

Possible revision of Directive  
96/67/EC on access to the  
groundhandling market at  
Community airports

**Framework Contract for impact assessment  
and evaluations (TREN/A1/143-2007)**

Final Report

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## **APPENDICES**

**STAKEHOLDER CONSULTATION COMMENTS**

**SUMMARY OF DATA PROVIDED**

**CONSULTATION DOCUMENT**

**DETAILS OF THE IMPACT ASSESSMENT**

## ACRONYMS USED IN THE DOCUMENT

AAAL	Australian Airports Association
AAGSC	Australian Aviation Ground Safety Council
ABBA	(Alliance of ACMAB (Airline Cargo Managers Association Belgium), BAR (Board of Airline Representatives-Belgium), BATA (Belgium Air Transport Associations) and AOC (Airport Operators Committee at Brussels Airport
ACCC	Australian Competition and Consumer Commission
ACI	Airports Council International
ADP	Aéroport De Paris
ADV	Arbeitsgemeinschaft Deutscher Verkehrsflughäfen
AEA	Association of European Airlines
AENA	Aeropuertos Españoles y Navegación Aérea
ARC	Airport Research Centre
ASEATA	Association of Airport Handling Companies Spain
AUC	Airport Users Committee
BDF	Bravo Delta Foxtrot (German airline Association)
BDV	Bund der Versicherten
CAA	Civil Aviation Authority
CASA	Civil Aviation Safety Authority (Australia)
CANSO	Civil Air Navigation Services Organisation
CI	Centralised Infrastructure
DG TREN	Directorate General for Transport and Energy
DG EMPL	Directorate General for Employment, Social Affairs and Equal Opportunities
EASA	European Aviation Safety Agency
EBAA	European Business Aviation Association
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EC	European Commission
ECJ	European Council Journal
ECA	European Cockpit Association
ECAST	European Commercial Aviation Safety Team
EFA	Executive Flyers Aviation
EEA	European Express Association
ELFAA	European Low Fare Airline Association

ERA	European Regional Airline Association
ETF	European Transport Workers Federation
EU	European Union
FBO	Fixed Base Operators
FSC-CCOO	Federación de Servicios a la Ciudadanía de Comisiones Obreras
GSE	Ground Service Equipment
IACA	International Air Carrier Association
IAHA	Independent Aviation Handlers Association
IATA	International Air Transport Association
ISAGO	IATA Safety Audit for Ground Operations
MPPA	Million passenger per annum
NMS	New Member States
OJ	Official Journal
PA	Per annum
PRM	Passenger with Reduced Mobility
SAS	Scandinavian Airlines
SME	Small and Medium Enterprises
SMS	Safety Management System
TFEU	Treaty on the Functioning of European Unions
UK	United Kingdom
USA	United States of America



# 1 Summary

1.1 This document provides a study into the possible revision of Directive 96/67/EC on access to the groundhandling market.

1.2 Chapters 3 to 6, provide background information on the groundhandling market by:

- Reviewing previous studies and their findings;
- Providing a summary of our legal review of the Directive and previous stakeholder consultation;
- Providing the results of our stakeholder consultation with the Social Dialogue Committee and through the responses to a “Your Voice” consultation; and
- Investigating some of the key trends and issues in the groundhandling market.

1.3 Chapters 7 to 9 describe the results of our impact assessment by:

- Providing a summary of the issues and problems identified with the current Directive;
- Providing a summary of the key policy objectives of the European Commission (see table below);

■ **Simplifying, clarifying the legislation** - through improving definitions, correcting inaccuracies and removing obsolete provisions.

■ **Improving the EU groundhandling market by making the competition framework more simple, fluid, fair and uniform (the establishment of a “single European market”)** - through simplifying and standardising procedures, reducing administrative burden, increasing transparency, and enhanced opening of the market.

■ **Ensuring a better quality of groundhandling:** through improving staff competence, environment, safety, security, information to passengers.

■ **Better taking into account other relevant EU legislation:** for social, safety, security, airport charges and passengers with reduced mobility legislation.

■ Describing the key policy options for revision of the Directive (see table below);

■ **Policy Option A) Baseline of maintaining the current directive** (providing the counter-factual to the assessment and requiring no EU action).

■ **Policy Option B) Issuing guidance and best practice.**

■ **Policy Option C) Substantial revision of the legislation to improve the quality and social considerations.**

■ **Policy Option D) Substantial revision of the legislation to improve market performance from opening the market.**

■ **Sub-Option D1:** through improvement of current provisions.

■ **Sub-Option D2:** through gradual further opening of the market.

**I Sub-Option D3: through a full liberalisation of the market.**

- I** By undertaking an impact assessment using the EC guidelines to estimate the market, social, environmental and administrative impacts. First, these are described, and then where data is available these are converted into financial impacts. The results are then summarised in a table presenting for each policy option its effectiveness (how well they meet the EC's objectives), efficiency (what impacts and additional resources will be needed) and overall coherence, (including how practical the implementation of the option is).

1.4 Chapter 10 describes the legislative and other options available to the EC to implement a revision to the Directive and their relative advantages and disadvantages.

## 2 Introduction and background

### Introduction

2.1 The groundhandling market covered by the 1996 Directive 96/67/EC on access to the groundhandling market at Community airports, includes the provision of a wide range of services:

- **Passenger handling:** assistance with tickets, travel documents and baggage, etc.;
- **Baggage handling:** in the sorting and reclaim area;
- **Ramp handling:** marshalling, aircraft parking, engine start, food and beverage loading, etc;
- **Cargo handling:** freight and mail documentation review, customs, etc.
- **Fuel and oil handling:** fuelling and its storage, etc
- **Other services** including:
  - Ground administration and supervision.
  - Aircraft maintenance.
  - Surface transport: between terminal and to aircraft.
  - Catering services.
  - Flight operation and crew administration.

2.2 These services are usually provided by one, or a number of:

- **The airport operator (or an associated subsidiary);**
- **The airline operator (self-handling);**
- **A third party, independent handler.**

### Background

2.3 In the past, groundhandling services were often provided by a monopoly supplier at airports in the European Union. Through effective competition, these services' profit margins can be competed away and prices to airlines (and therefore potentially to passengers) are reduced. However, there is a risk of market failure in highly competitive, low margin businesses, when the quality of the service provided to airlines or the working practices used by the employers deteriorate as a consequence.

2.4 The 1996 Directive 96/67/EC on access to the groundhandling market at Community airports introduced minimum requirements for transparency of information, and market access for the competition for provision of these services depending on the size of the airport. The aim of the Directive was to introduce competition to reduce costs to airlines and improve the quality of services.

2.5 A number of studies, including for the Commission, with studies published by SH&E in 2002 and the Airport Research Centre in 2009, have identified a number of issues

and shortcomings with the current Directive. Extensive stakeholder consultation has also taken place and identified potential solutions to the shortcomings identified.

### **Final report**

- 2.6 This is the Final Report for the study conducted by Steer Davies Gleave and its legal adviser Clyde & Co (Beaumont and Son) Aviation. It builds on the Intermediate report; discussion in Brussels at the Social Dialogue meeting on 16 November; the results of the Stakeholder Consultation; and comments received from the European Commission's Impact Assessment Steering Group on the draft Final Report.

### **Structure of this document**

- 2.7 The structure of the remainder of this document is:

#### ***Source of information for the report***

- **Chapter 3:** provides our review of previous studies;
- **Chapter 4:** provides a summary of our legal review and previous stakeholder analysis;
- **Chapter 5:** provides the results from the stakeholder consultation;
- **Chapter 6:** provides additional analysis of the issues arising;

#### ***Problem definition***

- **Chapter 7:** provides a summary of the problem definition;

#### ***Objectives and policy options***

- **Chapter 8:** provides as summary of the objectives and our suggested policy options for revising the Directive;

#### ***Analysis of the impact and comparing the options***

- **Chapter 9:** describes the analysis of the impacts and compares the options;
- **Chapter 10:** describes the legislative and other options available to the Commission to revise the Directive.

#### ***Supporting documentation***

- **Appendix A:** presents the detailed comments of stakeholders from previous consultations;
- **Appendix B:** provides a summary of the data provided in previous studies;
- **Appendix C:** presents the questionnaire that was posted on the “Your Voice” website to gather comments from stakeholders;
- **Appendix D:** presents the detailed assumptions used in producing the Impact Assessment.

## 3 Information: Review of previous studies

### Introduction

- 3.1 In this chapter we summarise the main conclusions of previous studies that were identified and reviewed as relevant to considering the case for revising the groundhandling Directive 96/67/EC.
- 3.2 Since the Directive was introduced in 1996, there have been a number of studies to review its impact and implementation. In addition, we have reviewed some general studies looking at the changing shape of the employment and social conditions in the air transport industry, including the groundhandling industry, over the last decade.
- 3.3 These studies have been reviewed to establish the key issues that have been raised by stakeholders during previous consultations about the effectiveness of the Directive. This ensures all responses to previous consultations are included and avoids duplication when raising questions in our own consultation to support the impact assessment.

### Summary of documents

- 3.4 In the section we provide a brief overview of each document reviewed. The detailed shortcomings with the Directive found during this and our legal review are provided in detail, in Chapter 4 where they have been used to inform the problem definition presented in Chapter 7.

### Studies

#### ***SH&E study on the quality and efficiency of groundhandling services at EU airports as a result of implementation of Council Directive 96/67/EC (2002)***

- 3.5 Undertaken for the European Commission, this study was based on stakeholder meetings and a survey. SH&E reported on the early years of the implementation of the Directive in the EU-15 area. The key issues it identified included:
- Delay in some Member States in implementing the legislation.
  - Weakness in the tender process and selection criteria for groundhandling undertakings, often highlighting conflicts of interest.
  - The small size of the contestable market limits the scope of effective competition.
  - Difficulties with access fees and fees for the use of Centralised Infrastructure.
  - Deterioration of social aspects, safety and security as a result of the impacts of greater price competition.

#### ***Regulatory Impact Study - On the Extension of the scope of the base EASA Regulation to the safety and interoperability regulation of aerodromes (2007)***

- 3.6 This document investigated the potential consequences of extending the Basic EASA Regulation 1592/2002 to the safety and interoperability of aerodromes. This impact assessment reviews the general, specific and operational objectives that need to be achieved. There are 5 interventions with 3 levels of involvement that are

investigated in this study and each is looked at to understand the impact on the entities concerned: the safety impact, the economic impact, the environmental impact, the social impact and the impact on other aviation requirements. Using multi-criteria analysis a recommended option for each intervention is put forward.

- 3.7 This document investigates the effect each intervention will have on airport users/operators. It shows that introducing EASA safety regulation to all aerodromes rather than just the commercial airports it applies to at the moment would not have an impact on the number of groundhandlers since there already is only one groundhandler at these aerodromes. Rules on equipment may be introduced and these will impact on all groundhandlers, however, there will be no extra certification for groundhandlers from this regulation.

***ECORYS Aviation Study (2008)***

- 3.8 The study attempted to examine the impact of liberalisation of the air sector on employment, wages and working conditions. In the groundhandling market the paper highlights that greater market competition has impacted on staff by increasing the requirement for flexible contracts and reduced the overall level of job security. However, the study also found that there had been a general increase in the number of people employed by independent groundhandling companies.
- 3.9 Trade Unions have claimed that wage rises lagged behind inflation in the groundhandling sector and the survey conducted by ECORYS also found some evidence for increases in working hours for groundhandlers over the last 10 years.

***Final Report of the Joint Survey on Best Practices on Training and Qualification in the Groundhandling Sector (September 2008)***

- 3.10 The Groundhandling Social Partners (ACI, AEA, ERA, IACA, IAHA and ETF) commissioned a report to investigate the joint approaches to Training and Qualifications in the Groundhandling Sector in Europe. The survey produced responses from 12 states in the EU and 2 states (Norway and Turkey outside it). The report investigates best practices between Employers and Trade Unions in the development and delivery of training and qualifications in the groundhandling sector.
- 3.11 The conclusions of the report state that there already exists a high level commitment to the provision of training in the groundhandling sector, but that there still needs to be a real improvement in the level of skill of groundhandling employees.

***Airport Research Centre Study on the Impact of the Directive 96/67/EC on Groundhandling Services 1996-2007 (2009)***

- 3.12 The Airport Research Centre conducted a review of the experience of the impact of the Groundhandling Directive 96/67/EC on groundhandling services over the period 1996 to 2007 for the European Commission. It reviewed the impact at Community airports, including the entrance of New Member States in 2004. It updated the SH&E study (2002), and its main finding were:
- Differences across Member States in relation to conditions for market access: fully liberalised to managed liberalisation through tendered contracts.

- Greater impact at airports with legacy handling monopolies, with the number of third party handlers increasing markedly, and evidence of price reductions from survey results.
- The changes have been more significant in the EU-15 implying New Member States are still in the implementation phase.
- Airport operators providing groundhandling services are still a significant, but slightly reduced part of the market: in the EU-15 area, only 1/3 of airports still have a groundhandling activity (in Germany and Portugal mainly but also in Austria and France), whereas in the new Member States, 2/3rd of the airports are still involved.
- Centralized infrastructure is often congested and costly to use for third party handlers, and can provide a real constraint on effective competition.
- Across Member States, there has been a wide variety of experience in the impact of the Directive on social labour practices.
- The evidence on staff safety and security resulting from the study was limited.

