CONSULTATION ON ECONOMIC REGULATION OF AIRPORT CONCESSIONS

Recife | Maceió | João Pessoa | Aracaju | Juazeiro do Norte | Campina Grande
Vitória | Macaé | Cuiabá | Rondonópolis | Alta Floresta | Sinop | Barra do Garças

Summary

ANAC invites interested parties to submit contributions regarding economic regulation aspects relevant to the next round of airport concessions

ANAC - National Civil Aviation Agency
Department of Airport Economic Regulation
Division of Economic Regulation
gere@anac.gov.br

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AIRPORT CONCESSION IN BRAZIL

CONSULTATION ON ECONOMIC REGULATION OF AIRPORT CONCESSIONS

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1. INTRODUCTION

The Brazilian program of airport concessions was launched in 2011, when São Gonçalo do Amarante airport was auctioned. In the following year, Guarulhos, Viracopos and Brasilia airports were granted and in 2013, the auction of Galeão and Confins airports took place. This year four more airports were privatized in the cities of Salvador, Fortaleza, Porto Alegre and Florianópolis.

The program of concessions was mainly motivated by the necessity to expand and improve Brazil airport infrastructure, which was showing to be insufficient to properly meet the demand growth that took place in Brazil in the previous decade. Despite recent decrease in demand due to the economic crisis faced by Brazil, when the average growth rate of nearly 9% per year since 2003 shown in the graph below[1] is considered, an expressive growth rate can still be a good hypothesis.

The experience cumulated during the early years of the first concessions, though short, was elucidative, motivating changes regarding the economic regulation model applied to the concession agreements of Salvador, Fortaleza, Porto Alegre and Florianopolis airports. These include the partial relaxation of price caps in order to allow for revenue management, which provides a more efficient pricing of the airport infrastructure, and the introduction of stakeholder consultation on several subjects regarding airport economic and operational management in order to increase users involvement in decisions and, therefore, possibly reducing the need for regulatory interventions.

[1] Source: www.anac.gov.br/assuntos/setor-regulado/empresas/envio-de-informacoes/base-de-dados-estatisticos-do-transporte-aereo.

The Brazilian government has announced its intention to carry out a new round of concessions encompassing thirteen airports. This decision presents a new opportunity for reflection on the economic regulation model applicable to granted airports, particularly on the need to increase regulatory flexibility and engagement between airport operators and users.

In addition to the assessment of possible regulatory improvements, the forthcoming concessions give rise to specific discussions due to the airport profiles. The earlier rounds of concessions have focused exclusively on large and medium–sized airports, but the next might include small airports. Furthermore, the next round of airport concessions is likely to group airports into clusters presumably formed by airports of different sizes as there is a great number of airports to be granted and some of them are small airports.

This prior consultation aims to collect reasoned contributions on possible improvements of the current regulatory framework applicable to airport concessions in Brazil and on the most suitable approach of specific issues regarding this new round of concessions, preferably based on analyses of the development of current concessions and relevant international experiences.

