European Union Air Transport Policy

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Lecture Outline

- **EU Air Transport Policy: 3 aspects**

  - ✓ **The Single EU Aviation Market and its external dimension**

  - ✓ **Answering the 4 challenges to the sustainability of the sector (safety, competitiveness, capacity bottlenecks, environment)**

  - ✓ **A vision for ICAO's future – Europe's commitment to ICAO**

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EU Air Transport Policy:
First aspect: The Single EU Aviation Market

The EU Today

- *27 Member States*
- *490 Million Inhabitants*
- *One Single Market*
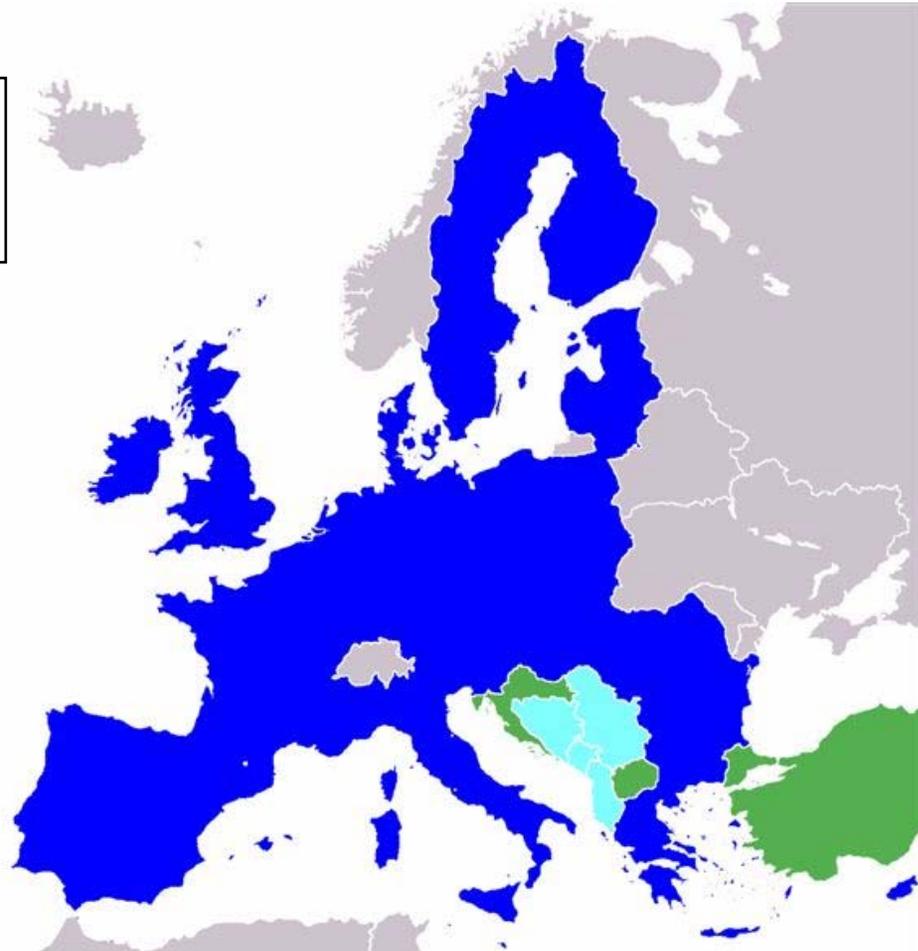
The EU Air Transport Industry - Some Facts and Figures

- **A €140bn business in 2006**
- **Carrying over 730 million passengers in 2006 (of which 480 million within EU)**
- **~11 million tons of cargo in 2006**
- **~35% of world air passenger traffic (2006)**
- **+160 airlines (scheduled passenger carriers)**
- **+400 airports (scheduled services)**
- **~4,700 aircraft in service (2006)**
- **3.2 million indirect jobs (3% of EU workforce) – 30 largest airlines alone employ 360,000 staff**

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From National Markets to a Common Market

- **Before 1987: national markets within the EU were protected and fragmented**
    - ✓ **To fly between two major cities: little choice but to fly with one of the two national "flag carriers" (duopoly);**

- **Three successive packages of liberalisation measures (1987-1992) have changed the landscape.**

- **World's largest and most successful example of regional market integration and liberalisation.**

- **Liberalisation and market integration based on three main EU Regulations (the "Third Package"):**

    - ✓ **Air carrier licensing (Regulation 2407/92)**
    - ✓ **Market access (Regulation 2408/92)**
    - ✓ **Fares (Regulation 2409/92).**

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From National Markets to a Single EU Aviation Market

Results:

