

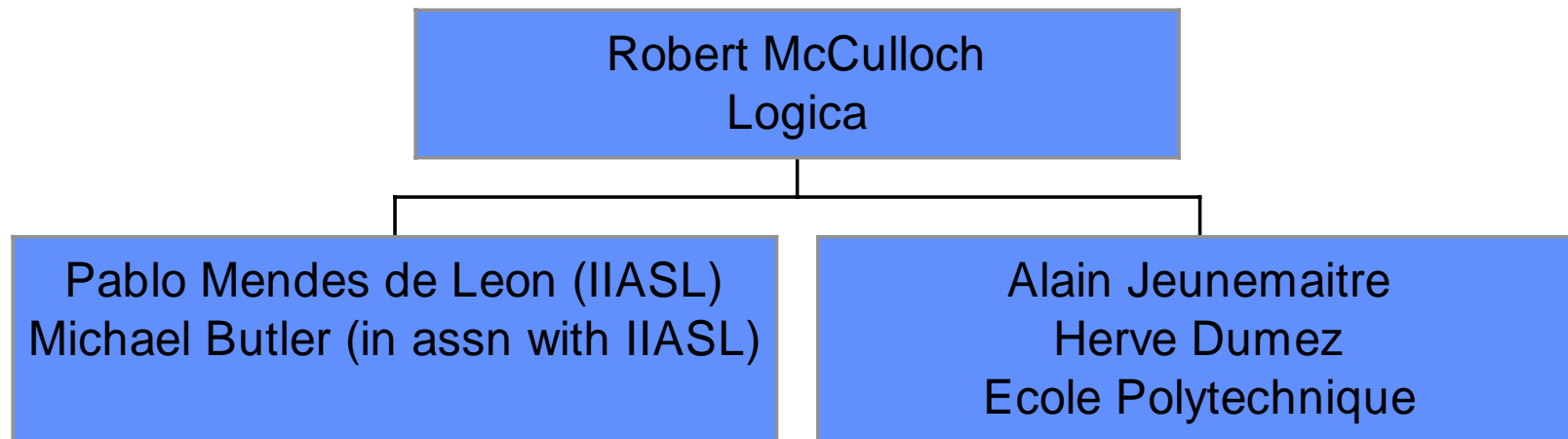


Economic Regulation of Air Traffic Management Services

28 May 2001



Project Team





Contents

- Legal framework
- Economic analysis



Legal Framework

- Main instruments (charges)
 - Chicago Convention
 - ICAO principles and policies
 - Bilateral air treaties
 - EUROCONTROL



Legal Framework

- Chicago Convention
 - Binding provisions on charges
 - Non-discrimination principle
- ICAO principles and policies
 - Cost relatedness
 - Transparency



Legal Framework

- Bilateral air treaties
 - Apply (mostly) to airport and terminal charges
 - More recent treaties more prescriptive
- EUROCONTROL
 - Detailed principles on route charges
 - Treaty status



Legal Framework

- *A priori* control of charges strongly embedded in current legal framework
- Recognition of economic regulation
- Some room for manoeuvre in respect of user charges



Contents

- Legal framework
- Economic analysis



Economic Analysis

- Not about regulating a static monopoly
- About promoting restructuring



Economic Analysis

- Scenarios

- National regulation and competition
- European regulation and co-operation



National Regulation and Competition



National Regulation and Competition

- Competition “in” the market is not feasible in ATC provision but possible for ancillary services
- Competition “for” the market is feasible



National Regulation and Competition

- Franchising ATM services from a national perspective, with national regulators may
 - Reinforce fragmentation
 - Not ensure proper investment levels
 - Give rise to detrimental network effects



National Regulation and Competition

- Franchising of cross-border airspace blocks likely to be difficult to implement
 - Revenues
 - Employment



National Regulation and Competition

- National regulation and competition
 - Unlikely to lead to the required restructuring
 - Likely to reinforce fragmentation
 - Probably not the best way forward



European Regulation and Co-operation



European Regulation and Co-operation

- Principles

- European regulatory framework
- Co-operation rather than competition



European Regulation and Co-operation

● Principles

- Non-discrimination (does not rule out differentiation)
- Cost relatedness (does not rule out reasonable return)
- Transparency (unbundling)
- Neutral to service provider status



European Regulation and Co-operation

● Aims

- Facilitate restructuring
- Introduction of forward looking perspective
- Creation of incentives



European Regulation and Co-operation

- Metrics
 - Forward looking
 - Contractual
 - Macro



European Regulation and Co-operation

- ATM components
 - Network infrastructure (eg airspace structure)
 - ATFM
 - ATC
 - Ancillary services (eg MET)



European Regulation and Co-operation

- Proposals

- Organisation
- Service metrics
- Incentives
- Basis of charging formula



European Regulation and Co-operation

- Network infrastructure
- ATFM
- ATC
- Ancillary services



Network Infrastructure

- Organisation

- European, joint civil and military airspace design
- Zones of Operational Co-ordination (ZOC)



Network Infrastructure

- Service metrics
 - Complexity of traffic flows
 - Directness of routes
- Incentives
 - Possible support for collective infrastructure improvements



Network Infrastructure

- Basis of charging formula
 - Cost
 - Possible support for collective infrastructure improvements



European Regulation and Co-operation

- Network infrastructure
- ATFM
- ATC
- Ancillary services



ATFM

● Organisation

- European body pooling central (CFMU) and local (ACC) resources
- Corporatisation of European ATFM through service providers/users club governance



ATFM

- Metrics
 - Delay
 - Routing
 - Flexibility



ATFM

● Incentives

- ATFM: delay, routing, flexibility
- Users: alternative routing, booking mechanism
- Service providers: declared / theoretical capacity
- Airports: en-route slot compliance



ATFM

- Basis of charging formula
 - Cost
 - Incentives on ATFM performance
 - Incentives on users
 - Incentives on service providers



European Regulation and Co-operation

- Network infrastructure
- ATFM
- ATC
- Ancillary services



ATC

- Organisation

- Zones of Operational Co-ordination (ZOCs)
- Resource Pooling Alliances
- European controller status



ATC

- Metrics
 - Capacity
 - Delay
 - Cost
 - Efficiency



ATC

- Incentives
 - Zone Unit Rates (ZURs)
 - Delay
- Basis of charging formula
 - Price cap
 - Delay



European Regulation and Co-operation

- Network infrastructure
- ATFM
- ATC
- Ancillary services



Ancillary Services

- Many could be opened to competition
- Possible initiatives
 - Imposing interoperability conditions
 - Service performance
 - Economies of scale
 - Best practice procurement procedures