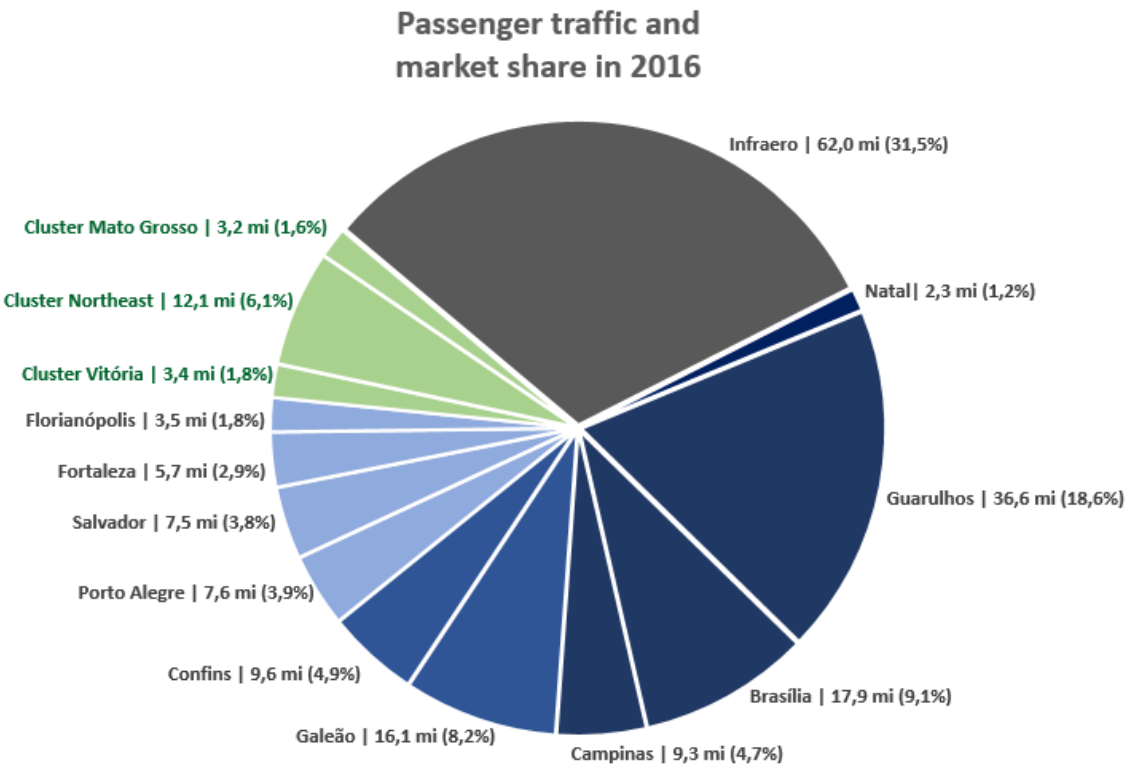
Section 2 of this document will make a brief introduction to the airports to be privatized and the respective clusters, exhibiting information regarding traffic volume, profile and growth, in addition to a summary of relevant characteristics of each region. Section 3 will present some of the identified regulatory goals and challenges for the next concessions and will indicate some regulatory approaches that might be considered to address these issues. Section 4 will invite all interested parties to send reasoned contributions regarding economic regulation aspects relevant to the next round of concessions, making it clear that the scope of contributions should not necessarily be limited to the topics discussed in section 3.

2. FIFTH ROUND OF CONCESSIONS[2]

In October 2017, thirteen airports were included in Brazil privatization program and are expected to be grouped in three regional clusters, according to the following configuration:

- **Cluster Northeast:** formed by Recife/PE, Maceió/AL, Aracaju/SE, João Pessoa/PB, Campina Grande/PB and Juazeiro do Norte/CE airports;
- **Cluster Vitória:** formed by Vitória/ES and Macaé/RJ airports; and
- **Cluster Mato Grosso:** formed by Cuiabá/MT, Sinop/MT, Barra do Garças/MT, Rondonópolis/MT and Alta Floresta/MT airports.

As shown in the graphic below, the combined traffic flow of the three airport clusters amounted to almost 19 million passengers in 2016, representing a joint market share close to 10% of Brazilian air traffic. Cluster Northeast, with a passengers flow of 12,1 million and a market share of 6,1%, is the biggest of them, followed by Cluster Vitória, which processed 3,4 million passengers and represented 1,8% of total traffic, and Cluster Mato Grosso, with 3,2 million traffic and a market share of 1,6%.



[2] Sources:
www.anac.gov.br/assuntos/setor-regulado/empresas/envio-de-informacoes/base-de-dados-estatisticos-do-transporte-aereo (Sinop, Barra do Garças, Rondonópolis and Alta Floresta airports and Brazil aggregated traffic information).
www.infraero.gov.br/index.php/estatisticas/estatisticas.html (all other airports traffic information).

Basic information regarding airports of each cluster and some features of their respective regions will be presented in order to provide a starting point to identifying the potentials of each airport[3].

2.1. Cluster Northeast

Cluster Northeast is composed by six airports: two small airports in medium-sized cities (Campina Grande e Juazeiro do Norte); three medium-sized airports in coastal capital cities (Maceió, João Pessoa e Aracaju) and a large airport in Recife, one of the largest metropolitan region in Brazil.

Due to its vast coast and relative proximity to Europe and United States (the main origins of tourists visiting Brazil), the Northeast region has clear vocation for tourism, both leisure and business conferences. Touristic destinations served by the airports of the cluster include cities – particularly Maceió and Recife – and beaches located outside urban perimeters but within the catchment areas of the airports. Despite that, international transport in these airports is still underdeveloped, currently limited to Recife.