- **Non-discriminatory air carrier licensing across Europe (from national to Community carriers with equal rights)**
- **Market access: no capacity restrictions**
- **Full cabotage since 1997**
- **Free air fare setting**
- **Any Community carrier can now operate on any route within the EU**
- **Comprehensive body of Community legislation in relation to all key aspects of aviation**

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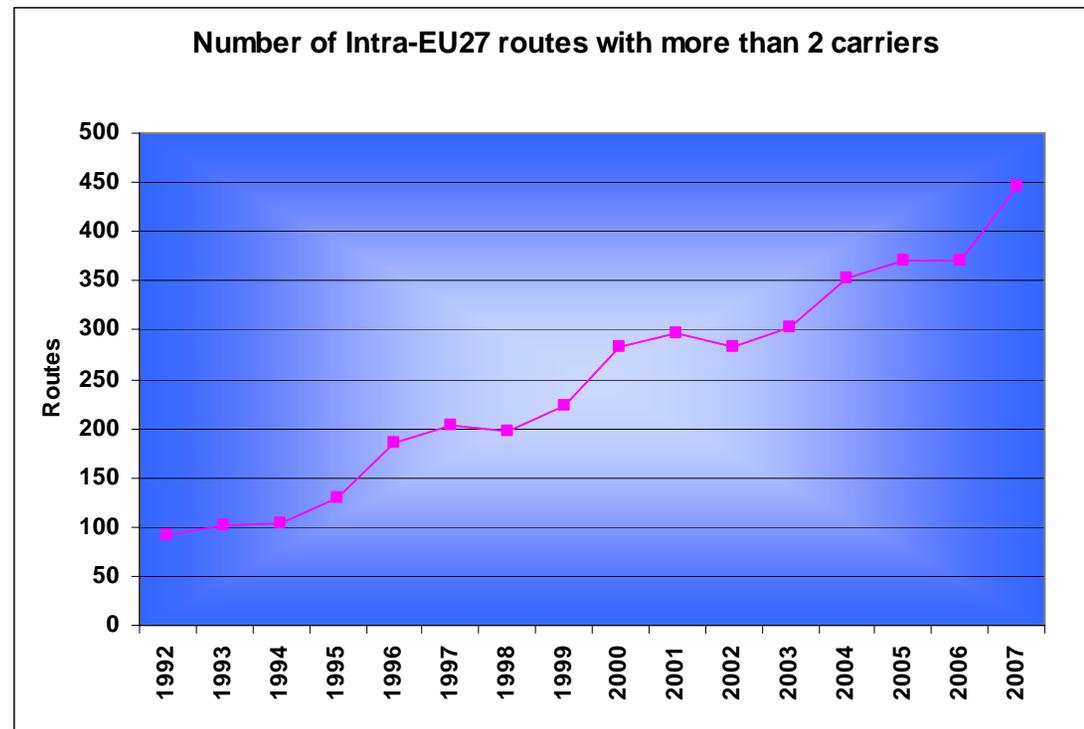# What Have We Achieved? Successes of the Single Market

