EUROPEAN AVIATION POLICY MATTERS

Introduction

The European Regional Airline Association (ERA) is involved in the development of a number of European policy initiatives. This paper provides a brief update on the status of these items, presented in note form.

The paper addresses the following issues:

1 Development of an EU Airport Charges Directive
2 Inclusion of Aviation in the existing EU Emissions Trading Scheme
3 Development of the EC's Single European Sky (SES) project
4 EC communication on Airport Capacity, Efficiency, and Safety
5 Proposed Changes to "Third Package" regulation
6 Update on EU regulation 261/2004 (compensation and assistance)
7 Passengers with reduced mobility

1 Development of an EU Airport Charges Directive

The European Commission issued an Airport Package in early 2007 which has three elements. One element is a proposal for an Airport charges Directive. This is now proceeding through the European parliamentary co-decision process.

The EC claims that the directive will redefine the relationship between Airport Operators and Airport Users by requiring total transparency, user consultation, and the application of the principle of non-discrimination, when calculating the charges to be levied on users. The directive will create an independent National Authority to arbitrate and settle disputes to achieve a speedy resolution.

Background

Currently there are no pan European provisions on Airport charges. This proposal is part of a wider initiative that focuses on Airports and seeks to promote efficient airport operations, and the optimal use of scarce capacity. Consultation took place with stake holders. Airlines and Airports agreed that there was a need for Airport charges to be regulated at EU level, but differed on the method by which it should be achieved.

Airlines see that legislation is needed to ensure that Airport charges are compliant with the principles of ICAO and reflect cost efficiency. The low fare Airlines and Airports see less need for legislation.

The Options considered were:

1 No EU action
2 Voluntary self regulatory measures adopted
3 Community establishes a general framework with common principles that Airports would have to adhere to
4 Introduction of a legal framework that requires Airport charges be determined and levied on the basis of one system and would be uniformly applied across the EU with a single method of calculation.

Summary of the Proposal
The proposed system does not proscribe the calculation charges that are to be applied in the Member States. The proposed framework leaves the scope for Airport Charges to be set at a national level. It ensures that Airport users will obtain a more visible justification for the charges.

The proposal defines a number of basic principles that are to be followed by Airport Operators when determining Airport charges. It will apply to Airports with an annual traffic greater than 1 million passenger movements or 25,000 tonnes of cargo.

The basic principles are

Non Discrimination

Charging systems should not discriminate between carriers or passengers

Differences to be related to the actual costs of facilities and services provided

Consultation and Remedy

The Airport managing body and the Airlines must engage in dialogue on the charging system that is applicable, not just when the system is modified, but also when the charging levels are being established. The aim being that the parties involved exchange views on a regular basis.

Four months notice must be given of changes to charges (with reasons) and consultation on changes to be allowed if the Airport user requires it and their views taken into account. If the charges are contested and no agreement is reached then an independent regulatory body can intervene.

Airports to inform users of any major infrastructure projects that may affect charges.

Transparency

The draft directive proposes that a reasonable amount of information must be provided by the Airport to the users, in order that the consultation between them is meaningful. The directive establishes what information should be provided on a regular basis eg method of calculation.

The users in turn should provide traffic forecasts, fleet and its intended use and future specific requirements from the Airport.

Quality Standards

A service level agreement should be made between the Airport and its users to safeguard the quality of service. This will ensure that the Airport users will receive a minimum level of service in return for the charges made.

Either party to be given the option to seek the intervention of an independent regulatory authority when agreement is not reached.

Differentiation of Charges

Charges may be differentiated according to the quality of service. Low cost carriers are entitled to reduced charges for lower level of service, but Airports must ensure that all carriers have access to this on a transparent and non-discriminatory basis.

Security Charges

Security charges must be used exclusively to meet security costs. These shall be determined using the principles of accounting and evaluation in Member States. Account must be taken of State funding, cost of security staff and operations, and the cost of financing the facilities.

Regulatory Authority

An independent authority to be established in each Member State that will be in charge of ensuring the correct application of this Directive.
Inclusion of Aviation in the existing EU Emissions Trading Scheme

The proposal issued by the EC in December 2006 is now progressing through the European Parliament (EP) and Council. The draft timetable for adoption has been identified by Parliament and is shown below.


2 Deadline for receipt of amendment to the Directive July 5 2007

3 Consideration of amendments by the EP Environment Committee July 16-17 2007

4 EP Environment Committee vote September 11-13 2007

5 Consideration at EP Plenary Session October 22-25 2007

The ERA directorate together with the major airline association member has tabled a set of common amendments to the proposed Directive. These amendment will be used to lobby MEPs and the Rapporteur of the EP Environment Committee.