The tables below show traffic growth rates observed in the last years, as well as information regarding traffic volume and profile. In the largest airports of the cluster, although slowdown in growth or even decrease of traffic occurred last year due to the economic crisis, annualized ten-year traffic growth rates range between 5% and 13%. In the two regional airports, by its turn, high growth rates were held even during recent economic downturn.

Traffic Volume
traffic and market share in 2016

Airport	Passenger		Aircraft		Cargo and Mail	
Brazil	201.368.016		1.797.608		1.480.382	
Cluster Northeast	12.113.577	6,0%	127.877	7,1%	49.166	3,3%
Recife	6.811.676	3,4%	69.108	3,8%	40.479	2,7%
Maceió	1.995.069	1,0%	19.748	1,1%	2.177	0,1%
João Pessoa	1.418.380	0,7%	13.855	0,8%	2.930	0,2%
Aracaju	1.225.591	0,6%	13.279	0,7%	1.986	0,1%
Juazeiro do Norte	534.712	0,3%	8.482	0,5%	1.172	0,1%
Campina Grande	128.149	0,1%	3.405	0,2%	422	0,0%

[3] Detailed information regarding the airports can be found in the data room: www.transportes.gov.br/component/content/article.html?id=5543.

Traffic Profile
proportions of passengers - 2016

Airport	Domestic	International	Scheduled	Non scheduled
Brazil	89,7%	10,3%	96,3%	3,7%
Cluster Northeast	97,9%	2,1%	96,5%	3,5%
Recife	96,4%	3,6%	97,3%	2,7%
Maceió	99,9%	0,1%	92,0%	8,0%
João Pessoa	100,0%	0,0%	98,9%	1,1%
Aracaju	100,0%	0,0%	96,0%	4,0%
Juazeiro do Norte	100,0%	0,0%	99,2%	0,8%
Campina Grande	100,0%	0,0%	95,7%	4,3%

Traffic Growth
annualized growth rate of passenger flow

Airport	2015-2016	2011-2016	2006-2016
Brazil	-11,9%	1,7%	7,4%
Cluster Northeast	1,0%	2,7%	7,3%
Recife	1,7%	1,3%	5,6%
Maceió	0,6%	5,2%	8,6%
João Pessoa	-3,1%	4,4%	13,1%
Aracaju	-4,3%	2,3%	7,6%
Juazeiro do Norte	20,3%	9,3%	17,1%
Campina Grande	9,4%	4,1%	6,3%

2.2. Cluster Vitória

Cluster Vitória stands out for its proximity to Campos Basin, Brazil´s largest oil reserve, responsible for more than half of national production. Vitória airport, with more than 3 million passengers processed annually, is the most important of Espírito Santo, the second state of the country in oil production. Macaé airport is located in the northern part of Rio de Janeiro state, Brazil´s major oil producer. Macaé is also the largest national producer of natural gas and the main base for offshore operations of oil companies, which explains the traffic profile focused in offshore operations of Macaé airport.

Traffic Volume
traffic and market share in 2016

Airport	Passenger		Aircraft		Cargo and Mail	
Brazil	201.368.016		1.797.608		1.480.382	
Cluster Vitória	3.439.043	1,7%	89.377	5,0%	22.840	1,5%
Vitória	3.120.166	1,5%	46.737	2,6%	22.501	1,5%
Macaé	318.877	0,2%	42.640	2,4%	339	0,0%

Traffic Profile
proportions of passengers - 2016

Airport	Domestic	International	Scheduled	Non scheduled
Brazil	89,7%	10,3%	96,3%	3,7%
Cluster Vitória	100,0%	0,0%	86,3%	13,7%
Vitória	100,0%	0,0%	95,1%	4,9%
Macaé	100,0%	0,0%	0,01%	99,99%

Traffic Growth
annualized growth rate of passenger flow

Airport	2015-2016	2011-2016	2006-2016
Brazil	-11,9%	1,7%	7,4%
Cluster Vitória	-14,6%	-1,1%	5,4%
Vitória	-12,9%	-0,4%	6,5%
Macaé	-28,1%	-6,9%	-1,4%

2.3. Cluster Mato Grosso

Cluster Mato Grosso is led by Cuiabá airport, with an annual passenger flow close to 3 million, and also contains four small regional airports, currently managed by counties – Sinop, Rondonópolis, Alta Floresta e Barra do Garças. Mato Grosso state is a major agriculture producer and one of the main exporters of Brazil. Traffic of the airports of this cluster, thought really affected last year by the economic downturn, has shown expressive annualized growth rates for the past ten years, all superior to 10% and some close to 30%.