- **Tripling of air travel 1980-2000. Doubling expected by 2020**

- **IATA Forecast 2006-2010: +4.6% annual traffic growth for Europe**

- **Lower fares (LCC, more airlines, competition)**

- **and…**

What Have We Achieved? Successes of the Single Market

…more competition…

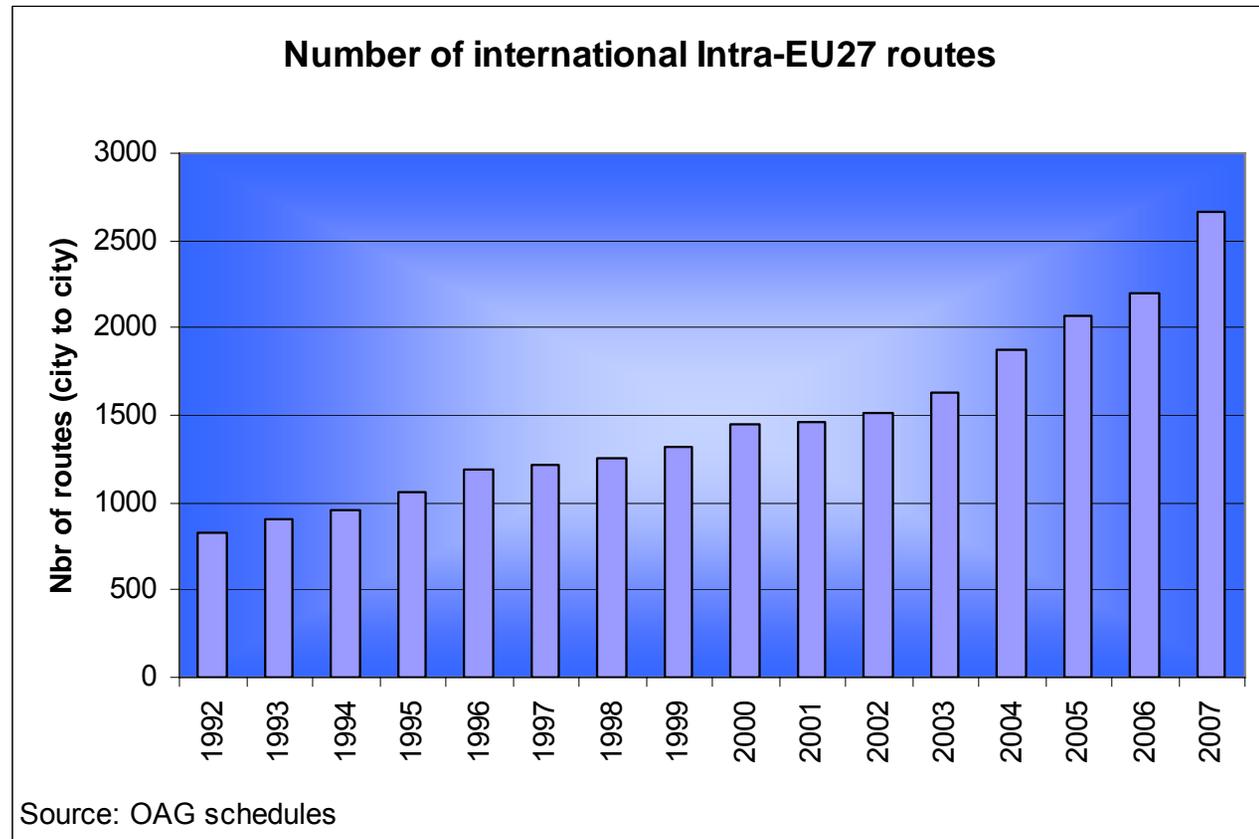**Intra-EU routes with more than 2 carriers have increased by 385% between 1992 and 2007**

…and…

Number of Intra-EU27 routes with more than 2 carriers

What Have We Achieved? Successes of the Single Market

…more choice …

Number of Cross-border Intra-EU routes has increased by 220% (1992-2007).

Number of international Intra-EU27 routes

Nbr of routes (city to city)

Year	
1992	~820
1993	~910
1994	~960
1995	~1060
1996	~1190
1997	~1210
1998	~1250
1999	~1320
2000	~1450
2001	~1460
2002	~1520
2003	~1630
2004	~1870
2005	~2070
2006	~2200
2007	~2670

Source: OAG schedules

Single Market – Common Rules

But open markets need coherent regulatory framework and common, non-discriminatory and transparent standards …

- ✓ **Common requirements for licensing**
- ✓ **Application of competition rules and control of state aid**
- ✓ **High safety standards (and creation of EASA)**
- ✓ **High security standards**
- ✓ **Consumer protection – Passenger Rights**
- ✓ **Common rules for slot allocation**
- ✓ **High standards on noise**
- ✓ **Single European Sky and its SESAR project**
- ✓ **Insurance**

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EU Transport Policy
- Project the success of the single market beyond Europe

Going Beyond Europe: The Three Pillars of the External Dimension of the EU Aviation Policy

I. **Bringing existing bilateral agreements into line with Community law: "the Community carrier"**

II. **The creation of a "Common Aviation Area" with neighbouring countries**

III. **Conclusion of ambitious global agreements with key partners (US, Canada, Australia, New Zealand, India, China, Russia…….).**

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Pillar I: Progress on the Legal Issue

- **87 non-EU states have accepted Community designation**
- **Nearly 700 Bilateral ASAs have been brought into conformity with Community law**
- **34 "Horizontal" Agreements covering more than 550 ASAs (since September 2004, latest initialled this week with India)**
- **Negotiations/talks are on-going with many countries**

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Pillar II:
Common Aviation Area by 2010

- **Southern and Eastern neighbouring countries**
  - **Pre-accession context: Western Balkans (ECAA)**
    - **ECAA Agreement signed in June 2006 (Gradual liberalisation and market integration in function of degree of regulatory convergence achieved)**
  - **Morocco (Euro-Mediterranean agreement)**
    - **EU-Morocco Agreement signed in December 2006**
  - **Next: Ukraine, Jordan, Israel…**
  - **Particular case of Russia (Siberian Over-flight)**
- **Ambition: "Towards a single market of more than 50 states by 2010"**