***Booz & Company - Effects of EU Liberalisation on Air Transport Employment and Working Conditions for the European Commission Directorate - General for Energy and Transport. June 2009***

- 3.13 Booz & Company were asked to follow up and expand upon the earlier ECORYS study into Social Developments in the EU Air Transport industry. The report was commissioned to understand the impact of the creation of the internal market in air transport, including its recent enlargement, has had on employment in individual Member States as well as on the community as a whole and to consider trends that may affect the quantity and quality of jobs going forward.
- 3.14 The report looked at all roles and employee occupations in the air transportation industry. The main conclusions regarding groundhandling and the impact of the Directive concentrate on the implications on the work force from introducing a competitive market. The lack of representation that the employees have, and the problems with assessing the quantitative and social impact of the Directive on the workforce.

***Position papers***

***ACI Industry Partners Dialogue, Groundhandling Amending Council Directive 96/97, (2006) Position paper should not be presented at the same level as studies***

- 3.15 This document summarises Airport Council International Europe (ACI Europe's) position regarding the amendment of the Directive. Its main messages are:
- Priority should be given to a full implementation and a correct application of the existing Directive;
  - Further liberalisation should be based on the "contestable market" (excluding self-handling);
  - The possibility for a minimum level of quality of service should be referred to in the EU text. It should apply to any type of handling operations, be adapted to

local level issues and be defined in a practical way. It should also involve a minimal training of staff;

- Any groundhandling supplier should be insured to an adequate level;
- Legal separation (separation of accounts and no cross subsidy) is implemented by airports only (when legal separation should apply to any supplier) and does not appear to solve the problem. Transparency must be achieved by other means;
- Airports are considered to exert a dominant position (as they are not subject to the tender process) but are also in a discriminatory position on the handling market as they cannot usually supply services outside their airport;
- Subcontracting rules should be the same for any undertaking in the ground handling market;
- Social problems such as training and qualification, take-over of staff and legal separation must be assessed;
- A coordinated European answer would avoid discriminatory local solutions.

***Dialogue EC - Air Transport Industry on Groundhandling/Airport charges and capacity- 'Groundhandling - time to evaluate' April 2006***

3.16 The Association of European Airlines (AEA) presented their suggestions to revise the EU Directive 96/97. They identified key areas to focus on, these included:

- Reducing thresholds for market entry;
- Introducing Key Performance Indicators (KPIs);
- Increasing the scope of services for its application;
- Redefining the terms of reference for user committees; and
- Clarifying conditions for a fair bidding process.

***International Aviation Handlers' Association - EC Dialogue on groundhandling April 2006***

3.17 The International Aviation Handlers' Association gave their view on the Directive 96/97 as an organisation that represents independent groundhandling operators active at airports in Europe.

3.18 Their main priorities are the need to have a level playing field for all groundhandlers and that the Directive is fully implemented across all Member States.

**Summary of data provided**

3.19 A detailed summary of the data collected from the previous studies that could be used to inform our impact assessment study is provided in Appendix A1.1.1.B. The table below provides a summary of what data is available from the previous studies.



TABLE 3.1 SUMMARY OF DATA COLLECTED FOR FROM PREVIOUS STUDIES

Study reference	Data description	Year and coverage
ARC	Partial data sets based on survey results of number of handlers, market shares, growth rates and size of contestable market, price, quality, AUC's views, income level of loaders and ramp agents, working conditions, type of contract, safety issues ; some market shares for airports;	2007, EU-27 airports surveyed who responded and in some cases EU-15 airports where data is available, 2002-2007
ARC	List of centralised infrastructure.	2008, EU-27
EASA	Estimated number of groundhandlers at different sized airports, and number of groundhandlers due to the Directive in the EU 15	2007, EU-27 and 2002, EU-15
EASA	Examples of equipment required for groundhandling;	Not applicable
SH&E	Summary of exemptions, handling price and quality developments, conditions of tender processes, UAC, self-handling applicants, sub-contracting, access charges, centralised infrastructure.	2002, EU-15
SH&E	Estimation of the size of the contestable market	2002, EU-15
Booz&co	Number of handlers and independent groundhandling organisations providing services at airports and by country; Number of employees of independent groundhandling organisations	2008, small sample of EU-15 and new Member States



## 4 Information: legal review and previous consultation

### Introduction

4.1 This chapter summarises, by grouping into categories, the potential improvements to the Groundhandling Directive as suggested by the stakeholders during previous consultations (details provided in Appendix B), as well as shortcomings, ambiguities and lack of clarity, and other matters which merit discussion from the document review. We also present the outputs of our legal review, which incorporates three parts:

- a review of each of the paragraphs of the Groundhandling Directive;
- a review of other relevant European Union legislation; and
- a review of European Court decision judgements discussing the Groundhandling Directive.

Steer Davies Gleave has been assisted by Clyde & Co (Beaumont and Son) Aviation in conducting this legal review.

### Grouping of potential improvements into categories

4.2 The potential improvements to Directive 96/97/EC that have been identified by the Commission in Annex 2 of the Terms of Reference, review of previous studies and our legal review include:

- **Definitional issues:** such as no definition or a definition not matching an industry standard. In some cases there is inconsistency with other Community legislation;
- **Omissions:** some areas of groundhandling activities are not covered by the current Directive 96/97 and therefore create uncertainty in the understanding and application of the Directive;
- **Complexity:** some articles of Directive 96/97 create a complex framework for groundhandling and could be simplified;
- **Clarity and interpretation:** some areas of Directive 96/97 require better definitions or some rules would need to be defined in order that all stakeholders in all Member states interpret the Directive in the same way. Currently, the lack of clarity contributes to market distortion.

4.3 We have allocated the issues into categories in the table on the next page. The remainder of this chapter then goes on to describe the detailed issues and suggested solutions raised by key stakeholders and the Commission.

TABLE 4.1 ALLOCATION OF ISSUES TO CATEGORIES

Definitional issues	Omissions	Complexity	Clarity and Interpretation
Self-handling definition	Subcontracting governing rules	Threshold levels	Length of the tendering contract
Application to specific freight activities and definition	Quality measures	Member State approval procedure	Tenders and quality of service
Centralised Infrastructure definition	Employment conditions and staff transfer	Exemptions	Contestable market
Groundhandling for third parties	Minimum staff training requirements	Enforcement of rules of conduct	Fair selection of handlers
Airport systems term	Insurance cover requirements	Obligation to publish list of airports	Bundled services in tenders
“that third country” term	Passengers with Reduced Mobility PRM		Peripheral services in tenders
	On-duty groundhandling		Airport User Committee role and composition
	Environmental protection		Fee for access to installations
			Separation of accounts
			Space constraints and constraints on competition
			Regulation and appeal

**Background**

- 4.4 The Directive is created on the basis of Article 84(2) of the EC Treaty (now Article 100(2) of the Treaty on the Functioning of the European Unions (TFEU)). At the time there was some concern whether this was the appropriate basis and whether Article 86 (now Article 106 of the TFEU), covering services of general economic interest, would not be more appropriate. While it is the case that certain Commission interventions in the groundhandling area have been based on its competition powers generally as opposed to the specific basis which used to apply in connection with air transport (e.g. Olympic 1997 and Aéroports de Paris 1998), it does seem that groundhandling is sufficiently closely connected with air transport to justify use of the legal basis concerned with transport policy, and in its decision 98/190 of 1998 re Frankfurt Airport the Commission found that ramp handling services did not fall within Article 86(2) (now Article 106 (2) of the TFEU).

**Detail of the main issues*****Definitional issues - self-handling definition***

- 4.5 Through the legal review it was identified that "self-handling" is defined to include handling by or for a subsidiary, holding or sister company (determined with reference to majority shareholding). It has been questioned whether it should be extended in one or more of the following ways:
- to widen the scope of the "group" to be considered;
  - to include alliance partners;
  - to recognise the right of integrated cargo carriers to perform the various parts in the chain of handling express cargoes at their hubs; and
  - to make it clear whether self-handling includes the right to sub-contract handling. Indeed, it is also unclear whether third party handlers are permitted to subcontract. Subcontracting of any of the specified groundhandling services is not permitted under the current definition (except within a corporate group), but there is nothing to stop self-handlers sub-contracting ancillary services/activities (e.g. the provision of vehicles with which to perform the groundhandling services). The question also arises with regard to the provision of third party groundhandling services, in which context the position is not expressly clear and would in any case benefit from clarification.
- 4.6 Stakeholders also identified some specific issues that they have with the definitions of self-handling.

TABLE 4.2 ISSUES IDENTIFIED WITH SELF-HANDLING DEFINITION

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Self-handling - Article 7	Airlines have the right to self handle so no artificial barriers should be introduced.  Self-handling only currently includes when an airline provides the service to itself; however, other airlines argue that it should be expanded to alliance and network partners.	Airline handlers should be free to handle any aircraft carrying shipments.  Expand self-handling definition to alliance and network partners.	Airline operators
Self-handling - Article 7	Airlines engagement in groundhandling can lead to market distortions since their handling licenses are not limited and many network carriers handle themselves on a reciprocal basis limiting competition and availability of the market to independent handlers.	Self handling should not be extended to alliance partners and airlines should be limited to handling their own airline's volume.	Independent groundhandlers
Self-handling - Article 7	A restricted definition of self handling is required.	Clarify self handling definition.	International Aviation Handlers Association

**Definitional issues - Application to specific freight activities and definition**

- 4.7 There are two main issues: the definition of groundhandling services in the Annex of the Directive which does not match industry standards and the issue for cargo carriers who believe that groundhandling is part of their business and should not be seen as a separate activity. There are also some problems in the application of the Directive regarding specific types of freight such as coffins, art work, etc.

TABLE 4.3 ISSUES IDENTIFIED WITH SPECIFIC FREIGHT SERVICES

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Definition of groundhandling services - Annex	Annex to Directive does not match the IATA Groundhandling Manual List (AHM 810). The definitions of what is included in each category are not clearly defined.	Review Directive of groundhandling categories.	Airport operators
Self handling - Article 7	Groundhandling is part of integrated transport chain within a cargo operation, but seen by authorities as groundhandling activities that should be open to tender.		Cargo carrier

**Definitional issues - Centralised Infrastructure definition**

- 4.8 There is a lack of definition of the term "centralised infrastructures", although some examples are given, and differing interpretations are applied. There is also a lack of clarity about charging for access to them, and in this respect about the

interaction with Article 16.3, which is concerned with fees for access to airport installations.

- 4.9 The definition of CI is a problem as the list of service included is not exclusive. Moreover article 8 gives Member States the right to decide whether or not to reserve for the managing body of the airport the management of the “centralised infrastructure used for the supply of groundhandling services whose complexity, cost or environmental impact does not allow of division or duplications”.
- 4.10 One specific issue raised by stakeholders was whether an airline’s cargo warehouse is classified as centralised infrastructure. More support has been requested by airport operators from national administrations, for example in the Netherlands they requested the Minister for Transport help with the definition of CI.

TABLE 4.4 ISSUES IDENTIFIED WITH CENTRALISED INFRASTRUCTURE DEFINITION

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Allocation of facilities - Article 16.2	There needs to be distinction between commercially important facilities and support facilities.	Recommended clearer definition of facilities and ability to limited additional access to landside operations.	Airport operators
Centralised Infrastructure -Article 8	Need to have guidelines of whether a consultation is needed to establish what CI at an airport is needed.	Process of defining CI included in Directive.	Independent groundhandlers

**Definitional Issues - Groundhandling for third parties**

- 4.11 Article 6, which permits Member States to require that a supplier of groundhandling services be established in a Member State, seems redundant. While there is not a clear definition of establishment for these purposes, it is generally considered for Community law purposes to mean some kind of permanent presence, although it can be relatively insubstantial (such as the existence of an office or agency), and it is difficult to see how a company could provide groundhandling services at an airport without being "established" there. The term carries no import of nationality, so that it is quite possible for companies incorporated outside the EU and/or majority owned by non-EU shareholders to be established in the EU.

**Definitional issues - Other issues**

- 4.12 Other legal issues which have been raised during the legal review include the “airport systems” term in Article 2b which is now redundant in later regulation articles. The Directive 2009/12 does contain a definition of “airport network” which is very close, but the references to airport system in the Directive do not seem to serve any useful function and thus there seems to be no case either for retaining references to this term or for introducing the term “airport network”. The use of “that third country” in Article 20 of the Directive which is an unclear term. Presumably what is intended is a company with its principal place of business in that third country and/or majority owned and effectively controlled, directly or indirectly, by nationals of that third country.
- 4.13 Airline stakeholders through IATA have also expressed the need for oil and fuel distribution to be dissociated from oil and fuel storage. At the moment, the

directive covers the “into-plane” service, as well as fuel and oil infrastructure (the fuel farm and from the fuel farm to the aircraft), but the actual supply of commodity from the oil companies to the fuel farms is not covered. The airline view is that there should be at least one independent supplier for the “into-plane” service, that the fuel and oil infrastructure should be included in the centralised infrastructure and that there should be a free access for all potential suppliers for the supply of commodity, even if the fuel farm is the property of a consortium of oil companies.

