



**WELCOME TO  
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Price Regulation in Airports – Case study of Privatization of Greek  
Regional Airports

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# Background of Price Regulation

- From Public Service organizations to commercial entities
- Strong Debate regarding need of price regulation
- Trends: use of smaller aircrafts, increase of point-to-point flights, expansion of LCCs may lead to growth of Regional Airports



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# 14 Regional Airports under privatization –

## Present and Future

### a. Current situation in Regional Airports

- ▶ Role of HCAA
- ▶ Current Airport Charges regime
  - Aeronautical Charges: Only landing and parking fees are charged at prices uniformly set by the State following ICAO principles
  - No charges for other services rendered. No security charge
  - ADF, a tax levied on passengers



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# 14 Regional Airports under privatization – Present and Future

## a. Current situation in Regional Airports *(continued)*

Non Aeronautical Charges: leasing for commercial purposes, leasing of airport spaces to airport users, fees for groundhandling services

- ▶ Segregation of HCAA as regulator and supervisor from the role as operator following privatization

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## b. Tender

- ▶ Advertised Competitive tender
- ▶ Two geographical distinct clusters of airports
- ▶ Two concession service contracts
- ▶ One successful bidder for both clusters



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# 14 Regional Airports under privatization –

## Present and Future

### c. Airport Charges Regulation stipulated in the Concession Agreement – HCAA's role

- ▶ Dual Till approach
- ▶ Two complementary mechanisms of aeronautical charges (i) overall cap on the per passenger charges and (ii) a maximum return on equity cap related with aeronautical activities
- ▶ ADF fixed to 12€ from Commencement Date of Concession Agreement until November 2024 and 3€ thereafter to be retained by Concessionaire
- ▶ Levy to the Hellenic Republic corresponding to a prescribed percentage of the ADF (8.5% for the first period until 1 November 2024 and 35% thereafter)

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# 14 Regional Airports under privatization –

## Present and Future

### c. Airport Charges Regulation stipulated in the Concession Agreement – HCAA's role

- ▶ Performance Standards imposed on the concessionaire, if not achieved penalties are charged
- ▶ Overall Cap is a Euro specific value subject to indexation linked with CPI
- ▶ Non-Aeronautical Charges are not capped
- ▶ HCAA as economic supervisor mandated also to examine competition between airports

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# Appropriateness of Price control and Competitiveness of Regional Airports

- ▶ Combination of two mechanisms ensures best of 2 worlds
- ▶ Maximum average amount that the concessionaire is allowed to charge – Price differentiation that meets the MEO test
- ▶ Uniform cap for each airport separately. Concessionaire cannot overcharge a destination and undercharge another
- ▶ Regional Airports will not charge a price below margin costs

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# Appropriateness of Price control and Competitiveness of Regional Airports

- ▶ **Competitiveness also in terms of service quality in view of standards**
- ▶ **Deactivation of cap as a safety net for cost plus margin**
- ▶ **If calculations prove wrong in the future, the Cap can be revised on the basis of agreement with HCAA**
- ▶ **HCAA will supervise**

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## Compatibility with EU Law

- ▶ Awarded to the highest bidder following an open, transparent and non-discriminatory tender process
- ▶ EC's concerns have been eased through abolishment of continuous benchmarking of pier airports mechanism and setting a euro value ceiling
- ▶ State Aid clearance a condition precedent for commencement of the concession

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## Compatibility with EU Law

- ▶ Quality service is ensured in the spirit of Art 9 of Directive 2009/12 which incentivizes conclusion of SLAs regarding quality service
- ▶ New infrastructure are rationalized and depend on traffic and required performance standards in line with the spirit of Article 8 of Directive 2009/12 regarding consultation before finalizing infrastructure plans

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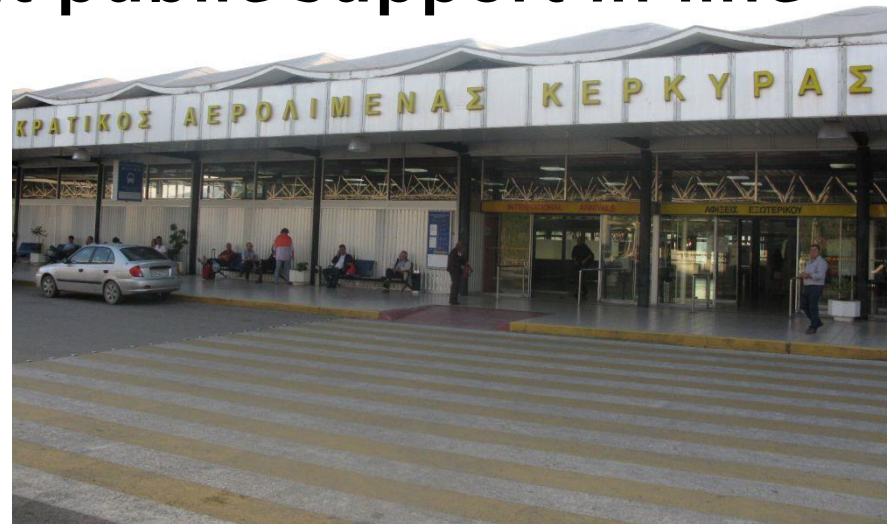
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# Assessment of past versus future of Regional Airports from socioeconomic perspective

- ▶ Tariffs' scheme to bolster revenues and the transformation of airports to commercial entities
- ▶ Regional Airports shall aim to become economically viable wherever possible and cost-efficient without public support in line with the new state aid guidelines



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# Assessment of past versus future of Regional Airports from socioeconomic perspective

- ▶ Improvement of service standards for users at par with relevant regional and international standards
- ▶ Rationalization of airport development projects which are critically evaluated from a cost–benefit perspective, with facts and data for financial justification.
- ▶ Support of tertiary airports and financing of HCAA



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## Is Price Regulation really needed for Greek regional airports?

- ▶ Self-regulation would not be appropriate
- ▶ Legitimate role of the State to introduce caps
- ▶ Ex post intervention of EU law and Economic regulator as to how the price regulation is implemented in practice

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# Thank You!

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