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Aviation in the Europe of Tomorrow: A Wide Common Aviation Area

Common Aviation Area by 2010

Legend
- EU 27
- ECAA Countries
- Morocco
- Other Neighboring Countries

Cartography DG TREN April 2007
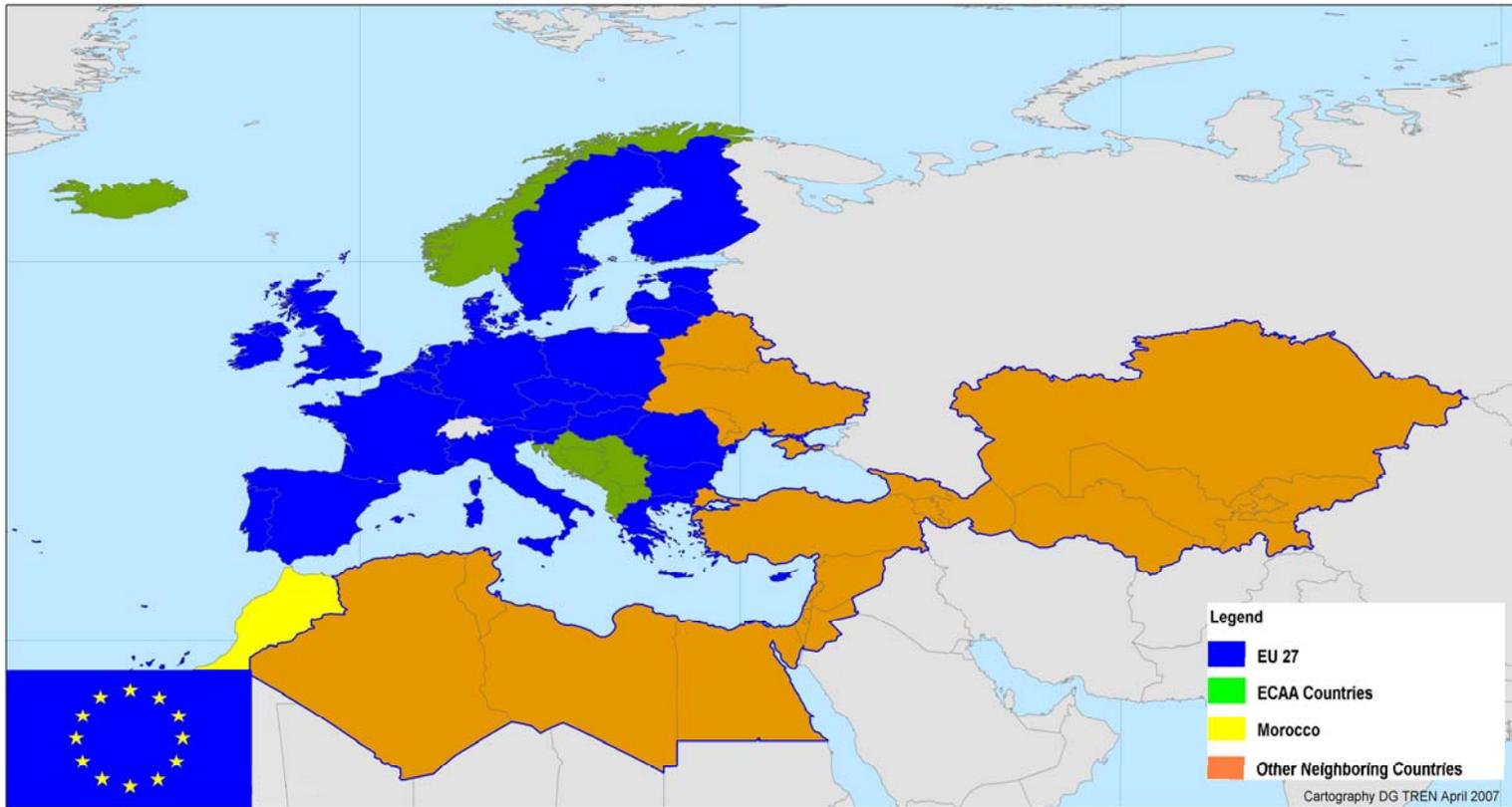
Potential of 58 States – Approx. 1 Billion inhabitants

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Pillar III:
Comprehensive Agreements

- **With key and like-minded partners**
- **Aim: to "normalise" aviation**
- **By:**
  - **market opening**
  - **removing investment barriers**
  - **regulatory convergence**
- **First: EU-US Agreement (1st stage)**
  - Signed in April 2007
  - Applicable as of 30 March 2008
  - Second phase negotiations in May 2008

