

Economic regulation of airports in Slovakia after Directive 2009/12/EC on airport charges

A. NOVÁK SEDLÁČKOVÁ

Air Transport Department, Faculty of Operation and Economics of Transport and Communications, University of Žilina, Univerzitná 1, 010 26 Žilina, Slovakia
EMAIL: alena.sedlackova@fpedas.uniza.sk

ABSTRACT

In March 2009 the European Parliament and the Council issued the Directive on Airport Charges – Directive 2009/12/EC, which is a common framework regulating the essential features of airport charges. The EU presents the necessity of economic regulation of airports and airport charges in Europe. On the basis of this Directive, the airports have to change their economic policy. But is the economic regulation necessary for the Bratislava Airport and airports with a similar position? This paper explains the situation of Slovak airports and their approach to economic regulation of airport charges.

KEYWORDS: economic regulation, airport charges, economic

1. EU Directive 2009/12/EC and economic regulation of airports

This paper is about economic regulation of airports in the Slovak Republic after Directive 2009/12/EC on airport charges. The EU advises to regulate airport charges of 69 European airports. This Directive is a common framework regulating the essential features of airport charges. It means an economic regulation of airports, which annual traffic is over five million passenger movements and the airport with the highest passenger movement in each Member State. The economic regulation is important in the situation when the airport is in a privileged position as a point of entry to that Member State so that it is necessary to apply this Directive to that airport in order to guarantee respect for certain basic principles in the relationship between the airport managing body and the airport users, in particular with regard to transparency of charges and

non-discrimination among airport users – the airport is in a position of geographical monopoly.

But is the economic regulation of airports really necessary? Stephen Littlechild (1983), who was the father of price cap mechanism of airports economic regulation said: “Regulation is essentially a means of preventing the worst excesses of monopoly; it is not a substitute for competition. It is a means of holding the fort until the competition arrives.”

1.1. Airport charges

The basic idea of business is the effort of achieving a profit. There has to be a balance and suitability between the expenses and revenues. The fundamental cost items are staff costs, maintenance expenses, depreciation, amortization and impairment (operating expenses). The fundamental revenue items are airport taxes, parking charges, security charges, landing charges, handling revenue, financial revenue and other commercial revenues. The dual till regulation of airport charges

Table 1. Rates per each tonne (even initiated) of the maximum take-off mass (MTOM) of the aircraft - traffic within the Slovak Republic (domestic traffic)

Traffic within the Slovak Republic	
Airports	eur/tonne
Košice	10.963
Bratislava	5.145
Nitra	0.332
Piešťany	4.647
Pievidza	0.332
Poprad-Tatry	4.647
Sliač	4.647
Žilina	4.647
Trenčín	1.327

Source: [1]

means primary the regulation of landing charges, parking charges, passenger service charges and secondary noise and security charges. The single till regulation comprises implicit revenues from commercial activities too.

2. Airport charges in the Slovak Republic

The airport charges of Slovak airports are published in the Aeronautical Information Publication (AIP SR). The comparison of Slovak unregulated airport charges and British regulated airport charges is very interesting. Airport charges in the Slovak Republic are divided into traffic within the Slovak Republic and international traffic. This separation between domestic traffic and international traffic is in contradiction with the European law - Article 72 and

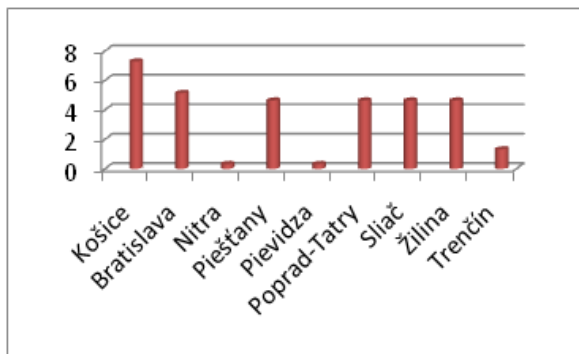


Fig. 1. Rates per each tonne (even initiated) of the maximum take-off mass (MTOM) of the aircraft - traffic within the Slovak Republic (domestic traffic)
Source: [own work]