Traffic Volume
traffic and market share in 2016

Airport	Passenger		Aircraft		Cargo and Mail	
Brazil	201.368.016		1.797.608		1.480.382	
Cluster Mato Grosso	3.211.760	1,6%	57.135	3,2%	10.027	0,7%
Cuiabá	2.840.559	1,4%	51.292	2,9%	9.760	0,7%
Sinop	223.659	0,1%	3.396	0,2%	143	0,0%
Rondonópolis	73.607	0,0%	1.528	0,1%	62	0,0%
Alta Floresta	69.746	0,0%	839	0,0%	62	0,0%
Barra do Garças	4.189	0,0%	80	0,0%	N.D.	N.D.

Traffic Profile

proportions of passengers - 2016

Airport	Domestic	International	Scheduled	Non scheduled
Brazil	89,7%	10,3%	96,3%	3,7%
Cluster Mato Grosso	100,0%	0,0%	97,5%	2,5%
Cuiabá	100,0%	0,0%	97,3%	2,7%
Sinop	100,0%	0,0%	99,3%	0,7%
Rondonópolis	100,0%	0,0%	100,0%	0,0%
Alta Floresta	100,0%	0,0%	99,6%	0,4%
Barra do Garças	100,0%	0,0%	98,5%	1,5%

Traffic Growth

annualized growth rate of passenger flow

Airport	2015-2016	2011-2016	2006-2016
Brazil	-11,9%	1,7%	7,4%
Cluster Mato Grosso	-14,2%	3,2%	12,7%
Cuiabá	-14,1%	2,2%	11,8%
Sinop	-17,3%	20,3%	28,4%
Rondonópolis	-25,4%	N.D.	N.D.
Alta Floresta	-5,9%	1,1%	21,1%
Barra do Garças	N.D.	N.D.	27,0%

3. PROPOSED DISCUSSION

This section will present some topics of particular interest for contributions. The first subsection will discuss the recent evolution of the airport economic regulation model and possible further developments under consideration. The second will present specific issues relevant to the next round of concessions and possible solutions. The purpose of this section is to provide background to encourage contributions rather than to define an exhaustive list of topics under consultation.

3.1. The evolution of airport economic regulation in Brazil

It's straightforward to identify two trends concerning Brazilian airport economic regulation in the last few years: flexibility and decentralization. A brief account of the regulatory evolution and the motivations supporting changes is provided below. Possible measures to deepen these trends and their inherent trade–offs will be submitted to discussion.

3.1.1. Flexibility

The main reason to regulate prices charged by airports is to prevent the exercise of market power. On the other hand, prices set by the regulator may not adequately reflect infrastructure and services costs (including opportunity costs) due to information asymmetry between operators and regulators, thus generating inefficiencies.

If these inefficiencies impose a social cost greater than the benefit from preventing exercise of market power, the rational and right decision to be taken is not to intervene. Based on this perception ANAC opted to extinguish the *ex ante* regulation of prices for the concession of areas to airlines and ground handlers[4], limiting its intervention to *ex post* conflict resolution. Prices are freely negotiated, but the regulator retains the prerogative to intervene to prevent abusive or discriminatory practices. This decision was applied to Infraero before the first round of concessions and incorporated by the concession agreements to privatized airports.

Alternatively, the regulator might attempt to mitigate price regulation distortions by collecting a great amount of information in order to establish prices that adequately reflect costs. However, the cost of obtaining such kind of information is considerably high.

At the beginning of 2011, before the first airport concession round, ANAC has applied a cost-based regulation to set up Infraero's charges. However, for privatized airports the decision was to apply a simpler price regulation. Thus, a non cost-based model based on standard *CPI-X* price-caps was adopted[5]. This decision was made largely due to the high costs involved in the process of obtaining suitable information.

Subsequently, the cost-based model applied to Infraero was abandoned, and a model similar to that adopted for granted airports was applied. The difference was a greater flexibility to set

[4] Until 2009, the former Department of Civil Aviation - DAC established the price per square meter to be charged.