- 4.14 Another definitional issue concerns the definition of “category 1” groundhandling services in the Directive Annex. It currently states “any other supervision services” and “any other administrative service” which is vague and can be interpreted in different ways.

**Omissions: On-duty groundhandling**

- 4.15 There is no guidance in the Directive as to what happens if a ground handler leaves the market. In some cases, because it is not economically attractive, no groundhandling services are available (for instance at night a diverted flight may not be handled).

**TABLE 4.5 ISSUES IDENTIFIED WITH ON-DUTY GROUNDHANDLING**

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Omission	Gap in Directive where it does not provide information or guidance on what to do if a ground handler leaves the market.	Introduce a notice period for groundhandlers during which an airport operator can find a suitable alternative.	Airport operators

- 4.16 There could be an introduction of “on-duty groundhandling”. The question also arises as to whether in the case where an airline does not have any staff based at the airport, should groundhandling activities be coordinated in a compulsory way by one groundhandler, and whether this groundhandler should be given the powers to act as the legal representative of the airline at the airport, including in front of passengers, other airlines and the airport?

**Omissions: Subcontracting governing rules**

- 4.17 Subcontracting is a common practice, however there is no framework provided in the Directive which is unclear on whether sub-contracting is allowed and the rules that should govern it. Even in the case of selected access to the market, the selected supplier may not be the one effectively supplying the service, as the selected supplier often has the possibility to subcontract freely.

**TABLE 4.6 ISSUES IDENTIFIED WITH SUBCONTRACTING GOVERNING RULES**

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Sub-contracting	No mention of subcontracting in the Directive.	Subcontracting rules should be the same for anyone.	ACI Europe
Sub-	Concerns that sub-contracting may	Sub-contracting and	Airport operators



Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
contracting - Article 2	cause capacity constraints, negative effects on safety and security and undermines selection criteria.	cascade sub-contracting should be limited. At least the rules that govern subcontracting should be clarified	
Sub-contracting - Article 2	No further regulation on sub-contracting is needed, but main contractor should guarantee safety and quality standards.	Sub-contracting guidelines improved with main contractor responsible for safety and quality. No further regulation needed.	Airline operator
Sub-contracting - Article 2	Ensure that groundhandling service providers should be entitled to subcontract.	Redefine Directive.	Association of European Airlines
Sub-contracting - Article 2	Sub-contracting should not be limited and no further regulation is needed.	Sub-contracting guidelines improved with main contractor responsible for safety and quality. No further regulation needed.	Independent groundhandlers
Sub-contracting - Article 2	There should be no need to sub-contract several sub services as groundhandling suppliers are licensed as full service providers. Sub-contracting can minimise wages and increase working time.	Sub-contracting and cascade sub-contracting should be limited.	Staff representatives
Sub-contracting Article 2	Unclear whether sub-contracting can occur under self handling contracts.	Define the situations in which sub-contracting can occur.	Airline operators and aviation regulators

4.18 On subcontracting, the interests of the stakeholders are different and there is no consensus on what should be done. At a minimum, subcontracting should be clarified (are self-handlers allowed to subcontract for instance) or adjusted.

***Omissions: Quality measures***

4.19 The definition of quality (including safety matters, baggage delays, loss issues, environmental matters, staff training, etc) remains based on contractual arrangements between airlines and groundhandlers. As a consequence there is no minimum guarantee in terms of quality of service. The intensification of the competition produces pressure on prices and many stakeholders feel that quality has suffered.

4.20 This also potentially impacts on safety when there are more staff on the ramp due to the market opening but less qualified as a results of the pressure on staff costs and less training.

TABLE 4.7 ISSUES IDENTIFIED WITH QUALITY

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Quality	Service quality level is not defined in the Directive and as a result the quality outputs are variable.  Insufficient training of staff at some airports also leads to quality decreasing.	Minimum level of quality of service should be defined, what it applies to, and if they are defined with the UAC.  Power and control to be given to airports to ensure safety and security.	ACI Europe, Airport operators
Quality	In most cases quality has decreased.  Quality Key Performance Indicators should be implemented locally in a consultation process.	No need to define obligatory minimum quality requirements since quality levels are negotiated and implemented in SLAs.	Airline operators and Association of European Airlines
Quality	Quality levels should be set between provider and customer.	Airport operators should not be involved to ensure no conflict of interest with their own handling company	Airlines and independent groundhandlers
Quality	Increased pressure on working conditions are decreasing quality levels.  Safety of workers should be better enforced.	Introduce minimum quality standards defined by consultation with the AUC.  Community rather than national standards must be applied to all safety-related rules.	Staff representatives

4.21 Quality issues require more than guidance and best practices to be solved. There are a number of options that could be used to address the issues raised:

- Setting minimum common criteria at European level independently to the market access to enhance the quality of service and a level playing field. This could take gradual forms from setting requirements in terms of operations, safety, environment, etc, to introducing required minimum qualification of staff or certification of groundhandling undertakings.
- Standardization of the approval at EU level, through the harmonisation of EU approval criteria.
- Quality requirements to be defined airport by airport, in the selection process.

***Omissions: Employment conditions and staff transfer***

4.22 This provision, permitting Member States to take measures to ensure protection of the rights of workers and respect for the environment, has been considered twice by the Court of Justice, as regards the rights of workers (in Cases C-460/02 and C-386/03). The Court held that the right must be exercised in a manner that does not prejudice the effectiveness of the Directive.

- 4.23 Council Directive 2001/23 safeguarding the rights of employees in the event of transfers of undertakings, by aiming to ensure, as far as possible, that on the transfer of an undertaking employees are entitled to remain in employment with the new employer on the terms and conditions agreed with the old employer, is applicable in the groundhandling sector as in others. Hence, where there is a transfer of a groundhandling undertaking employees are entitled to protection under Directive 2001/23. However, where there is no transfer of an undertaking for these purposes, the Court held that Article 18 does not permit Member States to provide for such protection of employees, as this would prejudice the effectiveness of the groundhandling Directive.
- 4.24 The Court's judgments are helpful in confirming that Directive 2001/23 applies in the groundhandling sector. However, given the Court's confirmation that the effectiveness of the Directive must not be prejudiced, it is not clear what Article 18 permits Member States to do in practice.
- 4.25 Staff representatives have highlighted that the quality of employment in the groundhandling industry has been affected by the introduction of the Directive 96/97. Increasing flexibility of employees is required to employers.

**TABLE 4.8 ISSUES IDENTIFIED WITH EMPLOYMENT CONDITIONS AND STAFF TRANSFER**

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Social Protection - Article 18	Guidelines not clear about whether the transfer of staff is necessary/compulsory/allowed when licensees change. Unclear role of work councils should be in this process.	Clearer guidelines and minimum standards in Directive need to be included to ensure the process is clear and objective across all airports. Staff retention should be encouraged but this needs to be sensitive to the need to encourage competition.	ACI Europe, Airport operators, independent ground handlers, International Aviation Handlers' Association and staff representatives.
Social Protection - Article 18	Directive has differing impact on employment conditions depending on social protection and liberalisation. In most cases it has had a negative affect on wages, jobs, social protection and working pressure. Changing licenses destroys the bonds between unions and companies.	Comply with common European social standards and requirements which protect wages and working conditions of employees. Specific inclusion of regulation on staff transfer.	Airport Operators and staff representatives
Social Protection - Article 18	Very few ground handler workers said there were special arrangements for women and disabled workers.	Include special arrangements for women and disabled workers.	Social partners
Social Protection - Article 18	Concerns for job stability and health and safety requirements as new ground handling entrants use low cost or less experienced labour to be competitive. Trend for handlers to offer short term contracts to employees; provision of training, qualifications, and employee	High standards and formal qualifications for all safety-related professions introduced/monitored.  Protection of employees needs to be improved. Common standards of qualification need to be	Staff representatives and Worker Councils

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
	protection is minimal.	established.	

4.26 Currently, the way to coordinate between the EU and national social legislations and the EU groundhandling legislation requires clarification.

**Omissions: Environmental Protection**

4.27 The provision for environmental protection is undesirably vague and as there has been no case law regarding this, there has been no further clarification on this matter. As the Court of Justice ruled with regard to the social protection provision that the right must be exercised in a manner that does not prejudice the effectiveness of the Directive this presumably also applies in this respect and it is similarly questionable whether the provision serves any useful purpose.

4.28 There is EC legislation concerned with protection of the environment from aviation activities - principally Directives concerned with noise and emissions. However, it does not appear that there is any overlap, conflict or inconsistency, between this and the groundhandling Directive.

**Omissions: Minimum staff training requirements**

4.29 There are no minimum guarantees in terms of the quality of service and the minimum training requirements for staff. Training necessary to carry out groundhandling jobs are left to the industry and in some cases, there is no guarantee that personnel are properly trained, including in the case of safety sensitive groundhandling activities. Airlines estimate the cost of groundhandling incidents to be in the region of US\$10 billion damages and delay (ECAST Ground safety working group minutes 2#09). A study carried out by stakeholders in 2008 shows that even if good practices exist regarding training for groundhandling staff, they are not universally applied.

**TABLE 4.9 ISSUES IDENTIFIED WITH MINIMUM STAFF TRAINING REQUIREMENTS**

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Employment Skills - Article 17	Competition leads to pressures on prices resulting in insufficient training to staff in order to cut costs. New ground handling companies have increased untrained workers in the workplace	Minimum quality and training standards defined by consultation with the AUC.  There would be quality monitoring and ex-post gradual measures in case of non-fulfilment.  Commitment between employers and trade unions to work together to provide training.	ACI Europe and Airport Operators, unions, social partners and employee representative bodies
Employment Skills - Article 17	Competition leads to pressures on prices resulting in insufficient training to staff in order to cut costs.  New ground handling companies have increased untrained workers in the workplace	Minimum quality and training standards should be defined. Airports suggest that this could be defined through consultation with the AUC.  There should be quality	All stakeholders

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
	Greater clarity needed on basic job training needs and good practice.	monitoring and ex-post gradual measures in case of non-fulfilment.  Commitment between employers and trade unions to work together to provide training.	

4.30 Staff training issues might require more than guidance and best practices to be solved. Options that could be used include:

- Setting minimum common criteria at European level independently to the market access, where the existing regulation in terms of training would need to be investigated and the “holes” in the regulation identified. For instance, EU-OPS legislation already set obligations for groundhandlers in terms of training, but the scope of this legislation does not encompass ground support equipment training in general.
- Standardisation of the training approval at EU level, through the harmonisation of EU approval criteria.
- Training requirements to be defined airport by airport, in the selection process.

**Omissions: Insurance cover requirements**

4.31 The issue with insurance cover is that it is only mentioned in Directive 96/97 in the context of approvals. Otherwise there are some very different requirements with regards to insurance, if such requirements exist at all. The aftermath of September 11, 2001 revealed that a number of groundhandlers did not either sufficient insurance to cover liability against third party damage or in some cases any insurance cover at all.

**TABLE 4.10 ISSUES IDENTIFIED WITH INSURANCE COVER REQUIREMENTS**

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Insurance - Article 14	Adequate guidelines of necessary insurance provisions are not included in the Directive.  Insurance liability is the same for all ground handlers and can prevent entry into the market.	Clearer guidelines and minimum standards are needed for insurance in the Directive.	Airport Operators and representative bodies.
Insurance - Article 14	Adequate guidelines of necessary insurance provisions are not included in the Directive.  Insurance liability is the same for all ground handlers and can prevent entry into the market.	Clearer guidelines and minimum standards are needed for insurance in the Directive.	Airport Operators and representative bodies.

4.32 This issue would benefit from clarification on insurance requirements or the introduction of new provisions about insurance, with precision about minimum requirements, which could be enforced and monitored in the approval framework, or in the tendering procedure.

**Omissions: Passengers with Reduced Mobility (PRM)**

- 4.33 There are no guidelines with relation to PRMs and this creates a potential for conflict with Regulation 1107/2006.
- 4.34 Parliament and Council Regulation 1107/2006 concerns the rights of disabled persons and persons with reduced mobility when travelling by air. This Regulation imposes on the managing body of an airport the following duties:
- to designate points of arrival and departure at the airport at which disabled persons and persons with reduced mobility (PRMs) can announce their arrival and request assistance (Art 5);
  - to ensure the provision of various specified kinds of assistance in such a way that the PRM is able to take the flight for which he/she holds a reservation (Arts 7 and 8 and Annex I). The airport may provide such assistance itself or by a subcontractor, and may levy a charge on airport users to fund it (Art 8);
  - to set quality standards and resource requirements for such assistance (Art 9);
  - to ensure training for personnel (Art 11).
- 4.35 The list of groundhandling services covered by Directive 96/97 includes passenger handling - i.e. "any kind of assistance to arriving, departing, transfer or transit passengers ...", and the handling of passengers' baggage. By stipulating that assistance to PRMs must be provided by airports, Regulation 1107/2006 therefore creates an exception to the general rule in Directive 96/97 permitting the provision of passenger and baggage handling services by other suppliers and/or by airlines themselves on a self-handling basis.
- 4.36 Although there is no actual conflict between the two pieces of legislation, there is an element of inconsistency, as the airport can simply decide to subcontract the PRM assistance, and there are no provisions relating to the selection or approval of such subcontractors or access to infrastructures or installations, as there are for suppliers of handling services generally under Directive 96/97.
- 4.37 Furthermore, the provisions of Regulation 1107/2006 in this respect seem at variance with the principle of Directive 96/97, and retrogressive, given the Directive's objective of reducing handling costs by creating competition and permitting self-handling. However there are other reasons why PRM services might be better provided by airports (which are covered in a separate study).