Table 2. Rates per each tonne (even initiated) of the maximum take-off mass (MTOM) of the aircraft - International traffic

International traffic	
Airports	eur/tonne
Košice	14.107
Bratislava	13.111*
Piešťany	12.447
Poprad-Tatry	12.447
Sliač	12.447
Žilina	12.447

Source: [1]

* in the Bratislava Airport there are three categories of maximal take-off mass (MTOM):

- first 150 t, included - aircraft landing charges are 13.111 euro per tonne
- each next 151 to 250 t - aircraft landing charges are 9.294 euro per tonne
- each next 251 t - aircraft landing charges are 6.638 euro per tonne.

81 (1) d of the EC Treaty, but the European Court of Justice declared in Case C-92/01 a specific situation, when it is possible. Airports can do this, when domestic flights costs are legitimate lower than the international flights costs.

2.1. Comparison between airport charges in the Slovak Republic and Great Britain

The airport charges at regulated British airports divided into peak and off peak traffic and into four categories of maximal take-off mass (MTOM).

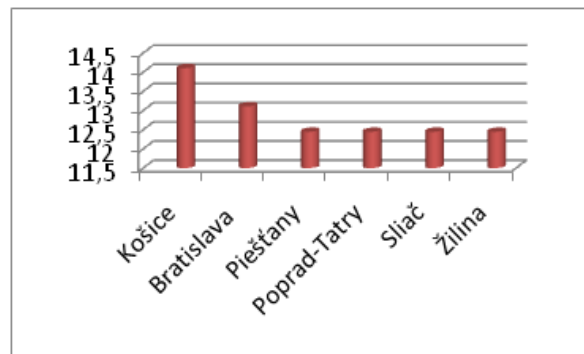


Fig. 2. Rates per each tonne (even initiated) of the maximum take-off mass (MTOM) of the aircraft - International traffic
Source: [own work]

Table 3. Aircraft landing charges at regulated British airports - Domestic traffic/ International traffic

Aircraft landing charges at regulated British airports						
	London Heathrow		London Gatwick		London Stansted	
Aircraft categories (t=tonnes)	Peak euro per aircraft	Off-peak euro per aircraft	Peak euro per aircraft	Off-peak euro per aircraft	Peak euro per aircraft	Off-peak euro per aircraft
MTOM < 16 t	686.760	291.000	429.814	128.040	110.580	98.940
16>MTOMW < 50 t	686.760	291.000	429.814	128.040	165.288	122.220
50>MTOM < 250 t	686.760	494.700	429.814	145.500	268.884	152.484
MTOM> 250 t	686.760	494.700	429.814	145.500	465.600	465.600

Source: [2]

Table 4. Average rates per each tonne (even initiated) of the maximum take-off mass (MTOM) of the aircraft at regulated British airports- Domestic traffic/ International traffic

London Heathrow	London Gatwick	London Stansted
11.1661 euro/tonne	6.2802 euro/tonne	2.946775 euro/tonne

Source: [own work]

Table 5. Comparison of aircraft landing charges at Slovak and British airports

Heathrow	Gatwick	Stansted	Bratislava	Košice	Poprad-Tatry
11,1661	6,2802	2,946775	13,111	14,107	12,447

Source: [own work]

Table 6. Comparison of parking charges at Slovak and British airports

Comparison of parking charges at Slovak and British airports (euros per MTOM)						
Airports	Heathrow	Gatwick	Stansted	Bratislava	Košice	Poprad-Tatry
Parking charges (euro/t)	0.536	0.348	0.844	0.298	1.327	0.298
Fixed parking charges	8.241	5.61	3.422	0	0	0

Source: [own work]

Table 5 shows big differences between Slovak and British aircraft landing charges. The most expensive airport in Great Britain - London Heathrow is cheaper than the cheapest Slovak international airport Poprad-Tatry.