- **Next: Canada (Negotiations on-going)**

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EU Air Transport Policy: Second aspect: Answering the 4 challenges to the sustainability of the sector's growth

EU Air Transport Policy

- **Which challenges to sustainability of growth?**

  1. Enhance safety and security

  2. Ensure a strong and performant industry

  3. Facing the « capacity crunch »

  4. Ensure environmental sustainability

EU Aviation Safety Policy

- **Joint safety standards applied throughout the single market**

- **The European Aviation Safety Agency (EASA) was created to permit the development and the uniform implementation of common EU rules in aviation safety**

- **Community-wide list of un-safe airlines to protect EU citizens**

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EASA – Cornerstone of safety policy

- **Created in 2002 – based in Cologne, Germany**
- **Original primary responsibility related to airworthiness certification**
- **March 2008: extension of responsibilities to flight crew licensing, air operations and safety surveillance of third country aircraft**
- **As a further step, the Commission intends to propose to Council and Parliament extension to the safety regulation of airports and air traffic control**

EU Aviation Security Policy

- Facing effectively a common threat

- Finding the right balance between protection and facilitation

- Through enhanced international cooperation (e.g. EU-US, ICAO, …)

EU ATM policy: Single European Sky

The key challenges:

- **Improve environmental performance**
  - Aviation's share of EU greenhouse gas emissions (currently 3%) is predicted to increase.
  - Network improvements could save up to 4.8 mios tons of CO_2 per year
- **Restructuring the European airspace as a function of traffic flows, no longer according to national borders, thus avoiding fragmentation**
  - Significant additional costs for airspace users (€2 bn per year could be saved by reducing fragmentation)
- **Economics**
  - Cost efficiency efforts are not sufficient
  - Liberalization of aviation market vs. Harmonization of ATM
  - Current European route network is an amalgamation of national routes that makes intra-European flights 15% less efficient than domestic flights, resulting in additional costs of €1.4 bn per year
- **Capacity**
  Further increase of traffic (250 % increase within the next 20 years) with enlargement and Open Skies
- **Safety**
  Cannot be compromised and must be enhanced notwithstanding increased traffic levels

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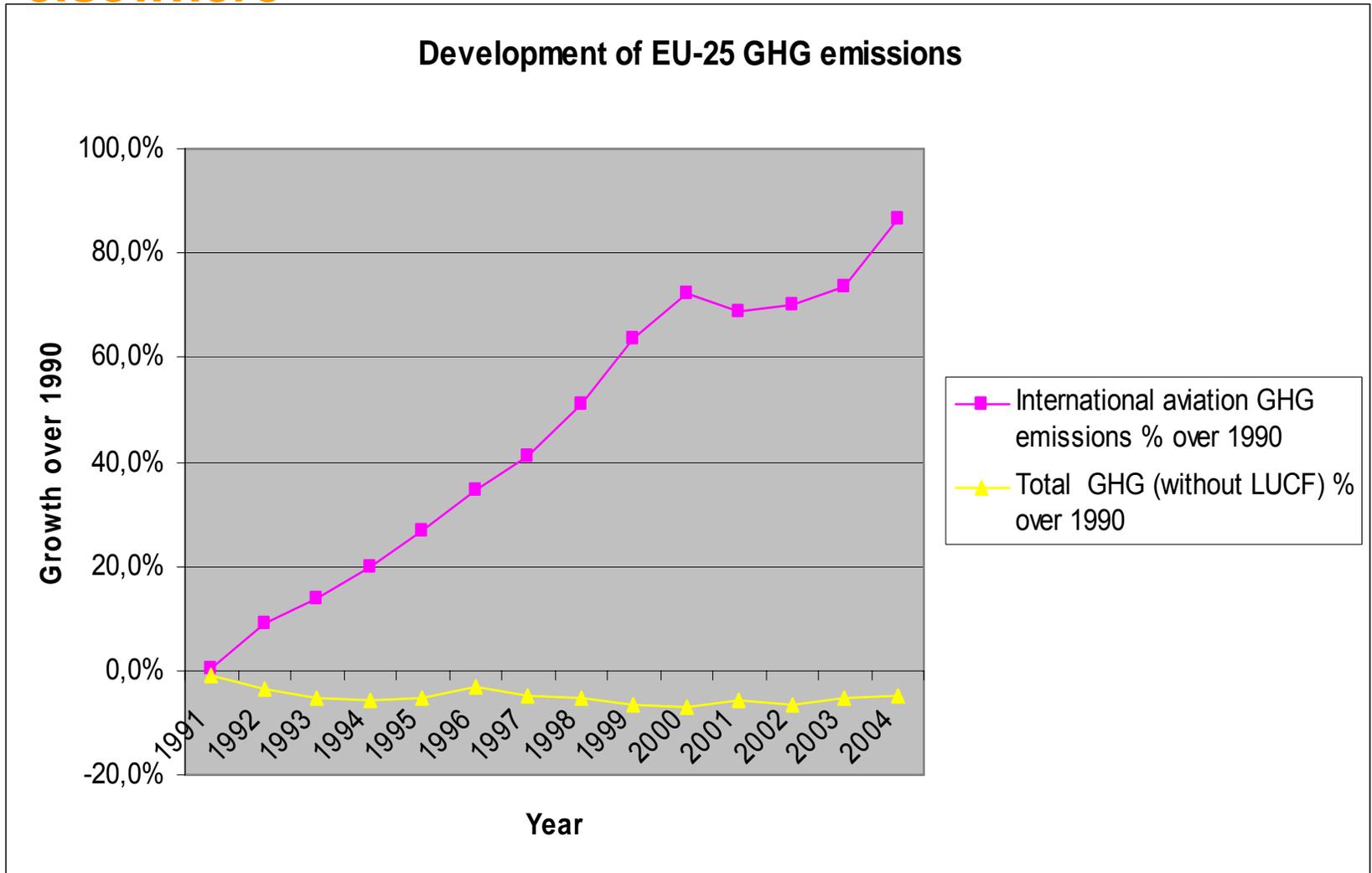# SESAR (Single European Sky ATM Research)

