Airport regulation in Belgium: the Brussels Airport case

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- Current regulatory framework
- Need for regulation?
Context

• Brussels Airport Company:
  - Former state-owned airport
  - Privatised in 2004
  - 70% goes to private operator (Macquarie)
  - Later on 5% extra
Current regulatory framework

• Distinction between regulated and non-regulated activities

• Regulated:
  - Landing and leaving of airplanes
  - Airplane stationing
  - Infrastructure use by passengers
  - Fuel provision
  - Safety and security
Current regulatory framework

• Distinction between regulated and non-regulated activities
• Adjusted single till
• Move towards dual till by 2026
• Reference airports
• Fixed 5-year period
• User consultation
• Requirements as to service, capacity, safety, security and environment
• Economic regulator
Current regulatory framework (ctd.)

- “Natural monopoly”
- Cost-based pricing
- Cost-efficiency incentive policy
- Investment incentive policy
- Service guarantees
Need for regulation

- Market failures
- Natural monopoly
- Incentive mechanisms
Need for regulation (ctd.)

Is the airport a natural monopoly?

Yes

Is the airport a public or private property?

Public

No regulator needed

Private

Risk for market failure and therefore regulator needed

No

Is there sufficient competition in the market?

Yes

No regulator needed

No

Risk for market failure and therefore regulator needed
Two types of regulation

- Structural regulation
- Behavioural regulation
  - *Rate of return* regulation (cost based regulation)
  - *Price cap* regulation (incentive regulation)
  - *Revenue sharing agreements*
  - *Monitoring*
- Danger of perverse effects
Brussels airport: natural monopoly?

- Competition:
  - Charleroi, Schiphol, Rotterdam, Frankfurt
  - Rail
- Hub formation
- Airports: decreasing returns to scale
- Incentive to attract traffic: side activities
- Differentiation between activities
Which type of regulation

- Ex ante
- Ex post
Many thanks for your attention!

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