**Complexity: Member State approval procedures**

- 4.38 The criteria for approval of a Groundhandling company must include "environmental protection and compliance with the relevant social legislation" - rather vague terms. Therefore access to the market is not necessarily conditional upon a certain defined level of quality. The Directive gives only the possibility for Member States to deliver an approval by providing access to the market if a certain number of criteria are met (in terms of financial situation, insurance cover, security and safety, and environmental protection and social legislation). Consequently the approval systems, if they exist, are very different according to the Member States, and sometimes intricate with the selection procedures to access restricted markets.
- 4.39 Safety and security issues are very much linked to approval procedures or tender procedures. Other EU legislation that governs the safety and security of airport operations is detailed below.

- 4.40 With regards to safety, there is extensive EC legislation concerned with certification of operators, equipment and personnel, the safety of third country aircraft and accident and occurrence reporting and investigation. While this legislation will apply in the context of certain groundhandling activities (in particular elements of airport and air carrier operations, aircraft maintenance, which is regulated by this legislation), we do not see any conflicts, inconsistencies or overlaps between it and the Directive, or anything requiring legislative amendment or clarification.
- 4.41 Certain safety-related requirements relating to operations may have to be satisfied in practice by the handler rather than by the airline (e.g., EU-OPS rules regarding de-icing, aircraft mass and balance, stowage of baggage and cargo). The Directive leaves it up to Member States whether to require groundhandlers to obtain an approval and it is therefore up to them to decide whether, if they require such an approval, the criteria for its grant include proof of being able satisfactorily to perform such safety-related activities.
- 4.42 In the future, no later than 2013, essential safety requirements by EASA based on Regulation (EC) No 1108/2009 will have to be adopted by the Commission. Some of these obligations which will have to be undertaken by the airport operator and therefore potentially by groundhandlers would be regulated through airport operators, which may not be fully in line with the Directive. However, as of today all detailed obligations are under development, so it is not possible to comment further.
- 4.43 With regards to security, the principal EC legislation, Parliament and Council Regulation 300/2008, establishes common basic standards for safeguarding civil aviation against acts of unlawful interference jeopardising security, and measures to implement them, relating to (among other things):
- access to airside and security restricted areas;
  - security checks on persons and vehicles;
  - screening of passengers, baggage, cargo, mail and in-flight supplies;
  - training for persons requiring access to restricted areas.
- 4.44 In addition, Commission Regulation 1138/2004 defines critical parts of security restricted areas of airports and requires screening of persons allowed access to such parts, and Commission Regulation 820/2008 contains further measures implementing the common basic standards. The Annex to the latter contains a definition of "groundhandling" but, curiously, the term is nowhere used in the Annex or the body of the Regulation; perhaps it was left over from an earlier draft in which the term was used.
- 4.45 Obviously, groundhandling activities take place to a significant extent in airside and security restricted areas, and hence will be subject to this security legislation. However, we do not see any conflicts, inconsistencies or overlaps between security legislation and the Directive, or anything requiring legislative amendment or clarification.
- 4.46 Whilst, this other EU legislation does not conflict or overlap with the Groundhandling Directive, there are a number of obligations that groundhandlers must fulfil. This can result in the conditions to access the market at EU level being complex and burdensome to groundhandlers. There is no level playing field in this



matter as one Member State may call for different requirements and documentation to gain approval than another Member State. It can also be the case that some approvals are only valid for one airport and another approval may need to be obtained to provide services at another airport in the same Member State.

**Complexity: Threshold levels**

- 4.47 Fixed threshold definitions cause difficulties for airports oscillating around the thresholds and to how many groundhandlers there are required to be. Stakeholders also have different views as to what the threshold should be and the number of groundhandlers allowed in each market.

**TABLE 4.11 ISSUES IDENTIFIED WITH THRESHOLD LEVELS**

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Third party handling - Article 6	Should be a maximum number of groundhandlers defined to find equilibrium between choice and efficiency (such as 4 suppliers at large airports and 3 at small). The minimum number should also be raised.  Many groundhandlers across Europe means no strong relationships developed.	Maximum number to be defined in Directive and minimum number increased.	Airline operators
Third party handling - Article 6	Increase threshold to only airports over 4 million passengers as below this it does not make economical sense.	Change criteria for airports to be under the Directive.	One independent groundhandler.
Third party handling - Article 6	Reduce threshold for size of airports to encourage competition at smaller airports	Change criteria for airports to fall under the Directive.	Regulatory authority

- 4.48 Provision could be made regarding the way to take into account the threshold of the Directive with the use of a different wording in the Directive: for instance “the Directive shall apply to airports which were systematically above the 2 million passengers per year in the last x years”, where “x” has to be defined.

**Complexity: Interpretation of exemptions**

- 4.49 The provisions allowing for exemptions are quite detailed, and could be reconsidered from the point of view of possible simplification, quite apart from the policy point of view.
- 4.50 The wording of the Directive could be simplified in Article 9 as some conditions set out in 1996 do not apply any more. Since 2002, there have not been any exemptions reported to the Commission. Other paragraphs impose a threshold in the number of suppliers which may need to be changed if the Directive were to modify the threshold.

**Complexity: Enforcement of rules of conduct**

- 4.51 The legal review highlighted that it seems inappropriate that Article 15 states that Member States can only enforce rules of conduct (e.g. intended to ensure continuous service) only upon a proposal from the airport operator. This is



restrictive and limits the scope for rules of conduct to be enforced. Recitals 22 and 23 explain that rules of conduct are taken by Member States in order for "airports to fulfil their infrastructure management functions and to guarantee safety and security of airports premises etc."

***Complexity: Obligation to publish list of airports***

- 4.52 Article 1 of the Directive states that a list of airports covered by the Directive shall be published each year on the basis of the Member States' submissions. This procedure may be redundant as Eurostat figures provide traffic statistics for European airports. The Commission believes Eurostat figures could be published instead of Member States' declaration figures.
- 4.53 However it should be noted that Eurostat figures are only published for airports above 15,000 passengers per year, whereas the Directive requires all airports covered by the Directive to be published.

***Complexity: List of Services in Annex***

- 4.54 The list of categories of groundhandling services is not consistent with the list in the IATA standard groundhandling agreement (AHM 810), and some find several of the categories unclear, such as Category 1 on ground administration and supervision which includes for instance "any other administrative service".

***Clarity and interpretation: Separation of accounts***

- 4.55 A separation of accounts is required between the airport activities, groundhandling activities and airline activities but the way the separation of accounts is to be implemented is not clear to all stakeholders. Third party handlers, and the operators of more than one airport, are not prevented from cross-subsidising between various groundhandling activities in different locations and it is unclear whether the requirement applies to self-handlers, and if so whether it should.
- 4.56 Some stakeholders find that the separation of accounts by airport operators and airlines acting as third party handlers as referred to in Article 4 is not sufficient to ensure that cross-subsidisation does not take place. It is also stated that third party handlers have the possibility to cross-subsidise between the different countries they operate in.
- 4.57 There is also some clarity required regarding the independent examiner appointed by Member States. Currently the Directive does not provide any details about who the examiner should or can be. There are no requirements in terms of frequency for Member States to use get the independent examiner to check accounts. Additionally, there is no requirement to publish the effective auditing of the accounts or even the examiner report and only airports are subject to checks on the absence of financial flows.

TABLE 4.12 ISSUES IDENTIFIED WITH SEPARATION OF ACCOUNTS

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Separation of accounts - Article 4	Only airports have implemented account separation (no other suppliers have) and this is unfair because other groundhandlers are able to subsidise across branches, such as airlines that can cross subsidise their handling activities within their network.	Legal separation should apply to any supplier  Improve transparency by other tools.	ACI Europe and Airport operators
Separation of accounts - Article 4	Conflict of interest when an airport operator performs groundhandling tasks. Airport operators can offer extra services other providers cannot to keep business. They can also distort the market or put restrictions on access to infrastructure.		Airline operators, International Aviation Handlers' and independent groundhandlers
Separation of accounts - Article 4	Ensure that separate legal entities are created if airports carry out groundhandling, not just the separation of accounts. The Directive leaves room for interpretation and enables cross synergies between the airport as an infrastructure provider and the airport groundhandling subsidiary.	Require airports to establish a separate legal entity and act under the same conditions as other stakeholders.	Airline operators, Association of European Airlines, independent handlers and International Aviation Handlers' Association
Separation of accounts - Article 4	Airports and airlines engages in third party handling must provide legal separation and unbundling of operations.	Evidence of legal separation and unbundling of operations a requirement of airlines and airport operators.	International Aviation Handlers' Association
Art 4 - Separation of accounts	Only airports have implemented account separation (no other suppliers have) and this is seen by airport operators as unfair because other groundhandlers are able to subsidise across branches, such as airlines that can cross subsidise their handling activities within their network.	Legal separation should apply to any supplier  Improve transparency by other tools (not described).	ACI Europe and Airport Operators
Separation of accounts - Article 4	Ensure that separate legal entities are created if airports carry out groundhandling, not just the separation of accounts. The Directive leaves room for interpretation and enables cross synergies between the airport as an infrastructure provider and airport groundhandling subsidiary.	Redefine Directive and require airports to establish a separate legal entity and act under the same conditions as other stakeholders.	Association of European Airlines , Airline Operators, Independent Handlers and International Aviation Handlers' Association
Airport Operators	Conflict of interest when an airport operator performs groundhandling		Airline operators, International

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
involvement in Groundhandling - Article 4	tasks. Airport operators can offer extra services other providers cannot to keep business. They can also distort the market or put restrictions on access to infrastructure.		Aviation Handlers' and independent groundhandlers

4.58 Precisions on the separation of accounts should be provided by some guidance or the Directive should be adjusted to clarify which stakeholders are covered and what are the rules.

**Clarity and interpretation: Fee for access to installations**

4.59 The criteria for access fees are considered by some to be unclear, especially as to whether the fee is required to be cost-related, a matter that was the subject of some discussion during the original legislative process. The Court of Justice (in Case C363/01) has held that fees may include a reasonable profit margin, (in Case C181/06) has confirmed that such a fee may not be levied for access to the handling market (as opposed to installations) and has given some guidance on the criteria which a fee must satisfy, and (in Case C383/03) has confirmed that such a fee may not relate to costs arising from not taking over workers.

4.60 The airport charges Directive which objective is to establish a general framework setting common principles for the levying of airport charges is relevant to Directive 96/97 in the following respects:

- it applies to "airport charges", defined as "a levy collected for the benefit of the airport managing body and paid by the airport users for the use of facilities and services, which are exclusively provided by the airport managing body and which are related to landing, take-off, lighting and parking of aircraft, and processing of passengers and freight" (Art 2.4), but not including "the charges collected for the remuneration of groundhandling services referred to in the Annex to Directive 96/97/EC" (Art 1.4);
- it contains detailed provisions on consultation with airport users (Art 6), including the provision of detailed information relating to proposed charges (Art 7);
- it obliges Member States to establish an independent supervisory authority to ensure the correct application of the Directive, and deal with disputes between the airport and users over charges (Art 11).

4.61 The definition of "airport charges" makes it clear that, where an airport provides groundhandling services itself, charges for such services are not covered. This seems appropriate, as "airport charges" (i.e., charges for the use of facilities and services related to landing, take-off, lighting and parking of aircraft, and processing of passengers and freight) are normally imposed by an airport in a monopoly position, and hence merit regulation, while charges for groundhandling services ought to be regulated by market forces and competition, as encouraged by the groundhandling Directive.

4.62 The charges for centralised infrastructure and the fee collected to access these CI (baggage sorting and delivering systems, hydrant systems etc.), are clearly not

covered by the airport charges directive and therefore might warrant some future revision of the Directive.

- 4.63 If it is considered desirable to make the provisions on consultation for the purposes of groundhandling more detailed and extensive, the provisions on consultation in the airport charges Directive could serve as a model (although the provisions on information relating to charges would probably not be appropriate).
- 4.64 It may be useful to consider and compare provisions in Directive 2002/19 on access to and interconnection with electronic communications networks and associated facilities, under which national regulators may impose pricing control obligations on communication providers:
- Recital 20 states "when a national regulatory authority calculates costs incurred in establishing a service mandated under this Directive, it is appropriate to allow a reasonable return on the capital employed including appropriate labour and building costs, with the value of capital adjusted where necessary to reflect the current valuation of assets and efficiency of operations."
  - Article 13(1) provides that, in imposing obligations relating to cost recovery and price controls, including as to cost orientation, "national regulatory authorities shall take into account the investment made by the operator and allow him a reasonable rate of return on adequate capital employed, taking into account the risks involved.....Where an operator has an obligation regarding the cost orientation of its prices, the burden of proof that charges are derived from costs including a reasonable rate of return on investment shall lie with the operator concerned....National regulatory authorities may require an operator to provide full justification for its prices, and may, where appropriate, require prices to be adjusted."
- 4.65 We have not found any case law on the interpretation of these provisions, but there is a relevant Commission Recommendation dated 29 March 2005 (32005H0268) on the pricing aspects of wholesale leased lines part circuits, in which it is stated that:
- Where a national regulatory authority imposes cost orientation obligations with regard to such circuits (in accordance with Art 13) "it may take into account the fact that the cost information received from the operator concerned may not fully reflect the costs of an efficient operator deploying modern technologies. It may also take into account prices available in comparable competitive markets with regard to mandated cost recovery mechanisms or pricing methodologies"; and that
  - When imposing a cost orientation obligation, national regulatory authorities should "ensure that the prices associated with the provision of a leased line part circuit reflect only the costs of the underlying network elements and the services being requested including a reasonable rate of return. In particular, the tariff structure may include one-off connection prices covering the justified initial implementation costs of the service being requested (e.g., specific equipment, line conditioning, testing and human resources), and monthly prices covering the on-going cost for maintenance and use of equipment and resources provided".
- 4.66 Stakeholders have also identified some issues with the fees for access to installations as shown in the table below.