Slovak airports do not have fixed parking charges. Parking charges per tonnes of MTOM are on average higher than British. The most expensive is Košice airport, but airports in Great Britain have two components of parking charges and total parking charges are higher at British airports.

Table 7. Comparison of airport taxes at Slovak and British airports

Comparison of airport taxes at Slovak and British airports (euro/pax)						
Airport	London Heathrow	London Gatwick	London Stansted	Bratislava	Košice	Poprad-Tatry
Domestic traffic	15.633	8.555	7.112	6.306	10.455	4.315
International traffic	26.737	13.048	10.790	16.265	16.265	14.339

Source: [own work]

Table 7 shows the level of airport taxes. The most expensive is London Heathrow and the second one is Košice airport.

After this analysis we know some important parameters for economic regulation of airports. The tables showed that economic regulation is beneficial, because the airport charges are on average lower, but it is not the only aspect. The capacity of the regulated airport is relevant for economic regulation. Airports which could not increase the capacity have to be regulated, because they have specific market position and the regulator wants to eliminate their monopolistic position and their disproportionate profits.

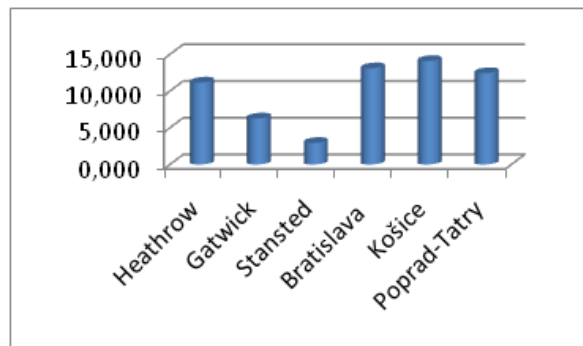


Fig. 3. Comparison of aircraft landing charges at Slovak and British airports

Source: [own work]

Table 8: Portfolio of various possibilities of alternative approaches to the application of economic regulation of Slovak airports

Mechanism of economic regulation of airports Single till		Approaches of ERoA		
		Dual till	Hybrid	
Hard regulation	RoR			
	Price cap	x	x	
	Hybrid RoR a Price cap			
	Default regulation			
Soft regulation	Light handed		x	

Source: [own work]

3. Economic regulation of airports in the Slovak Republic

The situation in Slovakia is different. After research of theoretical models used in Europe, Latin America and Australia we compile a matrix or portfolio of various possibilities of alternative approaches to the application of economic regulation of the Slovak airports are evaluated in Table 8.

We have 8 international airports Bratislava, Košice, Poprad-Tatry, Žilina, Sliač, Piešťany, Nitra and Prievidza, but only two – Bratislava airport and Košice airport – can be relevant for economic regulation of airport.

Košice airport is a small regional airport, but has a great local position. This airport can be defined as geographic monopoly - natural monopoly, but it is too small for regulation and the Directive should apply to airports located in the Community that are above a minimum size (5mil. pax) as the management and the funding of small airports do not call for the application of a Community framework.

The next one is Bratislava Airport and the Directive orders to regulate this airport like the biggest airport in Slovakia, but experts on economic regulation think that it is unnecessary, because this airport is not a local monopoly and close to this airport (only 60 km by highway) is Vienna Airport. So what we can do? We have to respect principles of EU and its Directive and regulate airport charges there, but it can be the end. Bratislava airport wants to compete with Vienna Airport, but currently has not enough passengers. The situation on the air transport market during the economic crisis is complicated and some airlines stop now the flights from or to Bratislava airport.

3. Conclusion

After our research we think that the model of „hard regulation” in the Slovak Republic - revenue price cap single till is not suitable for this kind of airports, because it is complicated and the Slovak Republic has not enough experience with economic regulation of airports. Bratislava airport wants more and more passengers and airlines with the base in Bratislava, so their goal is to have airport charges as low as they can. After the analysis and selection of relevant parameters we hope that the best way for Bratislava will be the light handed regulation (monitoring of prices).

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