[5] Prices are annually adjusted by inflation and the X factor, which seeks to share expected variations of airport productivity with users. The calculation of this factor may also involve obtaining information on airport costs, but in a less detailed approach.

charges, allowing for revenue management[6]. While it does not guarantee that prices will strictly reflect costs, this option allows prices to fluctuate depending on the context of use of the infrastructure, mitigating possible regulation distortions. It also maintains a cap on the general price levels faced by each group of users. At the same time, although it imposes an additional inspection cost if compared to rigid price caps, it is still a much lower cost compared to cost-based regulation.

The concession agreements of the last round have already incorporated the flexible price caps that allow for revenue management and with a new round of concessions comes an opportunity to consider further actions to increase the flexibility of economic regulation.

A natural step in that direction would be a progression from current flexible price cap model to a revenue cap model[7]. That way, not only prices of a given activity could fluctuate according to the circumstance but also relative prices of different activities would be able to fluctuate. Since each charge is levied on a different group of users, it follows that the general price level faced by a specific group could increase, but the general price level incident on the aggregate of users could not.

Furthermore, it is possible to discuss whether larger relaxation of regulation would be appropriate for each of the airport activities remunerated by charges (boarding, connection, landing, stay, storage and cargo handling), for each group of users (commercial and general aviation, domestic and international etc.), and for each airport eligible for the next concession round. Any decision – including sticking to the *status* quo – must be supported by a cost–benefit analysis of increasing flexibility, taking into account the particularities of each case.

Benefits of establishing more flexible price regulation will be greater the larger the share of aeronautical revenue within total airport revenue. Benefits will also be superior in airports with infrastructure shortage, where the cost of a strict regulation is high since the impossibility of adequately pricing this shortage hampers the optimum use of the scarce infrastructure. In addition, benefits will be more comprehensive the greater the number of users taking advantages from the efficiencies they promote.

Costs of flexibility, in turn, will depend on the decision between increasing flexibility by reducing regulation – eventually to the point of deregulating prices – or sophisticating regulation to increase its capacity of accounting for particular features. In the first case, costs derive from the risk of abuse of dominant position – i.e. by the probability of abuse (determined by the capacity to exercise market power) and its resulting impact (a function, among others, of the number of affected users). In the second case, costs derive from regulation modeling and inspection and from the associated regulatory risks.

[6] Charges can be increased by up to 100% above the cap depending on the context of use of the airport infrastructure (e.g. peak-load pricing), provided that discounts are also given in order to keep the average charge below the cap.

[7] Instead of setting average price caps for each activity, there would be a unique (average) revenue cap per passenger. In such a case, a charge increase in a given circumstance could be compensated not only by a reduction of the charge itself in another circumstance, but also by a reduction of another charge.

3.1.2. Decentralization

As previously discussed, information asymmetry between operators and regulators difficult the establishment of an efficient price regulation as the regulatory authority is unable to assess thoroughly specific infrastructure and operation features of each airport under its jurisdiction. In addition to increasing regulation flexibility, another way to address this issue is to decentralize regulatory decision-making, giving more power of decision to agents closer to airport operation – in particular those who are actually part of it –or, at least, enhancing their capacity to influence decisions by engaging them in discussions.

One good example of decentralization is the delegation from ANAC to local public authorities of the prerogative to establish price regulation of small regional aerodromes managed by states and cities. Previously, price regulation applied to these airports was centralized and standardized regardless the differences among them, which have resulted in clear distortions. Thus, in that case, a simple measure was capable of allocating decision-making to agents with better understanding of local realities, but a similar approach is not possible in the present situation since we are dealing with federal concessions.

However, there are other ways to decentralize decisions which can make them even closer to better–informed agents such as fostering participation of users in discussions regarding regulated parameters and allowing negotiations between concessionaires and users to influence regulatory decisions. This approach has gained importance in the regulatory framework of several sectors and countries[8] and it has been used by ANAC in some situations.

The deregulation of prices charged for the renting of airport areas may be considered a first step in that direction, since it was motivated by the perception that contracting parties would be able to define prices that are more appropriate because they would know these areas better than the regulator. The role of ANAC itself on conflict resolution was explicitly treated as a "regulation threat", in the sense that its main objective was to encourage agents to seek agreed prices, reflecting the understanding that a solution negotiated by local agents would be preferable to both parties than the intervention of the regulator.