An "Alternative Impact Assessment" has been carried out by Ernst & Young on behalf of ERA and five other airspace users associations (AEA, IACA, EBAA, ECA, ELFAA). The impact assessment, together with the agreed amendments were presented to MEPs and the press on June 6 at a launch event in Brussels. The main findings are as follows

1 The European Commission has based its proposal on unrealistic assumptions

2 The European Commission dangerously underestimates the impact of its proposal on EU aviation.

3 The EU ETS currently in place forsees growth for all other industries, but expects aviation to pay for its own growth from a baseline 2004-2008.

4 The Aviation sector will be obliged to purchase allowances to cover up to 70% of its emissions by 2022.

5 The current scheme would severely reduce the ability of the aviation sector to invest in the latest technology, and would penalise aviation against other industries, even though Airlines have been able to separate fuel usage from traffic growth.

6 The cost of purchasing allowances would be substantial, with an "optimistic" estimate of over €45 billion from 2011 to 2022, namely an additional cost of €4 billion per annum, approximately double the cumulative profit of Europe’s airlines over the past decade.

7 Aircraft operators’ profits would be reduced by over €40 billion during the same period, undermining the financial stability of some and inevitably increasing the number of airline bankruptcies.

8 EU operators will be at perpetual competitive disadvantage in the global market, vis-a-vis non European carriers.

9 Regions and peripheral communities would be penalised through reductions in both international market access and tourism.

The alternative impact assessment will be used to lobby for changes to the Directive as part of the normal regulatory process and in conjunction with the agreed industry amendments. The ERA Directorate is currently working on an ETS information document that will give the main elements of the scheme and the actions require of members.
3 Development of the EC's Single European Sky (SES) Project

The main focus of activity on the Single European Sky Project is the completion of a high level report or Transport Commissioner Barrot. The report will make recommendations as to how best to accelerate the SES. ERA together with the other main airspace users associations, has been lobbying for an action plan that will economically regulate Air Navigation Service providers across Europe as well as a plan to de-regulate and open the market for non-core ATM services. The final report was due in July.

4 EC Communication on Airport Capacity, Efficiency and Safety

The second element of the EC Airport Package has recently been published

Summary

The Communication provides a strategy for tackling congestion at European Airports. The five principal measures which aim to accommodate traffic growth in an environmentally sustainable manner are:

1. Optimise the use of existing capacity
2. Provide a coherent approach to air safety operations at airports
3. Promote "co-modality"
4. Improve the environmental capacity of airports and the planning framework for new airport infrastructure
5. Develop and implement cost efficient technological solutions

Details

The EC reports that capacity will not be able to meet demand at European Airports. By 2025 more than sixty airports in Europe will be heavily congested and the top twenty will be saturated for between 8 and 10 hours per day. This will result in a less efficient European air transport industry. Congestion will cause extra environmental and safety cost. The capacity shortfall poses a threat to the safety, efficiency, and competitiveness of the European industry.

The EC recognises that action is required to deal with the shortfall, but an immediate solution is unlikely since it will take time to provide new infrastructure and/or change existing runways. Between September 2005 and early 2006 the Commission consulted stakeholders, and the main finding was that it was broadly agreed that there was a problem, and the need to find a market driven and environmentally sustainable solution.

As a result of the consultation, a number of actions were listed

1. The need to make more efficient use of existing runways
2. An appropriate balance between market led solutions and regulatory measures is required
3. The European Community could support the airport sector through its financial instruments eg TEN-T, Cohesion Policy, SESAR.
4. Binding rules are required to promote safety airside
5. Aviation security must be a paramount consideration when seeking to increase airport capacity
6. Regional Airports are important to the development of an integrated European Air Transport network and it is desirable to unlock any spare capacity at regional airports.
7 GNSS could help to increase capacity without in creasing the cost of infrastructure at regional airports.

8 Member States should endeavour to improve the accessibility by road and rail to allow them to act as reliever airports.

As a result of the above, the EC will develope five key actions to accommodate the traffic growth in an environmentally sustainable way.

1 **Make better use of existing airport capacity**

Airport capacity should be based on an accurate inventory of the existing and planned airport throughput. no such inventory currently exists Europe wide.

The EC wants to develope an implementing rule for common definitions and analytical tools for airport capacity assessment.

The EC wants to extend Eurocontrol activities for Air Traffic management capacity planning. A mandate for this should be issued in early 2007.

The EC will invite Member States, authorities and stakeholders to form an observatory on airport capacity which will supervise the planning process.

