Harald Wiese

French Airport Regulation

An Economic Assessment

Overview

- Overview
- Objectives
- The French Airport Sector
- Institutions: DGAC, COHOR
- French Airport Regulation
- Reform of Regional Airports
- Regulation of Aéroports de Paris (ADP)
- Privatization of Aéroports de Paris (ADP)
- Conclusion

Objectives

- Efficient behaviour
- Independence
- Consultations
- Investment incentives
- Flexibility of regulation

Source: AvionBasPrix.com

Institutions: DGAC
Direction Générale de l'Aviation Civile

- Since 1945 authority for aviation
- Belongs to the Ministry with responsibility for Transport
- → no independent regulator, overlapping roles because state is shareholder of regulated industries
- Independent regulator discussed in parliament in 2005
- Commission as an alternative ? → „Commission consultative aéroportuaire"

Institutions: COHOR

- Organisation for slot distribution since 1995
- Coordination for Paris CDG + Orly, Lyon (all level 3) and Nice (level2)
- Membership possible for every airline / airport concerned
- Only founding members have real influence
- European court of justice rejects easyJets complaints (2006)

French Airport Regulation

- Traditionally: state ownership, chambers of commerce as operators for regional airports
- Long-term concession contracts since 1955 unchanged, slightly modified in 1997/1999

French Airport Regulation

- Fees have to be adequate to cost
- Regulated fees: Landing fees, passenger fees, gasoline fee, lightning fees, parking fee
- Procedure:
  - Airports propose tariffs after discussion with users
  - to ministries for economy and air transport (airports with < 200.000 passengers: prefect of the department) accept or reject

Revolution or Reform?

Reform of Regional Airports

- 9 regional airports with national relevance: the creation of private law companies was possible since 2005 (60% state, 25 % chambers of commerce, 15 % local collectivities)
- Other regional airports: transfer to local collectivities or groups of them (2002/2005)
- More efficiency (small airports use subsidies to attract traffic from congested Paris airports)?
- Less efficiency: competition on subsidies?

ADP Regulation

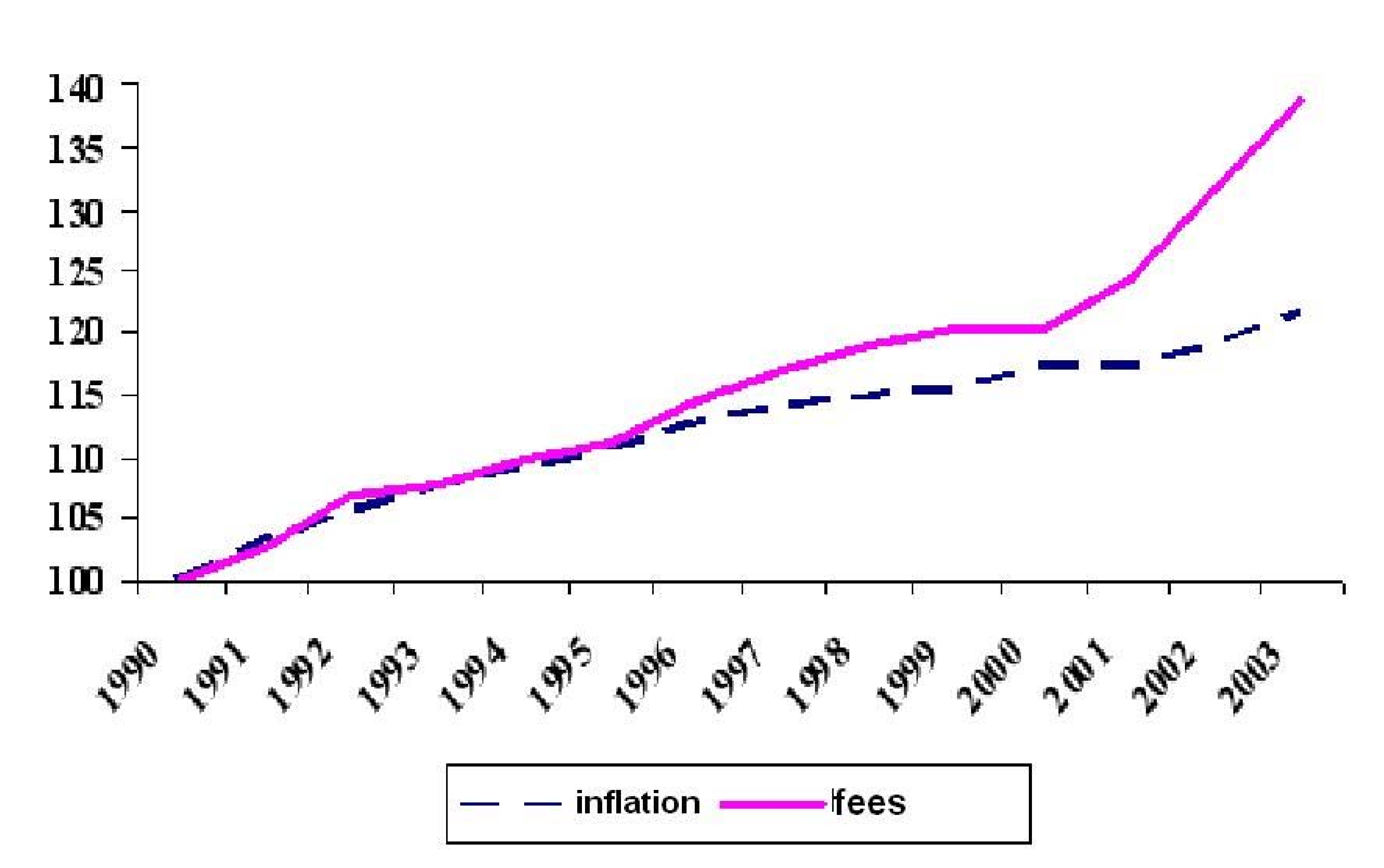
- Paris as French economic and cultural centre and first tourist destination
- Monopoly situation for ¼ of the traffic (Alain Sauvant), especially origin-destination- travel , 25 mio. Inhabitants in a range of 200 km
- Sources of competition:
  - TGV can reach many destinations in 3 hours
  - Competition with HUBs
  - Competition for international flights with regional airports