Experience from the first concessions revealed more conflicts than expected, leading ANAC to establish a framework to highlight the importance of engagement and negotiation between parties. Last round concessions agreements then required concessionaires to consult stakeholders about its pricing policy, to manage divergences and to seek negotiated solutions. These contracts also established that only after the fulfillment of consultation requirements eventual disagreements could be submitted to arbitration by the regulator, and established that decisions taken by ANAC would weight parties' engagement in reaching an agreement.

ANAC also required consultations on revenue management criteria and on various aspects of planning and management of infrastructure, including quality of service, service level and terminal configuration. That way, consultations should encourage joint discussions on the quality of airport infrastructure and services being offered and its remuneration, allowing for more realistic pricing.

[8] For more information on this subject, access: Littlechild, S., Regulation and the nature of competition, Journal of Air Transport Management (2017), available at: http://dx.doi.org/10.1016/j.jairtraman.2017.03.003.

However, the scope of the consultation mechanism is still relatively limited. Although it applies to some of the main aspects of the airport economic and operational management, there are still other important parameters outside its scope – in particular, consultations promote discussions on parameters under concessionaire's responsibility but do not apply to parameters currently defined by the regulator, which could also be improved as a result of discussions between parties. In addition, consultations are primarily designed to make the concessionaire's decisions more transparent and to encourage the exchange of information between parties, but in most cases do not necessarily involve a negotiation process. Moreover, even if parties negotiate and reach a consensus about the most appropriate choice for a certain concession parameter, this proposal may not be implemented if it does not fit the established regulatory limits.

Thus, there is still considerable room to increase participation of parties directly involved in the airport operation in regulatory discussions and decisions. One possibility is to allow the concessionaire, after negotiation and agreement with stakeholders, to present proposals for altering or increasing flexibility of any parameter directly defined by the regulator. As an example, it could increase the price caps (or revenue caps) – possibly temporarily – due to a need to expand or reconfigure infrastructure, or based on a service level agreement, or even due to a comprehensive assessment of airport costs, an option difficult to be directly implemented by the regulator due to information asymmetry.

Similarly, instead of proposals for amendments on regulatory decisions, it would be possible to allow parties to submit prior proposals before parameters are defined (or redefined) by the regulator throughout the concession. This includes those established in the scope of the Concession Parameters Review[9], such as the X factor, Q factor (and corresponding quality of service indicators) and infrastructure sizing parameters. Furthermore, it could also be considered the possibility of negotiation between parties being an integral part of the decision–making process for these parameters. ANAC then would act only after parties have negotiated, approving the proposal, making adjustments, or, if parties fail to reach an agreement, directly setting the parameters – with the advantage of having access to the previous negotiation.

If one of the aforementioned options is included in the regulatory framework it is important to decide whether the concessionaire will be able to negotiate with stakeholders and submit an agreed proposal at any time, or if there will be an appropriate time for such negotiations (such as during the Concession Parameters Review). The former is a more flexible option that would accommodate changes in the economic environment more easily, while the latter is an option that increases predictability and enhances the coordination of discussions on different aspects of airport management.

Another relevant aspect concerns the definition of parties to be involved in negotiations. Former consultations considered airlines and their representatives as the main agents to be consulted by concessionaires, and in some cases provided for the participation of other "intermediate" airport users, such as ground handlers. Questions regarding the viability of conducting fast and productive consultations in which "end" users (passengers and cargo users) could participate, and the understanding that their interests would generally be aligned with those of the airlines, led ANAC to decide not to require direct consultation with these users, allowing the concessionaire

[9] Ordinary review that occurs every five years. Parameters that indirectly affect price caps, such as factors X and Q, are recalculated, but a direct revision of price levels is not performed in the current framework.

to decide about their participation. However, discussions on ways to enable direct consumer participation in negotiations regarding regulatory affairs have been conducted in other countries and contributions reporting successful experiences would be of great interest.

3.2. Regulation of small airports and airport clusters

The economic regulation applied to airports already granted, with the exception of evolutions occurred between concession rounds, can be considered reasonably homogeneous. However, given the great diversity of airports of the new round of concessions, the regulator should consider the possibility of establishing differentiated regulatory regimes that contemplates those differences. The next round includes airports with passenger traffic ranging from five thousand to seven million per year, and with particular traffic profiles, for example, one airport almost exclusively dedicated to offshore operations.

Although granted airports also have different sizes (with annual traffic ranging from about 3 million to more than 30 million passengers), the diversity of airports eligible for the new round of concessions is far more significant in most of the aspects of regulatory interest, such as cost and revenue structures, traffic profile, level and quality of services. This is mainly due to the inclusion of small airports, which greatly differ from medium and large airports.