TABLE 4.13 ISSUES IDENTIFIED WITH FEES FOR ACCESS TO INSTALLATIONS

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Access Charges - Article 16	Directive needs to make clear the airport's right to charge access fees for airport installations and services and define for which services this can occur.	Clearly define an airport's right to impose a fee to third-parties and self handlers.  A Centralised Infrastructure is not necessary as it would not allow flexibility to react to airport specifics.	Airport operators
Centralised Infrastructure - Article 8 and 15.  Airport Charges - Article 16	Infrastructure costs high and not transparent. There is no obligation for airports to provide transparent information about the charges it collects from airlines.	Charges common standards should be introduced and provisions of Article 8 and 15 clarified. Fees should be treated similarly to airport charges and included into regulation.  Access fees and central infrastructure fees at the airport shall be cost-related and shall be determined according to relevant, objective, transparent and non-discriminatory criteria'.	Airline operators and representative bodies.
Access Charges - Article 16	Airlines question whether an airline should have to pay an access fee as they already do this in their other charges for using the airport.	Clarify what airports should be able to charge airlines for.	Airline operators
Access Charges - Article 16	Charges are an unnecessary financial burden on an industry in which margins are very low across the board and are unfair in their non application to some self-handlers even though there is supposed to be accounting separation.	Clarify what airports should be able to charge for.	Independent groundhandlers
Access Charges - Article 16	Directive needs to make clear the airport's right to charge access fees for airport installations and services and define for which services this can occur.	Clearly define an airports right to impose a fee to third party handlers and self handlers.  Some airport operators disagree that a precise definition of Centralised Infrastructure is not necessary as this would not allow flexibility to react to airport specifics.	Airport Operators
Centralised Infrastructure article 8 and 15.	Infrastructure costs high and not transparent. There is no obligation of airports to have to provide transparent information about the	Charges common standards should be introduced and provisions of Article 8 and 15 clarified. Fees should be treated similarly to airport	Airline Operators and Representative Bodies.

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Airport Charges - Article 16	charges it collects from airlines.	charges and included into regulation.  Suggested wording: 'Any access fees and central infrastructure fees at the airport shall be cost-related and shall be determined according to relevant, objective, transparent and non-discriminatory criteria'.	
Access Charges - Article 16	Airlines question whether an airline should have to pay an access fee as they already do this in their other charges for using the airport.	Clarify what airports should be able to charge airlines for.	Airline Operators
Access Charges - Article 16	Charges are an unnecessary financial burden on an industry in which margins are very low across the board and are unfair in their non application to some self-handlers even though there is supposed to be accounting separation.	Clarify what airports should be able to charge for.	Third Party Groundhandlers

4.67 Guidance and best practices could be provided to clarify the issue on fees. Alternatively, the current Directive could be adjusted to provide precision on the fees for access to Centralised Infrastructure.

**Clarity and interpretation: Tendering process**

4.68 In the case where the Directive impose a restricted access to the apron and a selection of suppliers through a tendering process, the organisation of the market is not perfect:

- There is no guarantee that the competition between the selected suppliers is fair: for instance airport operators can provide handling services but are exempted from the selection procedure. Airline self-handlers are also excluded from the selection procedure;
- There is no guarantee that the market opened is suitable for all the selected suppliers;
- Space allocated to groundhandlers may distort competition;
- Additionally as detailed above on issues identified with quality, selected suppliers often have the possibility to subcontract.

4.69 Moreover, who makes the decision on the selection of suppliers is unclear - the Member State, or the airport operator, or some other person - and concerns have been expressed that the decision-maker may have conflicts of interest: e.g., in Germany, where the Ministry is a shareholder and regulator of the airport and the airport operator a competitor of the new entrant, and at Brussels, where the airport operator has been considered to have a commercial interest in selecting the

incumbent handlers, by reason of its long term contracts with them, as recorded in the SH&E Report (paragraph 5.52ff). However, the Directive is clear that there should not be conflicts of interest, and an independent authority has to make the selection if the airport is involved; if there are some, it is a matter of implementation. Moreover, the data collected in the SH&E report is now out of date.

4.70 Concerns have also been expressed about the ability of Member States to impose different and restrictive conditions or criteria in the selection process, and the lack of clarity whether Member States may allow tenders for individual categories of handling services, or for bundled services only.

4.71 In Article 11, Member States may impose a condition that a ground handler must provide handling services at airports serving peripheral or developing regions in its territory, but the scope of this power is unclear. Article 12 Island Airports deals with a similar subject, and if they are to be retained the two provisions might best be dealt with together and made consistent.

**TABLE 4.14 ISSUES IDENTIFIED WITH TENDERING CONTRACT LENGTH**

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Licenses	Shortness of tenders discourages long term investment. Tendering contract length should be increased to 10 years.	Lengthen licensing periods.	All.

**TABLE 4.15 ISSUES IDENTIFIED WITH THE FAIR EVALUATION OF TENDERS**

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Number of groundhandlers - Article 6	If all airlines in the airport decide they only want one provider this should be available under the Directive	Allow no market competition if agreed by all airlines.	Airport operators
Selection of Suppliers - Article 11	No direct involvement of airlines in tender processes. Concern that airlines have limited or no influence on selection of groundhandlers even though they are the customers. Decisions are not always transparent.	Airlines role in selection procedure of groundhandlers to be specified.	Airline operators, AUCs and representative bodies, including the Association of Europeans Airlines.
Selection of Suppliers Article 11	Conflict of interest when independent parties involved in the selection process may be regulators or shareholders of the airport operator.  Airlines that supply groundhandling are able to vote to choose their competitors.	Clearer definitions should be included in the Directive on who should have a right to vote and be represented within the committee. Potential for an independent institution supervising the process.	Airline operators, independent groundhandlers and representative bodies
Selection of Suppliers	Ensure a rigid and fair bidding process. Not enough time for	The Directive needs clearer guidelines and expectations	Airline operators, Association of

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Article 11	groundhandlers to submit the information requested.	of process. Guideline criteria of how tenders might be judged. Requirement for feedback for successful and unsuccessful bids.	European Airlines and independent groundhandlers

TABLE 4.16 ISSUES IDENTIFIED WITH TENDERS AND QUALITY

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Tendering Process - Article 11	Price often used to judge handlers, not quality.	Clearer guidelines and minimum standards in Directive need to be included to ensure the process is clear and objective across all airports.	Airport operators, AUCs, representative bodies and airline operators.
Consultation - Article 13	Key Performance Indicators should be implemented locally in a consultation process.	Redefine Directive.	Association of European Airlines

TABLE 4.17 ISSUES IDENTIFIED WITH THE CONTESTABLE MARKET

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Contestable Markets - Article 9	High volume handled by main carriers hampering smaller companies entering market. Share of the market an airline operates itself is not contestable.	No suggestions, but states that over time the contestable markets are increasing.	Independent groundhandlers
Number of groundhandlers - Article 7	Doubts over the number of entrants allowed in the market and dominance that remains of airport and airline handlers.	Re-evaluate how the number of groundhandlers is decided.	International Aviation Handlers Association

4.72 Improving the functioning of the market could be done by:

- Introducing significant adaptations to improve market performance by modifying the selection procedure, modulating the duration of tender procedures or suppressing the airport ground handler’s historical advantages;
- A further gradual opening of the market, for instance through an increase of minimum number of groundhandlers at airports. This would be based on an assessment of the sustainability of groundhandling activities.
- Through a complete liberalisation of groundhandling markets.



- 4.73 It should be noted that the Commission has taken action to open the groundhandling market to competition on the basis of competition rules (before and after the introduction of the 96/67 EC Directive), under Article 82 (now Article 106 of TFEU), in the following ways:
- in 1995, persuading Frankfurt Airport to allow British Midland to be handled by SAS; challenging reductions in groundhandling charges granted to Spanish airlines at Spanish airports; and obtaining commitments from Greece, Ireland and Spain to open up their groundhandling markets (see Comp Rep EC 1995, p49);
  - in 1997, obtaining improvements in the groundhandling situation at Athens Airport, where Olympic had a monopoly (see Comp Rep EC 1997, p45);
  - in 1998, issuing a decision concluding that Frankfurt Airport had abused its dominant position by denying, without objective justification (except as regards certain parts of Terminal 1), access to potential third-party handlers and self-handlers (OJ No L 72/30, 11.3.98);
  - in 1998, issuing a decision finding that the system of charges to suppliers of groundhandling services applied by Aéroports de Paris at Orly and Charles de Gaulle Airports infringed Article 82 (OJ No L 230/10, 18.8.98). The decision was upheld on ADP's appeal by both the CFI and the ECJ.
- 4.74 In its 1998 Frankfurt Airport decision, in response to the Airport's argument that its behaviour was excused by exemptions granted by the Germany Government under the Directive, the Commission stated that the Directive did not and could not affect the application of the competition rules.
- 4.75 Also in its Frankfurt Airport decision, the Commission found that the Airport's handling activities were not services of general economic interest, and were dissociable from the services of general interest that it provided (i.e. the provision of landing and take-off facilities), and hence did not benefit from the exemption from Article 82 provided by Article 86(2).
- 4.76 Hence, in cases where an airport has a dominant position in the provision of handling services, Article 82 provides a powerful check on its ability to abuse that position, and may be used to open up the groundhandling market independently of the Directive. The coming into force of the Directive may have made it more difficult to enforce competition to an extent beyond the requirements of the Directive, on the basis that satisfaction of those requirements may justify a defence to any charge of abuse. However, depending on the particular circumstances, there may be cases where this is insufficient to provide a defence, as the Directive cannot affect the application of the more fundamental rule in Article 82.
- 4.77 Because of this, there is no conflict or inconsistency between Article 82 and the Directive, and there is unlikely to be with any replacement legislation.
- Clarity and interpretation: Airport User Committee (AUC) role and composition***
- 4.78 The role of the Airport User Committee remains unclear in the Directive and varies airport by airport. The only specific roles which the AUC is given are to be consulted about:
- standard conditions or technical specifications to be met by third party handlers (Art 11.1(a));

- selection of third party handlers (Art 11.1(c));
- the application of the Directive, and in particular the price of, and organisation of, services for which an exemption has been granted (Art 13).

4.79 It would be possible to define its role more clearly and/or enhance it, as for example is done in the context of Directive 2009/12 on airport charges where there is a compulsory procedure for consultation, between the airport and the user, which must take place at least once a year and detailed procedures must be followed to modify the system or level of airport charges. For the groundhandling Directive, the specific matters the AUC should be consulted on could be made clearer and the minimum frequency of consultation defined.

4.80 There also exist some issues about who sits on the AUC: some airlines and the airport can be users and providers at the same time and can influence the outcome of the consultation on the selection of groundhandlers.

**TABLE 4.18 ISSUES IDENTIFIED WITH AUC ROLE AND COMPOSITION**

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Airport Users' Committee - Article 5	Airport Users Committee has no decisive vote or role and the enforcement power it has varies between airports.	A set of guidelines at EU level should be defined which sets minimum requirements for the internal functioning of the AUC. Potential for an independent institution supervising the process.	Airport operators, airline operators, independent ground handlers, AUCs and representative bodies.
Airport Users' Committee - Article 5	Who should be classed as an airport user and able to vote on new groundhandlers is contentious as where AUC has roles in appointing new groundhandlers there may be conflicts of interest as self-handlers or independent groundhandlers will not vote for strong competition.	Voting rules should be defined and a set of guidelines given to who is entitled to be involved in the selection of new groundhandlers.	Airport Operators, airline operators, independent ground handlers, AUCs and Representative Bodies.

4.81 A clarification of the role of the AUC, its composition, and voting powers should be done in parallel with the tendering procedures.

4.82 The Commission would be interested in knowing if for the AUC, there could be an introduction of an obligation for airlines representing a small part of the air traffic to be represented by official organisation representatives.

***Clarity and interpretation: Apron space constraints and constraints on competition***

4.83 There is no framework for regulating apron space constraints, so that airports in countries which opted for full liberalisation are virtually obliged to receive any new groundhandlers wishing to enter the market, which is physically not always possible.

4.84 Moreover competition can be influenced depending on how the use of apron space for groundhandling activities is managed by the airport.

