

*Airport Enterprises* begins by questioning whether it is appropriate to apply welfare economics as an analytical lens for airports when the national domicile of beneficiaries frequently differs from that of the cost bearers. The airport firm is viewed instead as a business platform for a broad spectrum of, often third party managed, commercial activities some of which have the characteristics of two-sided markets, with important consequences for neo-classical theories of pricing, and also for competition policy. Also challenged is the consensus that airports are natural monopolies. Cost functions are not necessarily sub-additive, additional capacity is added mostly in small increments, and new entry feasible as a result of product diversification or negotiating parties striking long-term pricing contracts. There are also frequent challenges to current public policy, particularly the EU's Directive on Airport Charges, the standard interpretation of economic rents at congested airports and, not least, to existing plans for adding capacity at London Heathrow airport.



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