- **Technological/industrial complement of the SES legislation**

- **A single ATM R&D programme in Europe developed jointly by the EU, Eurocontrol and private industry (2,1 B €)**

- **Stated aims**

  - **Increase safety by a factor of 10,**
  - **Triple capacity,**
  - **Reduce ATM costs by 50%,**
  - **10% reduction of environmental impact per flight.**

- **Definition phase: ATM master plan**

- **Development phase: to be managed by SESAR Joint Undertaking (JU)**

- **SESAR JU open for participation of third countries**
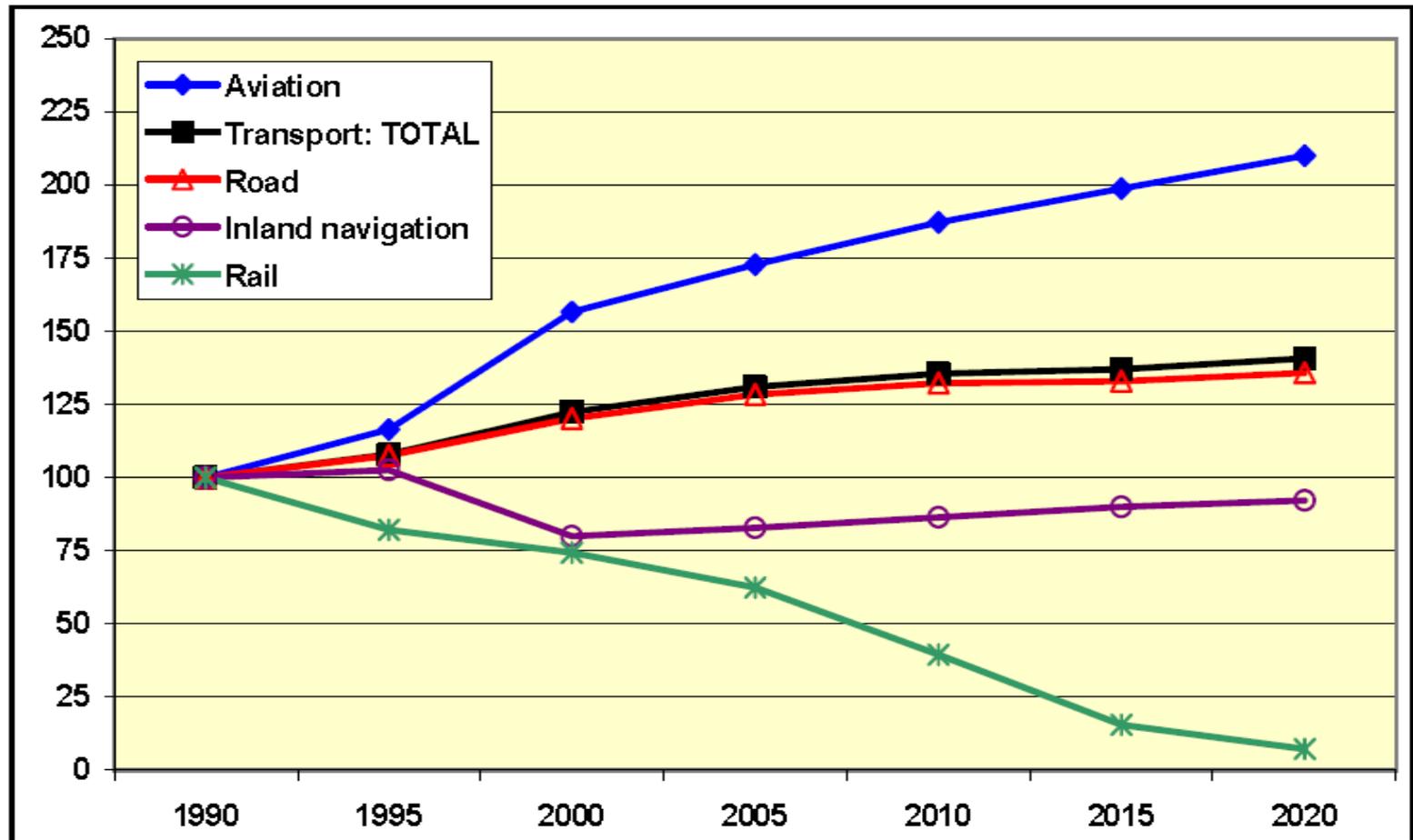
EU Aviation Environment Policy - Emissions