TABLE 4.19 ISSUES IDENTIFIED WITH APRON SPACE CONSTRAINTS AND CONSTRAINTS ON COMPETITION

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Allocation of facilities - Article 16	The Directive should recognise the practical and legal difficulties faced by an airport when its facilities are re-allocated.	There should be guidelines in the Directive as to whether existing property agreements should be broken with current groundhandlers when new groundhandlers are able to operate in the airport. Where to recoup any charges associated with breaking contracts should be included.	Airport operators
Centralised Infrastructure - Article 8 and 15	Infrastructure costs high and not transparent. Capacity constraints can affect quality and there are issues surrounding airport operators having a conflict of interest, allowing cross subsidisation and extra services other providers cannot. Poor quality of service and restrictions of some groundhandling activities to competitors can distort the market.	Charges common standards should be introduced and provisions of Article 8 and 15 clarified. The definition of centralised infrastructure should be clarified and be more restrictive; fees should be treated similarly to airport charges and included into regulation.	Airline operators and independent groundhandlers
Allocation of facilities - Article 16	Provisions of facilities for groundhandlers not sufficient in some airports. There can be discrimination against new entrants as historical allocation occurs and they have the worst facilities, reducing their competitiveness.	More transparency from airport operators on the basis of allocation of space and facilities.	Airline operators, the Association of European Airlines and independent groundhandlers

4.85 A distinction should be made between commercially important facilities and support facilities, which affect efficiency. Fair allocation is a good principle but difficult in practise as there are often problems of space and historical contracts or claims to infrastructure. Newcomers will often have the worst facilities or sites far away from one another and the allocation of rents are not always transparent.

4.86 In the case of full liberalisation of the groundhandling markets, the way airports manage their apron space allocation when there is more demand than supply is being presented in Section 5.

***Clarity and interpretation Regulation and appeal***

4.87 A right of appeal is given against decisions or measures taken pursuant to Articles 7(2) and 11 to 16. While a right of appeal seems appropriate in the other cases, it is not clear why there should be any rights of appeal in respect of Articles 12 and 13.

4.88 There is concern about the lack of a regulatory framework and unclear appeal procedures.

TABLE 4.20 ISSUES IDENTIFIED WITH REGULATION AND APPEAL

Directive reference	Issue description by the stakeholders	Suggested solution by the stakeholders	Which stakeholder raised the issue
Lack of regulator	Lack of a clear institutional framework and strong and efficient regulator	Inclusion of the creation of a regulator	Airport operators, independent groundhandlers and AUCs
Right to appeal - Article 21	Make clear what appeals can be made by who and against what decisions.		Airline operators
Scope - Article 1	Ensure the Directive is implemented fully in all Member States.		Association of European Airlines
Social and Environmental Protection - Article 18	Difficult to see the clear impact of the Directive on groundhandling due to differing regulatory frameworks in the Member States.		Employee representatives

### **Conclusion**

- 4.89 Over the last 7 years, stakeholders have expressed their views on the workings and shortcomings of Directive 96/97/EC. In general, the positions of stakeholders have not changed significantly over the period 2002 to 2010. There is general disagreement on key issues to each stakeholder:
- 4.90 Independent Groundhandlers concerns included enforcement of separation of accounts for airport company groundhandling companies, clarity of the principles and approach to charging centralised infrastructure and the limited size of the contestable market.
- 4.91 Staff concerns included the degree of protection of staff when a supplier loses its right to operate under tender and that quality standards are deteriorating following pressure on working conditions, with the suggested need to introduce minimum training requirement and quality standards.
- 4.92 Airports concerns included clear guidelines for insurance requirements for groundhandling providers, and guidelines on the approach to airfield space constraints which need to be addressed to facilitate competition.
- 4.93 Airline concerns included the extent that further market opening should be encouraged, the question of the legal separation of groundhandling divisions of the various suppliers, the extent of self-handling, the size of the contestable market, the impact on competition of the tendering procedures and the centralised infrastructure space constraints.

## 5 Information: Stakeholder consultation

### Introduction

- 5.1 This chapter summarises the results of the stakeholder consultation conducted specifically for this study. It first outlines the strategy for consultation, before reporting the results of the consultation, at the social dialogue meeting, bilateral meetings with interested parties and the results of the “Your Voice” on-line questionnaire.

### Strategy

- 5.2 Stakeholders have been consulted in the past on at least 3 previous occasions (in 2002 (SH&E study), 2007 (ECORYS study), and 2008 (ARC study)) on issues associated with the Directive 96/97/EC and potential solutions in preparation of a revised Directive.

### Objective

- 5.3 The objective of the consultation to support this study is to:
- Confirm, and gain the opinions of stakeholders/ general public on options for refining the Groundhandling Directive; and
  - Where possible, collect data to assess the impact of the options for refining the Groundhandling Directive.

### Target groups

- 5.4 We have listed the main stakeholders’ views from previous consultations in Chapter 4 and aimed to confirm and expand these through targeted consultation.

### Consultation tools

- 5.5 Three methods were used to consult during this study:
- **Social dialogue consultation:** a meeting with the Civil Aviation Sector Social Dialogue Groundhandling Group was organised on 16 November 2009;
  - **Bilateral meetings with stakeholders** when requested by the stakeholders: we met with ERA, ETF and Spanish Unions from Federación de Servicios a la Ciudadanía de Comisiones Obreras (FSC-CCOO);
  - **Internet based consultation:** on the “Your Voice” website for a time period between early December 2009 and closing on the 17 February 2010;
- 5.6 The EC notified key stakeholders and transport attachés of the Internet based consultation on the “Your Voice” website.

### Social dialogue consultation

- 5.7 On Monday 16 November a workshop was held to investigate the European social partner organisations’ views on the social aspects of the Directive. The following organisations including some of their national affiliates were in attendance: Airports Council International-Europe (ACI-Europe), Association of European Airlines (AEA), European Regional Airline Association (ERA), Independent Airline Handling

Association (IAHA), European Transport Workers' Federation (ETF), EC DG-TREN and EC DG-EMPL representatives.

- 5.8 The social issues that were identified and discussed during the workshop included employment conditions and staff transfer, minimum staff training requirements, subcontracting and security and safety. For each of these, Steer Davies Gleave summarised the emerging views of the stakeholders during previous consultations, the main problems or divergence in opinions, and possible solutions. Stakeholders agreed that these issues needed to be looked at and clarified in any revision to the Directive, but generally there was no agreement as to a solution that would satisfy all stakeholders for each of these issues.
- 5.9 Other issues were discussed including the introduction of licensing of individuals, the impact of cascade subcontracting on quality, safety and liability, as well as safety management procedures.
- 5.10 Some stakeholders confirmed that the opening of the groundhandling market had increased pressure on the profitability of ground handling providers. As a consequence, this resulted in detrimental social impacts and in their opinion this meant that intervention would be needed to ensure social protection. The stakeholders were asked to present evidence of these impacts.
- 5.11 On the proposed changes to the Directive, stakeholders had diverging views:
- Independent handlers and a representative of an airport handler preferred the solution for provision of guidance first, then later a change in the scope of the Directive if required.
  - The representatives of staff did not agree with this approach as social issues must be addressed in any revision of the Directive. But they are not calling for further opening of the market.
  - The Commission said that there would be “no more ground handling market opening if it does not come with social improvements.”

#### **Bilateral meetings with stakeholders**

- 5.12 At the social dialogue meeting a number of stakeholders pointed out to the Commission and Steer Davies Gleave that it did not feel that an internet based consultation was the most effective way of collecting views on the Directive. Therefore, at the request of stakeholders, Steer Davies Gleave has undertaken bilateral meetings with some stakeholders (detailed in 4.13) to enable them to discuss the content of the consultation and raise additional issues relevant to the study. During these meetings, Steer Davies Gleave were able to request additional data that stakeholders thought would prove useful and probe emerging issues from stakeholders' draft responses.
- 5.13 We have met ETF, ERA and Spanish unions from FSC-CCOO on a bilateral basis and undertaken follow up email and telephone conversations with a number of other stakeholders who offered data during the “Your Voice” consultation. The information that was given during these meeting has been used to inform Chapter 6 “Research of the issues”.

## Internet consultation

### *Identity of stakeholders*

- 5.14 A list of key stakeholders was identified during the literature review and the previous stakeholders' consultations that took place. Individual contacts were not provided but most stakeholders were reached through their trade association. The list of target key stakeholders is provided in the table below. These bodies as well as representatives of each Member State were informed of the timing of the consultation by the Commission.

TABLE 5-1 STAKEHOLDER CONSULTATION LIST

Name	Description
AEA	Association of European Airlines
ACI Europe	Airport council International Europe
CANSO	Civil Air Navigation Services Organisation
ECA	European Cockpit Association
EEA	European Express Association
ELFAA	European Low Fare Airline Association
ERA	European Regional Airline association
ETF	European Transport Workers Federation
IACA	International Air Carrier Association
IAHA	International Aviation Handlers' Association
IATA	International Air Transport Association
EBAA	European Business Aviation Association

### *Consultation document*

- 5.15 A copy of the consultation document that was used on the "Your Voice" Website is provided as Appendix A1.1.1.C. The design and content takes into account previous consultations, but is tailored for the particular circumstances where a large amount of the questions need to confirm stakeholder perceptions about the existing Directive. The final document is the result of Steer Davies Gleave and the European Commission's inputs, and was approved by the European Commission.

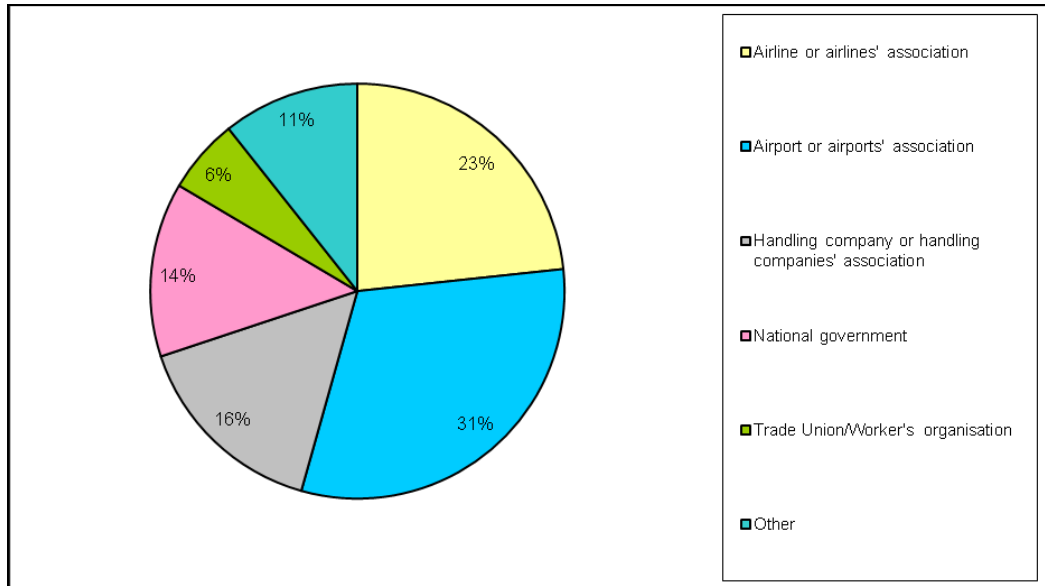
### **"Your Voice": Consultation results**

- 5.16 In this section we describe who responded to the "Your Voice" consultation, and describe the responses to each of the questions raised. We then summarise the key policy issues raised by the respondents, most especially where their position is different or amended from their responses to previous Groundhandling Directive consultations.

**Consultation Respondents**

5.17 There were 103 respondents to the internet consultation on the Groundhandling Directive 96/67/EC which was posted on “Your Voice” between December 2009 and the 17 February 2010. As provided in Figure 5.1, the responses were from a mix of stakeholders within the ground handling industry. Of the respondents, 31% were airports or airport associations, 23% were from airlines and airline associations and 16% handling companies and handling companies’ associations. The remaining 30% came from national and regional governments (14%), trade unions/ Workers’ organisations (6%), and other organisations (11%).