Nonetheless, the decision to establish a framework with different regulatory regimes is not simple, and an assessment of its benefits and costs – weighted by the amount of users affected – is necessary. At first, the establishment of heterogeneous regulatory regimes represents an additional cost for both the regulator and the operator. When considering cluster concessions, this becomes clear, since the concessionaire may have to work with more than one regulatory regime. However, if some models are sufficiently simplified, there may actually be a reduction in complexity.

Even if more personalized regulatory models are adopted there will hardly be one model for each airport, hence similar airports would probably be grouped together and follow the same model. Thus, the first step would be to define how many different models to use and the most appropriate parameter and thresholds to allocate each airport to its corresponding model. Airport size in terms of traffic may be a natural parameter, although not necessarily the best. It would also be necessary to define whether the model applicable to an airport would be fixed throughout the concession period or could change when the airport exceeds the threshold established – and what would be the transition rule in the latter case (automatic transition, transition requested by the concessionaire, transition prompted by ANAC etc.). Finally, regulatory aspects that would be different for each model and the most appropriate approaches have to be decided, considering the airport profile.

It is known that the capacity for generating revenue of a small airport is generally more limited than that of a medium or large airport. This makes the economic attractiveness of a small airport a challenge. Therefore, the key issue in defining the regulatory model applicable to small airports is to ensure that operators keep interest in adequately and continually meeting the demand for air transport in the region or even in investing on unexplored business potentials that can stimulate airport growth.

In order to reduce costs, lighter regulatory requirements for investments and service levels could be considered. At the same time, making price regulation more flexible – or even implementing deregulation – would be desirable in order to make attractive the provision of airport services, in particular those not currently being provided at the airports under consideration – certainly the worst scenario for an airport service is the lack of its provision. On the other hand, if lighter regulatory requirements are not enough to foster the attractiveness of these airports, the relaxation of requirements could make it easier for the operator to make choices that discourage demand growth and to offer inappropriate infrastructure services. In this case, mechanisms to guarantee an adequate offer of infrastructure and its expansion in case of demand growth would be necessary.

The development of a regulatory model customized for small airports, however, is not the only option to face the challenges here discussed. Some challenges could be handled by coordinating regulatory rules applicable to small and large airports within a single cluster. For example, cross-subsidization mechanisms could help making small airports economically viable. Furthermore, regulation could be designed to make the most profitable airports allowed revenues increase not only after growth of their own demand but also as a function of traffic in other airports within the cluster, in order to encourage the concessionaire to seek for the growth of less profitable airports as well. In this case, regulatory models would vary not according to any individual airport characteristic such as size but according to each cluster, what requires joint analysis of airport profiles in each cluster and detailed assessments of the incentives generated by a regulatory approach for the whole cluster.

4. CALL FOR CONTRIBUTIONS

Taking into account the context described in the previous section of this document (but not necessarily limiting the scope of contributions to the topics discussed in section 2) and the experience of agents involved with current airport concessions in Brazil, international airport concessions or concessions implemented by other sectors, ANAC invites all parties interested in contributing to the modeling of economic regulation that will be applied to the next airport concessions to submit reasoned contributions about the following subjects:

- **Evolution of airport economic regulation in Brazil**
  - Need to deepen the **flexibility of economic regulation** and the most appropriate means to apply it to the next concessions;
  - Need to deepen the **decentralization of regulatory decisions, particularly through engagement of parties** directly involved and the most appropriate means to apply it to the next concessions; and
  - Other necessary improvements in the economic regulation of airports in Brazil.
- **Regulation of small airports and airport clusters**
  - Appropriate solutions to be applied to the next concessions in relation to the **challenges of regulating small airports and airport clusters** raised in this document; and
  - Other challenges of regulating small airports and airport clusters and the most appropriate solutions.

It should be noted that, while all contributions will be analyzed and considered by ANAC when making its decisions, ANAC will not necessarily respond to each contribution individually as occurs during the formal public hearing process, which will follow its regular procedures as in previous concessions.

Contributions can be sent up to the end of January 2018 to the Division of Economic Regulation at the address gere@anac.gov.br. This document is available at ANAC's website[10].

[10] https://www.anac.gov.br/assuntos/paginas-tematicas/concessoes/consultation-on-economic-regulation-of-airport-concessionss.