A mandate could propose solutions to ensure consistency between airport slots and flight plans. The suggestion is that the slot regulations could be modified so that ATC management authorities are compelled to reject a flight plan where the air carrier does not hold the necessary airport slots. The legislative process is expected to start in 2008.

There is a possibility that increased predictability and reduction of delays could be brought about through Collaborative Decision Making (CDM). The EC will give a mandate to Eurocontrol to develop rules to introduce CDM in 2008.

2 **A consistent aproach to air safety at Airports**

Extension of the responsibilities of EASA to include airfield safety regulation. Common and binding rules are required to provide uniform levels of aviation safety, there is no level playing field at the moment. Developments are planned in 2008.

Exploitation of GNSS to enhance safety at Airports which could allow more flexibility in departure and approach routing and allow safer operations.

The Commission will enable the certification of EGNOS/Galileo in 2008 and the inclusion of GNSS is expected in ATM under SESAR in 2007.

3 **Promote "co-modality" of transport modes**

There is an additional potential for short haul slots to be freed for long haul flights which represent higher slot productivity.

Air and rail transport therefore should be more complementary

The EC wants to encourage the development of rail transport to connect secondary and regional airports.

The EC will give further attetnsion and resources to the promotion and funding of inter-modal infrastructures, inter-modal interchanges at airports (rail links and railway stations at airports) to promote the efficiency of both rail and air transport.

To improve the attraction of rail transport and to encourage it as a complement to air, the EC wishes to encourage integrated air-rail ticketing and will publish a paper in 2007.

4 **Improve environmental capacity of Airports and planning framework for new infrastructure**
With regard to noise, the EC aims to improve the environmental capacity at airports. A report on the implementation of the so-called Noise Directive will be prepared in 2007 so that the Commission can decide whether or not to amend the Directive.

With respect to the planning framework for new airport infrastructure, the EC together with Member States and stakeholders wants to simplify procedures as well as develop best practice guidelines to promote the co-ordination of airport plans and wider land use plans. Further regulatory development is expected in 2007.

5 Develop and implement cost efficient technological solutions

Mature technologies such as A-SMGCS surveillance and control functions should be implemented at all European airports from 2007.

The SESAR programme will further develop new tools and systems to significantly increase airport capacity.

5 Proposed changes to "Third Package"

In a major regulatory overhaul, the EC has proposed significant amendments to the three regulations that establish the liberal European aviation area. These are now being examined in detail by the European Parliament and the Council of Ministers. Agreed changes are likely to take effect in 2008/2009.

The liberal aviation area is governed by three regulations that are binding in the 27 EU member states, Norway and Iceland. The EC amendments will eliminate obsolete and unused clauses, and change some items, and introduce new constraints. It will consolidate the text into a single regulation.

The ERA Directorate and some ERA members are participating in discussions with the European Commission, members of the European Parliament, and the Council of Transport Ministers to ensure that any amendments will help rather than hinder the development of ERA airlines.

6 Passengers with Reduced Mobility (EU and ECAC developments)

EU Regulation 1107/2006 concerns the rights of disabled persons and persons with reduced mobility when travelling by air, has been adopted and is being implemented.

The regulation defines a "disabled person" or a "person with reduced mobility" as any person whose mobility when using transport is reduced due to any physical disability (sensory or locomotory, permanent or temporary) intellectual disability or impairment, or any other cause of disability or age and whose situation requires appropriate attention, and the adaptation to his or her particular needs of the service made available to all passengers.

From July 26 2007, there must be no discrimination but bookings or carriage can be denied for explicit safety or operation reasons. Airlines will need written policies to avoid charges of discrimination if booking or carriage is denied.

"Seamless" service must be provided from nominated arrival points at Airport (eg rail station or car park) to the aircraft seat and vice versa. Service to be provided by Airport and recharged to airlines in proportion to the total number of passengers at that Airport (this has a major impact on airline handling contracts.

Quality standards to be set by Airports in conjunction with airlines and passenger representatives, using ECAC "code of conduct" as a guide. Airports with less than 150000 passengers per year are excluded.

Airline responsibilities include:

Providing information on PRM on specific flights so that handling can be arranged. Carrying Guide dogs in the cabin (subject to national regulations). Transporting up to two pieces of mobility equipment for each PRM. Communicating essential flight information in accessible format. Assistance in moving to toilet facilities if required, but not assisting in use of toilet.

Airline and Airport responsibilities include:
Ensuring that staff (including agency staff) are trained in disability equality and disability awareness, and that staff (including agency staff) providing direct assistance to PRM receive appropriate training.

Taking account of the needs of PRM in the design of new aircraft, terminals or when undertaking refurbishments.