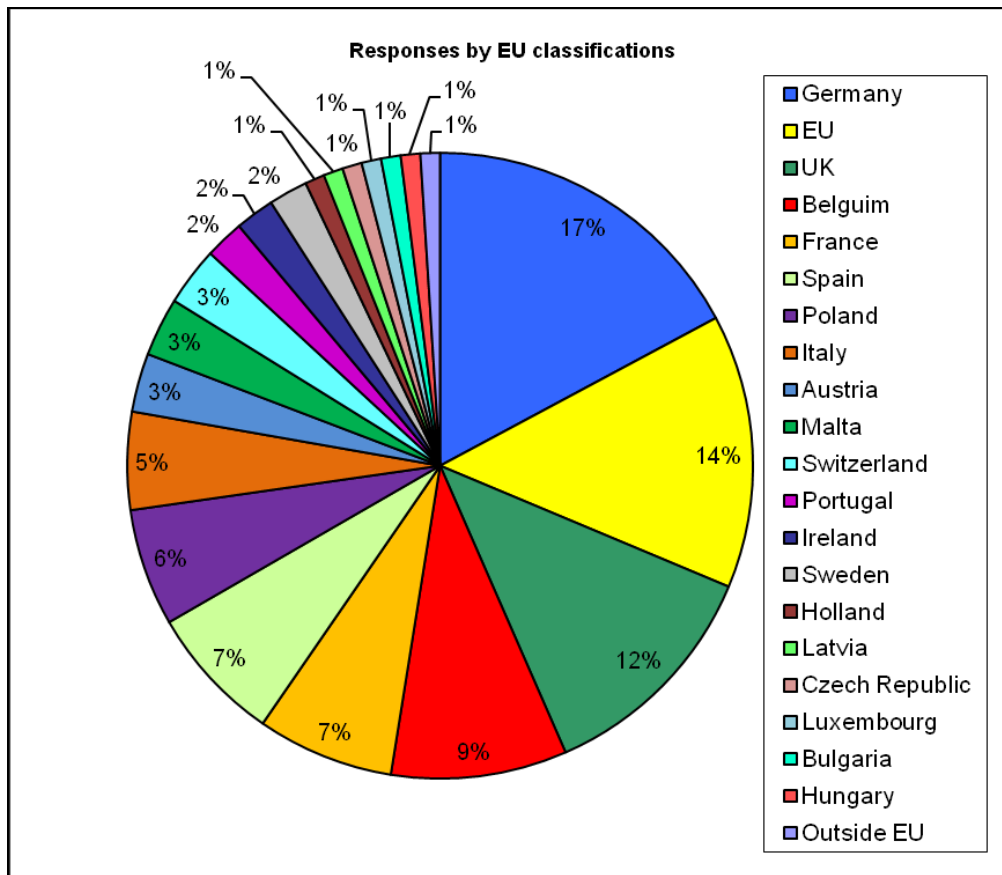
**FIGURE 5.1 PROFILE OF RESPONDENTS**



5.18 As illustrated in Figure 5.2, almost 70% of respondents were from the EU-15 Member States, the states with the most responses were Germany (17), United Kingdom (12) and Belgium (8). 13% of respondents were from the New Member States (NMS) and 15% from organisations that represent membership covering the whole of the European Union. The non-EU responses (3%) came from Swiss companies/Associations and a non-EU based airline.



FIGURE 5.2 MEMBER STATE PROFILE OF RESPONDENTS



- 5.19 The next section outlines the responses to each question. The responses are all ordered by stakeholder group: Member States, Airline Associations, Airlines, Airport Associations, Handling Companies’ Association, Handling Companies, Trade unions and workers’ organisations and Other. This order is the same for every question and does not represent the importance of the views of each group.
- 5.20 In the Member States respondents group stakeholders such as Civil Aviation Authorities and Government departments are included. They are referred to solely by the country in which they are from. There were also three regional governments who submitted their views. These are not referred by specific region but as different regional government’s views throughout the analysis.
- 5.21 The Airline Associations include Associations such as IACA, AEA, ERA and ABBA (Alliance of ACMAB (Airline Cargo Managers Association Belgium), BAR (Board of Airline Representatives-Belgium), BATA (Belgium Air Transport Associations) and AOC (Airport Operators Committee at Brussels Airport)). The Airport Associations include ACI and the Handling Companies’ Associations include IAHA.
- 5.22 The Trade union and workers’ organisations include European wide groups and Member States specific labour associations.
- 5.23 The other group is made up of individual responses, other Associations, a law firm, the Air Transport Users Council and freight integrators

## Summary of responses by question

### *Additions to the Directive*

#### *Subcontracting Governing Rules (Your Voice Question 4)*

- 5.24 **No framework or regulation for subcontracting is provided in the Directive and stakeholders reported that it is unclear in which circumstances it is allowed.**
- 5.25 **The need for keeping clear responsibilities for the provision of groundhandling services is a key issue, as pointed out by all stakeholders. In that perspective, some stakeholders have suggested a limitation to one level of subcontracting. Other proposals include imposing full liability to the contractor or prohibiting subcontracting for sensitive or central groundhandling tasks.**
- 5.26 **It was also raised that subcontracting would need to be transparent, notably to allow appropriate reservation of space and to ensure that the subcontractor is duly authorised to operate at the airport (i.e., where appropriate, approved and/or selected through tender).**
- 5.27 **Question: Do you think specific rules regarding subcontracting would need to be introduced, for part or all groundhandling activities? If so, what should these rules contain? Please specify the advantages and disadvantages of your suggestions, as well as their economic, social and environmental impacts**
- 5.28 **Member States:** The majority of Member State respondents agree that sub-contractors should have standard conditions which they should meet to ensure the quality and standards of provision is maintained. Italy has already implemented a certification process nationally. Belgium suggested that sub-contracting of self-handlers should not be allowed and Poland said there should not be more than one level of sub-contracting. The UK did not want to see any restriction on sub-contracting but that there must be clear responsibilities and accountability. The regional governments had a mix of views with one proposing rules on sub-contracting, one to limit sub-contracting and the other to require formal authorisation. Two of the Member State respondents expressed concern that specific rules would discourage competition and innovation between ground handlers.
- 5.29 **Airline Associations:** All Airline Associations believed the license holder should ensure safety standards and is held liable for services provided by sub-contractors. Concern was raised by some associations about restricting sub-contracting as this would constrain groundhandling activities. Executive Flyers Aviation suggest limiting sub-contractors to a maximum of 2, not allowing more than 2/3s of a companies' activities to be sub-contracted and no sub-contracting of sensitive services.
- 5.30 **Airlines:** Most airline respondents do not believe that there needs to be specific rules regarding subcontracting. However, many agree that general guidelines should be developed. Suggestions were that the liability for the sub-contractor should lie with the approval process, activities involving sub-contracting should be transparent and that sensitive activities such as those related to safety and security should not be allowed to be sub-contracted out.
- 5.31 **Airport Associations:** One Airport Association raised concern with the use of sub-contractors in the groundhandling industry as it may have a negative effect on

prices and workers conditions. Another did not oppose the introduction of rules for sub-contracting, but that these should be uniform for all groundhandling activities and the ultimate responsibility should always lie with the contractor. Finally, ACI believe sub-contracting is integral to the groundhandling industry, but by allowing those that self-handle to sub-contract reduces market opportunities. Therefore there was concern from the Airport Associations about the use of sub-contractors and the effect it has on the industry, but no direct suggestions for any rules that may govern this activity.

- 5.32 **Airports:** The majority of airports supported more control over sub-contracting to reduce multi-layer sub-contracting and to ensure that activities are transparent for all customers. Many of the airport respondents agree that general rules for subcontracting should be created at the Directive level, and specific rules left to be defined at an the airport level such as security, safety and environmental impacts. It was also suggested that some activities such as using sub-contractors for restricted services, would increase the number of groundhandlers needing high level security access which would increase the security risk and therefore some activities should be exempt from subcontracting. One Airport did not see sub-contracting as an important issue and thought introducing measures for this may create additional market distortions.
- 5.33 **Handling Companies' Associations:** IAHA proposed that self-handlers must not be allowed to sub-contract as it would reduce the contestable market and that when sub-contracting occurs the main contractor should always remain fully liable for the services provided. ASEATA proposed that activities must be undertaken by the selected contractor's staff and not sub-contracted to other companies.
- 5.34 **Handling Companies:** In agreement with the airports and their associations, most ground handlers companies agree that there should be common rules on sub-contracting in the Directive. They believe that sub-contractors should follow the same rules as the main contractor, by meeting safety and security standards and that their activities should be transparent. Their view is that subcontracting should not be allowed by self-handlers.
- 5.35 **Trade Unions and Workers' representatives:** all oppose allowing the practice of sub-contracting as it creates a lack of consistency and integrity across the different ground handling companies. This, they believe, results in a range of working environments for their staff. In that context, the trade unions advocate restrictions on subcontracting and some suggest that subcontracting is banned within the Directive.
- 5.36 **Other:** There were only a small number of responses from the associations/non-governmental organisations to this question. One agreed with the introduction of specific rules whilst another was opposed saying there should be no subcontracting rules at the Directive level and they should be based on arrangements between the airport and ground handler. A further respondent suggested that controls to ensure safety and security standards are met by sub-contractors are introduced.

In conclusion, the majority of the stakeholders saw a benefit from introducing measures regarding sub-contracting in the ground handling market to the Directive concerning liability and what activities can be sub-contracted. However, some airlines and groundhandlers did not believe specific rules or regulation was needed. The practice of sub-contracting was questioned, and opposed, with regards to its

affect on workers, but the vast majority of organisations saw it as necessary for market operations. A number of respondents suggested that sub-contracting of self-handling should not be allowed under the Directive.

**Quality Measures (Your Voice Question 5)**

- 5.37 **There are currently no minimum requirements in the Directive in terms of quality of service (in terms of training of staff, quality controls, environment protection, respect of safety and security rules)**
- 5.38 **If quality measures were to be introduced possible solutions include:**
- **Minimum training requirements**
  - **Quality standards in the selection process**
  - **Key performance indicators to be defined locally (by the airport or an independent authority)**
  - **Individual staff qualifications (licensing)**
  - **Company licensing**
- 5.39 **Question: what would be the advantages and disadvantages of these solutions (or a combination of these or any other tools that you might propose? Please specify the economic, environmental and social impacts of your suggestions.**
- 5.40 **Member States:** Respondents were broadly in favour of the introduction of quality standards as a way to guarantee and enforce standards. Italy and France already have their own quality regulation and this includes for Italy company certification, staff training, quality standards, and minimum airport compliance. Hungary highlighted standard professional requirements and Belgium the licensing of qualified staff as specific measures that should be included in any quality standards. Poland agreed with standards being developed, but was unsure who should be deciding these standards. Germany, Bulgaria and the UK suggested that these would be established between groundhandlers and their customers. Bulgaria suggested that these would be included in Service Level Agreements and the UK said that a framework could be provided on the EU level, but the specific quality measures would be defined at the local level. All the regional government stakeholders were against the establishment of EU standards arguing that there is already sufficient regulation and any further requirements should be defined at the airport level.
- 5.41 **Airline associations:** All Airline Associations were in agreement that there needed to be no further EU regulation of quality standards as these should form part of the agreement between airlines and their groundhandlers and that industry standards have already been developed through the IATA Safety Audit for Ground Operations program (ISAGO). Any safety and security standards are set internationally and nationally so no further regulation from the Directive is needed.
- 5.42 **Airlines:** The majority of airlines did not favour the introduction of quality standards for ground handlers within the Directive. The two main arguments for this were that quality standards should be negotiated between the ground handler and their customer (the airline) and that the audits that IATA undertakes of their ground handling rules and regulations (ISAGO audits) are sufficient. Those airlines in favour of the introduction of quality standards argued that these would increase control and harmonisation of ground handling activities across Member States.

- 5.43 **Airport Associations:** ACI believe that even if the final level of service has to be agreed between the client and the groundhandler, the EU should provide minimum standards for different types of airports to ensure the efficient operation of airports, especially regarding the minimum training requirements of staff. Another Association believed that it would be useful to have staff training, safety and security standards defined under the Directive, however another Association did not believe any changes were needed as minimum standards could be introduced under the current Directive.
- 5.44 **Airports:** Individual airport respondents expressed mixed views about the introduction of specific quality standards. Those in favour suggested that the introduction of general, not specific rules for quality standards would be sufficient as these could be tailored to the individual airport in which the ground handler was operating. Many were in favour of standards of safety and staff training and thought quality standards would improve the service that was provided by ground handlers. Those who did not support the introduction of quality standards stated that airports or the airline customers are better placed to define their own standards with the groundhandling company and that there is already regulation that is applicable to quality standards from IATA. Other airports suggested that any further standards imposed by the Directive would restrict market competition. Therefore, the majority of airports are in favour of quality rules defined and monitored at airport level.
- 5.45 **Handling Companies' Associations:** ASEATA supports the inclusion of the following requirements in the Directive to allow uniform, quality handling to be provided at in all EU airports: staff training and qualification, quality parameters, provision of handling to third parties and self-handling. This would have a consequence of increasing compliance cost but would improve the quality of security parameters and the accident rate. IAHA state that quality standards are contractual agreements between airlines and groundhandlers and any stronger enforcement role of quality standards could cause conflicts of interest and distort further competition. The current Directive allows for selection or approval processes so quality standards can be introduced through this method if deemed necessary.
- 5.46 **Handling Companies:** The individual handling company respondents generally agreed that quality standards should be introduced for safety and training qualifications, however, the Commission needs to ensure they will be applicable across all situations in which ground handlers operate e.g. large and small airports. The independent handlers expressed that they are against a stronger enforcement role of airports as it would increase conflicts of interest in case airports are handlers themselves. A minority of handlers argued that the standards should be agreed between the groundhandling company and their customers and that IATA's regulation is sufficient.
- 5.47 **Trade Unions and Workers' representatives:** All were in favour of the introduction of quality standards to ensure that safety and training is a focus of groundhandling companies so that a safe and efficient service is provided for customers. They suggest to include a specification of the amount of training needed for defined tasks, skill refresh timetables, recognised qualifications and minimum wages.
- 5.48 **Other:** Other respondents expressed mixed opinions about the introduction of quality standards for ground handlers with some suggesting that users should define standards and that there was already EU-wide regulation regarding safety etc. from

IATA. One said that due to the large number of complaints received from passengers by its members, there should be quality guidelines within the Directive. However, the law firm respondent stated that quality standards were not necessary and that quality had increased since the introduction of the Directive. One individual argued that a separate Directive was needed for the training of staff as this was one area of deterioration since the introduction of the Directive.