Aéroports de Paris (ADP)

Charles de Gaulle	Passengers (mio.)	% total
Air France / KLM	**30.557**	**56,8%**
Lufthansa	1.258	2,3%
British Airways	1.258	2,3%
Alitalia	1.067	2,0%
Orly		
Air France and partners	**13.850**	**55,7%**
easyJet	1.868	7,5%
Corsair	1.838	7,4%
Iberia	1.307	5,3%

Source: ADP, Document de Base, 2005

ADP – Development of fees



Source: Collin, Commission des finances 2004

ADP Regulation

- ADP landing fees: Disadvantage for large aeroplanes

MTOW	Tariff 2008 EUR
from 1 to 25 t	173,12
from 26 to 50 t	173,12 + 4,56 (t-25)
from 51 t	287,12 + **7,99** (t-50)

Source: ADP, Tarifs des redevances pour services rendus 2008

ADP Regulation

AÉROPORTS DE PARIS
Le monde entier est notre invité

- Disadvantage for international flights
- Indirect subsidy for Air France / KLM ?

per passenger	Tariff 2008	% from previous line
France	6,3	-
Europa (Schengen)	7,56	20
Europa (without Schengen), DOM TOM, Schweiz	9,07	20
International	**15,13**	68

ADP, Tarifs des redevances pour services rendus 2008

ADP Regulation

- Regulation contract for 5 years
- Single till, Excluded: other airport platforms, security (airport tax), groundhandling
- Within the range
  - principal fees (Landing, parking, passengers, fuel)
  - accessory fees (lightening fees, baggage system, check in desks, electricity, de-icing)
  - other fees for services
  - commercial activities (commerce, (car-)parkings, real estate, industrial services, real estate for diversification)

ADP Regulation

- Price CAP (inflation + 3,25) with adjustments for
  - Investments
    - Running investments 661.3 mio
    - Effect when less than 95 %
    - Example: 100 mio less investments → 17,8 mio less fees
  - Quality
    - 10 indicators relevant
    - Bonus/malus-system: 1-9: 0,05 %, 10: 0,5 %
    - Real data necessary to assess impacts
  - Traffic: when leaving a growth corridor of 3,5 % to 4%: 70 percent

ADP Privatization

- “LOI n° 2005-357 du 20 avril 2005 relative aux aéroports“
- Partial privatization: state wants to maintain influence, constitution, EU- law stronger for private companies

ADP Privatization

- Going Public 31 mai 2006 till 14 june 2006
- New ownership structure:
  - Government 67,5%,
  - Employees 3,2%
  - All other investors 29,2%
- 2008: VINCI bought 3,3% outside the stock exchange → first step to full privatization, creation of “national champions”

Conclusion

- Efficiency:
  - Tariff structure
  - Modulation for peak times not used
  - Private capital avoided for regional airports
- Independence:
  - No independent regulator
  - slot coordinators independence in question
- Consultations and transparency
  - Publication would enhance transparency
  - Reforms increased transparency
- Flexibility: Minor changes included in price cap formula, conditions for renegotiation

Conclusion

- First reform for decades
- Small regional airports: How will local collectivities operate airports in the future?
- Bigger regional airports: Chambers of Commerce and Government saved influence
- ADP: modern framework but deviations from efficiency
- Acceptance and political stability

Before the Landing:
Thank you for listening, comments and discussion !