- It is true that air transport CO_2 emissions represent under 3% on global CO_2 emissions but they are growing fast.

- It is true that industry is already doing a lot.

    > Indeed: 70% fuel efficiency improvement over past 40 years

- But this will unfortunately not be enough to maintain the sustainability of the sector's growth!

    > Tackling climate change is urgent, every economic sector has to contribute, including aviation

Additional measures needed – in Europe, but also elsewhere

Development of EU-25 GHG emissions

Legend:
- International aviation GHG emissions % over 1990
- Total GHG (without LUCF) % over 1990

Predicted environmental contribution of aviation in % growth

Hence the need for a "comprehensive approach" to fight aviation GHG emissions
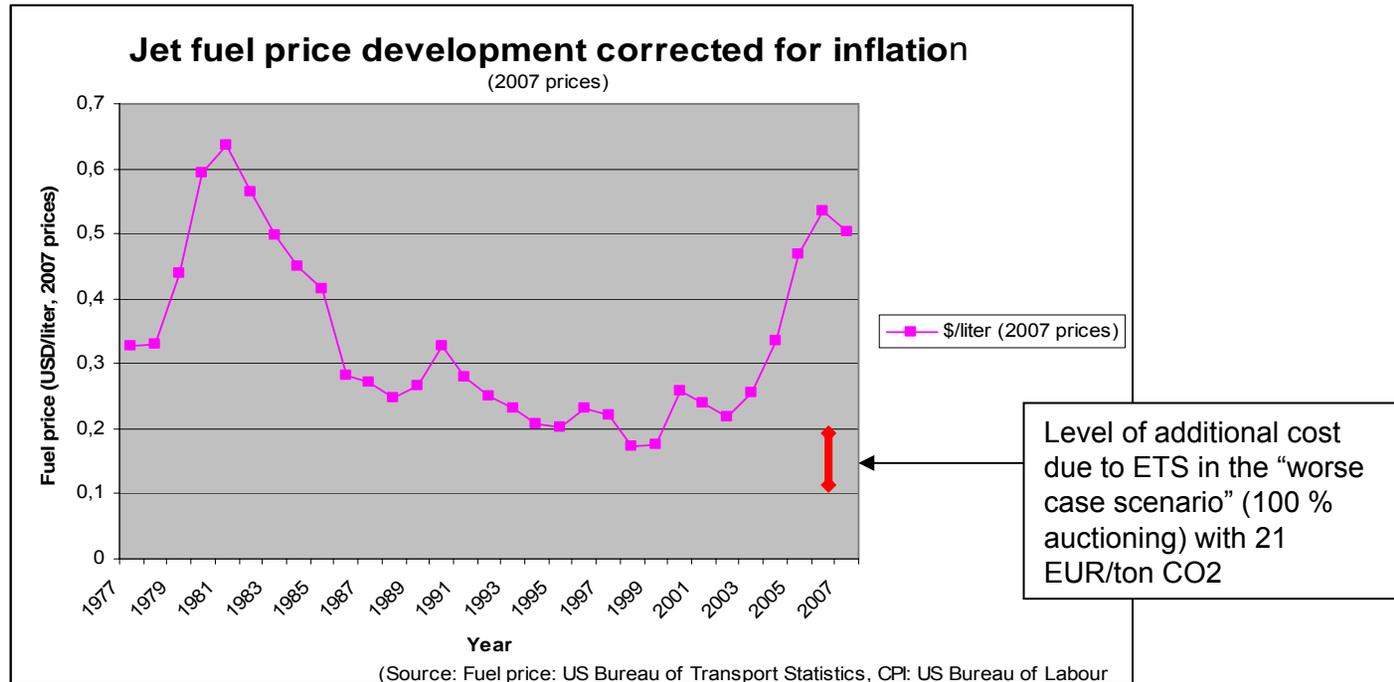
* Europe's lead:

- **Single European Sky and SESAR (10% emissions reductions per flight)**

- **Transatlantic AIRE initiative**

- **Research and Development – 7th Framework Program ("Clean Sky", "Green Aircraft", alternative fuels,…)**

- **Market-based measures (with a clear preference for ETS because it allows aviation to grow!)**

* EU supports global approach, we are ready to discuss with third countries (within ICAO (GIACC), within UNFCCC, on a bilateral/regional basis) – The real challenge is to reach global agreement at the international level.

Will Europe's aviation ETS ruin the industry?

Not at all: compare ETS costs with fuel prices:

Jet fuel price development corrected for inflation
(2007 prices)

Level of additional cost due to ETS in the "worse case scenario" (100 % auctioning) with 21 EUR/ton CO2

(Source: Fuel price: US Bureau of Transport Statistics, CPI: US Bureau of Labour

But its failure will lead to an avalanche of taxes and charges eventually prohibiting further growth!

EU Air Transport Policy: Third Aspect: A vision for ICAO's future – Europe's commitment to ICAO

ICAO's success story

In its first 50 years, ICAO has served remarkably well the stated aims of the Chicago Convention:

- Development of international civil aviation in a safe and orderly manner

- On the basis of equality of opportunity

- And operated soundly and economically

ICAO's success story (cont'd)

Indeed, the period between 1944 and 1994 saw:

- **Explosion from +/- 1 million passengers yearly in 1944 to +/- 1,2 billion in 1994 (= multiplication factor of 1200 over 50 years!)**

- **Adoption of impressive body of international standards, especially in safety area, and development of world-wide net of air navigation routes**

- **From perspective of governance this was achieved respecting a relative balance of the varying interests of contracting parties and on the basis of a geographically relatively well-balanced decision making structure (adapted over time)**

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New challenges for ICAO

Since 1990s, ICAO is facing new issues:

- **Trend towards liberalisation**

- **Ensure that also smaller/less developed countries can live up to the ever more stringent demands of modern aviation, and reap its crucial benefits**

- **Preventing growing safety deficiencies (and risk of « flags of convenience », a life-threat to international aviation!)**

- **Need to address the environmental task attributed to it by UNFCCC/KP**

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New challenges for ICAO (cont'd)

The risks of these challenges to international aviation include:

- **Fragmentation of worldwide aviation framework which could undermine its seamless growth**

- **Not having the effective tools to address the further economic evolution of the sector**

- **Problems regarding safety implementation**

  Therefore a need to redefine and strengthen ICAO's role

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A re-strengthened ICAO: Europe's desire and interest

- **Multilateralism is a key aspect of European international policy, even more so in aviation**

- **Europe sees ICAO as crucial in allowing and helping the worldwide aviation community to face its 4 key challenges and provide strategic leadership**

A re-strengthened ICAO: Europe's desire and interest (Cont'd)

<u>Three aspects</u> crucial for ICAO :

- **Setting and implementing essential worldwide standards – becoming the "world regulatory authority"**

    - worldwide technical rule-making body
    - fewer but clearer and better focussed norms
    - concentrate on actual implementation

- **Providing technical assistance where and when it is needed – becoming the « world agency for technical assistance in aviation »**

- **Promoting regional integration (see EC-ICAO Symposium on regional integration)**

    - supplementing, not substituting State-based approach
    - help pooling of limited resources
    - ensure appropriate representation of regional organisations, on a basis which can vary between regions and is linked to effective capacity of the organisation to act

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A re-strengthened ICAO: Europe's desire and interest (Cont'd)

But how to get there?

- The European Commission strongly supports the modernisation of the Chicago Convention, so let us stop hesitating to even start considering the issue

- However, a modernisation of the Chicago Convention will inevitably take many years. This should not be a pretext for inaction, as important steps can already be taken now, as they only depend on political will and creativity:

  - focus more on strategic issues affecting the sector

  - less but better norms
  - effective enforcement
  - increase technical assistance capabilities
  - promote regional integration, with appropriate participation

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Thank you for your attention and happy to take questions!

http://ec.europa.eu/transport/air_portal/international/index_en.htm