging methodology
  - No auctions of capacity
  - Role of international rules
- Government policy
  - 20 years to take no decision ...  
(Maybe not so different after all ....)
- CAA duties
  - Split between airlines and passengers

# Lessons?

- Regulatory commitment is key ...  
... and missing
- Government policy is important and necessary for major infrastructure  
... and should be assisted in its delivery by regulators  
... Or should have no role at all?
- Liberalise slot allocation and trading
- Create a contractual framework

# Lessons?

- Allow competition to develop
  - CAA is a “true believer”
  - Break-up of BAA will help in the airports sector
- Only regulate where necessary
  - CAA believes in the “light hand” ...  
... unlike the CC
- Limit the size of the regulators?
  - Idle hands? Cooks and broth?

# The future of airport regulation

- DfT review of economic regulation
- More conventional?
  - Economic licence
  - Change in CAA powers
  - Ability to propose changes between price controls
  - But will review survive next election?
- More powers to the CAA?
- Less involvement by the CC?

# The future of airport regulation

- No need to regulate anything except LHR?
  - Airport Charges Directive will apply
- Will new owners of LGW and STN prefer regulation to de-regulation?
  - Is regulation a protective shield?
  - And is any protection worth the regulatory risk?
- Assume break-up of BAA in new regulatory framework



# Conclusions

- Airport regulation very different from other sectors
- Likely to become more standardised
- Competition likely to increase
- No runways anytime soon

Note: views are personal and not representative of any views BAA may have or have had

Feel free to comment

[kyran@waterswye.co.uk](mailto:kyran@waterswye.co.uk)

07917-183722