European ATM economic regulation

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Poor performance

- Delays getting worse
- CO₂ rising faster than traffic
- Cost inefficiency widespread



ATM-related CO₂ should be first to be eliminated



Source: IATA Economics using data estimated in an industry project with McKinsey, 2008

Widespread inefficiency points to weak targets



Max avg	40%
Min avg	15%
"Avg" avg	27%





Source: PRB 'Advice on benchmarking...' 3rd June 2018

No evidence that efficiency targets too tough



Estimated actual surplus in percentage of the en-route revenues (in respect of en-route activity 2017 for the main ATSPs)

Estimated determined surplus from adopted PPs in percentage of the en-route revenues (in respect of en-route activity 2017 for the main ATSPs)



Source: PRB Annual Monitoring Report 2017

Figure 26: Estimated surplus for the 2017 en-route activity for the main ATSPs

Why an independent economic regulator?

- Statutory or natural monopolies
- Regulator captured by the regulated
- Competition only slowly evolving force
- ATM user costs matter for economy as well as airlines
- CO₂ becoming existential issue



What is needed from ATM economic regulation?

- Independence
- Complement to slowly evolving competition
- Effective incentives for efficiency, capacity, technology
- Simple price cap + SLAs on quality
- Cost benchmarking 'yardstick competition'
- No 'risk-sharing' distortion
- Meaningful penalties



Thank you

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