In summary, there is broad agreement for the introduction of training, safety and security standards within the Directive. The arguments against the introduction of quality standards into the Directive centred on these standards being defined in the contract between ground handlers and airlines or that the standards that are already enforced by IATA are sufficient. There were suggestions that the EU should provide a framework for quality measures or provide overall initial approval, but the specific measures should be defined and approved at a local level, others believed that EU wide standards would allow for transparency and fairness and finally there were arguments that standards could be introduced through the current Directive if necessary but that any EU wide standards were unnecessary as there were already sufficient standards at national and international levels.

***Working Conditions and the Transfer of Staff (Your Voice Questions 6 & 7)***

- 5.49** *The Directive allows Member States to take measures to ensure the protection of the rights of workers. The measures for the protection of workers may therefore be different from one Member State to another, depending on the national systems in place regarding protection of workers.*
- 5.50** *The issue of transfer of staff is a particular issue in this context. Directive 2001/23/EC safeguarding the rights of employees in the event of transfers of undertakings is applicable (notably) to the groundhandling sector. However, there have been cases where "transfers" in the groundhandling sectors were considered as being beyond the scope of protection already safeguarded by this Directive.*
- 5.51** *Question: What would be the advantages and disadvantages of introducing specific measures regarding transfer of staff in the groundhandling Directive for the cases which could fall beyond Directive 2001/23? Please specify economic, social and environmental impacts.*
- 5.52** *Question: What other measures would you suggest to improve working conditions in the groundhandling sector? Please specify the advantages and disadvantages of your suggestions, as well as their economic, social and environmental impacts.*
- 5.53** **Member States:** The Polish respondent did not see the need to introduce Directive-specific regulation about staff transfer as it was covered at the National level. However, several Member State respondents including the Italian, French and Spanish respondents were in favour of further worker protection with companies having an obligation to take over staff, as it would improve working conditions. German, Belgian and Bulgarian respondents presented the advantages of staff transfer measures as creating better social protection, ensuring adequate pay, supporting better qualification and motivation of the staff, but that there may be drawbacks such as the interference in entrepreneurial freedom and a possible contradiction with ECJ decision C-386/03 of 14 July 2005 of this measure. One government stakeholder suggested that more regulation was needed at an EU

Directive level as Member States had previously needed to remove worker protection in line with the EU's liberalisation policies and a regional government stakeholder agreed a Europe wide standard was necessary.

- 5.54 Some of the Member States suggested other measures to improve the working conditions of staff. Belgium suggested qualified staff certification would help to protect staff and that safety and security measures could be improved. Germany were in favour of supplementary regulation to require a service provider or self-handler to take over staff in accordance with the groundhandling services transferred from the previous provider and that any intervention to maintain social standards and provide adequate pay for staff would be advantageous. France recommended the mandatory implementation of a dialogue structure between employers and employees specific to each groundhandling company to deal with occupational issues. Spain proposed a collective agreement for the handling sector that guarantees the rights of the employees which they implemented nationally in 2005. One of the regional respondents suggested a European standard for employment protection and employee rights and another proposed a requirement in the Directive for staff to use mechanical aids for loading to reduce accidents at work.
- 5.55 **Airline Associations:** IATA and AEA believe that staff transfer is out of scope of the Directive and that any regulation should be introduced through national regulation. IATA highlighted that any national legislation introduced must not jeopardise the Directive's other objectives. Other airline associations argued that further liberalisation of the market would ensure social protection.
- 5.56 **Airlines:** In response to introducing specific regulation on the transfer of staff and other measures to improve working conditions in the groundhandling sector, the majority of individual airline respondents believe that these issues are out of the scope of the Directive and should continue to be dealt with within National and existing EU regulations. Two airline stakeholders suggested that staff transfer could be linked to business transfer and one thought better training would improve working conditions. Others believe that introducing training standards would reduce the ability of new workers to gain jobs in the groundhandling sector and that by reducing the amount of regulation in this area working conditions are likely to improve as competition would increase and encourage innovation between groundhandling organisations.
- 5.57 **Airport Associations:** ACI and the Association of German Civil Airports agree that clarification on staff transfer should be introduced to safeguard working conditions and job security for staff. Minimum training requirements, working conditions and pay need to be defined to ensure there is not a 'race to the bottom' in the competitive market. One other airport association did not think the Directive needed to include specific worker rights as this is covered by existing national rules and other EU Directives.
- 5.58 **Airports:** A number of individual airport respondents mentioned that the current national and EU regulations are adequate to protect staff in all industries and there should be no special provision for the Groundhandling sector. The arguments in favour of staff transfer regulation suggested that it would increase consistency of the quality of provision across Member States, encourage skill development and would increase job security for workers. However, one airport respondent highlighted that this would contradict their national policy and therefore it would

be hard to enforce alongside differing national legislations. The airport respondents did suggest a large number of other measures to improve working conditions, these included: formal qualification for training in certain groundhandling roles, minimum wage standards across the EU and investment in mechanisation. A number of concerns were raised with introducing standards, which included a restriction on free market operation, the applicability of measures to all situations covered under the Directive and the costs associated with introducing any measure reducing investment elsewhere.

- 5.59 **Handling Companies' Associations:** ASEATA believe that the transfer of staff should be guaranteed between companies to maintain job stability and quality, and that airport space must be guaranteed for groundhandlers to ensure working conditions to be maintained. IAHA argue that clarification is needed in staff transfer as whether the company is sold or taken over will affect the rights that the employees will have.
- 5.60 **Handling Companies** came to no consensus on whether specific groundhandling staff transfer regulation should be introduced. Some proposed that introduction would improve social peace, help retain staff, improve working conditions and foster full harmonisation across the EU and avoid dismissal fees in some countries. The main argument against specific measures for staff transfer is that worker protection is covered by member state's own laws and existing EU law so is not something that the Directive should provide a separate regulation of. However, one handler noted that the current uncertain situation is a limit to competition. Suggestions of other measures to improve working conditions were: when an airport grants a right for a ground handler to operate it should ensure that adequate facilities are available for the groundhandling company to operate (for example dressing room facilities, office space, apron space etc), working conditions should be monitored across the EU, luggage weights should be lowered and equipment requirements introduced.
- 5.61 **Trade unions and workers' organisations:** All workers organisations agree that the transfer of staff is an important issue and one where workers' jobs need to be protected. Many workers respondents agree that additional clauses and wording in the Directive is necessary. However, one said that the need for staff by new companies ensures that staff transfer anyway and another highlighted the importance of ensuring that any regulation in the Directive does not contradict the National and EU legislation in place. There were a number of suggestions for improving the working conditions for groundhandling staff, these included: standards of equipment and security of workers, shift length restrictions, minimum turnaround times, minimum number of workers per aircraft, luggage weight restrictions, a complete ban on sub-contracting, a requirement for companies to have collective representation of employees, wage standards and minimum training of staff.
- 5.62 **Other:** Only one independent association supported the introduction of staff transfer measures, but suggested that this should be done on a case by case basis. All other associations believed existing legislation is sufficient. One individual felt strongly that staff protection is needed to ensure stability in the groundhandling labour market with the introduction of minimum requirements for staff per aeroplane, stopover time requirements etc.

In conclusion, the majority of trade unions and workers' organisations and a part of the airports and Member State stakeholders agree that specific amendments to the



groundhandling legislation to address working conditions and transfer of staff are required. Proposed amendments in that respects were to provide minimum wages, adequate training provision, social protection, minimum staff provision for activities. The majority of all other respondents opposed such amendments arguing that existing National and EU legislation already deal with social protection and transfer of undertakings sufficiently and that groundhandling specific rules had in some cases the potential to contradict or conflict with national legislation. There is current uncertainty in when the current regulation is applicable, for example when companies are taken over as opposed to their right to operate expires and a new company takes over. Overall further regulation and clarity was deemed necessary, whether through the Directive or other legislation.

**Representation of Airlines (Your Voice Question 8)**

- 5.63** *Under the current directive, airport users have no obligation to be represented physically at European airports they serve. Most of the time, an airline, if it is not present at the airport, contracts with a groundhandling agent (presumably groundhandlers in charge of ground administration and supervision - groundhandling category 1) in order for this groundhandler to coordinate between the various groundhandling activities, and to represent the airline at the airport. However, such representative, when it exists, is often not known by the passengers, which results in passengers sometimes having difficulties to find the relevant interlocutor (for instance in case of mishandled baggage or any other setback at an airport involving an airline or its groundhandling agents). The same kind of issue is apparently encountered by some Member States which reported that they could not always find a representative of the airline legally accountable for the airline (in particular for financial commitments, slots...) or legally accountable in front of the Courts and the airport authority.*
- 5.64** *Question: What would be the advantages and disadvantages of obliging airport users to be present or to be legally represented by a groundhandler? Please specify the economic, social and environmental impacts.*
- 5.65** **Member States:** Most Member State respondents agreed that airline representation would be advantageous for passengers, but Poland, Sweden and Bulgaria all stated this would lead to increased costs. Poland did not think that representation was necessary at each airport and Germany did not see this issue as a common problem; Hungary agreed that a presence at each airport was not necessary as long as the airline has a presence in every Member State in which it operates. Italy, France, UK, Spain and Sweden argued that there were advantages for passengers if they were delayed, lost their baggage and for general safety and security if an airline representative was available. The UK also said this would be advantageous to regulatory authorities as it was sometimes difficult to locate a legally accountable representative. France and Bulgaria raised concerns if the airline was represented by a groundhandler and one regional government stakeholder suggested that as a result the airline may become less responsible for the activities at that airport. Sweden suggested that representation only be compulsory in the case of regular scheduled services.
- 5.66** **Airline Associations:** EFA supported airline representation at airports through a legally accountable body. Most other airline associations argued that it is unrealistic to expect representation by airlines at all airports, but that

groundhandlers acting on their behalf would not be a credible alternative as they would be unable to fully take on this task as many areas would be out of their scope such as financial commitments and slots.

- 5.67 **Airlines:** The majority of individual airline respondents do not believe that it is feasible or necessary to have an airline representative at every airport from which the airline operates because it would be too costly. In their opinion, the reasons why representation might be needed were out of the scope of the Groundhandling Directive. Some airline respondents believed that an airline could be legally represented by a groundhandler, whilst others argued this was not the case. One solution suggested by a few airline respondents was that a toll free telephone number could be provided at every airport to an airline representative.
- 5.68 **Airport Associations:** One association argued that airline's airport representation has never been a problem for airports. Another stated that they are not opposed to this idea, but that if a groundhandler represents an airline that the groundhandling company has the necessary contract to fully and legally represent the airline.
- 5.69 **Airports:** A variety of opinions were presented by individual airports as to whether an airline must have a representative at every airport in which it operates. Some argue it is unnecessary as there are other procedures in place such as Lost and Found Desks and that this representation would add unnecessary extra levels of management to the airport. Some believe it is necessary to have airline representation to improve the general running of the airport and to ensure that emergency situations are dealt with adequately. The remaining airport stakeholders were happy for airlines to be represented by their groundhandlers as long as they have legal powers to make decisions on behalf of the airline.
- 5.70 **Handling Companies' Associations:** There is agreement amongst the handling companies' associations that an airline presence is necessary to ensure passenger rights are fulfilled in the event of incidents such as delays, cancellations, overbooking etc. If the groundhandler represents the airline then the legal responsibility and liability must be clear.
- 5.71 **Handling Companies:** The majority of individual groundhandler respondents agree that an airline should be represented at the airports in which they operate and that it would be sufficient for that representative to be from the airline's groundhandling company as long as they have the appropriate jurisdiction to legally represent the airline. Some groundhandling companies raised concern that the groundhandler could not be given this legal power and therefore the airline needed to be present at all airports.
- 5.72 **Trade unions and workers' organisations:** There was only one response with one trade union argued that the airlines can be represented by their groundhandlers so long as there is airline representation as well, increasing quality and jobs.
- 5.73 **Other:** These stakeholders were all concerned about the ability of the passenger to find a representative to ask for assistance. It was argued that this does not need to be an airline representative, but someone accountable at the airport, however they need the authority to take local decisions. Again it was pointed out by a number of stakeholders that this issue of representation was beyond the scope of the Directive.

In conclusion, there was only minimal support from stakeholders for requiring airlines to be present at each airport. Many stakeholders felt these obligations

could be passed on to the groundhandling agent representing the airline. However, independent ground handlers identified legal difficulties with such an approach. Those opposing the requirement for airlines being present at each airport recognised that this would increase costs. Those in favour described the benefits for passengers if they were delayed, lost their baggage and for general safety and security of an airline presence. Moreover, that groundhandling agents would not be able to cover all the airline's responsibilities.

**Safety and Security (Your Voice Question 9)**

- 5.74 **On several occasions since the entry into force of the Directive and in particular in a recent study (available at [http://ec.europa.eu/transport/air/studies/doc/airports/2009\\_02\\_ground\\_handling.pdf](http://ec.europa.eu/transport/air/studies/doc/airports/2009_02_ground_handling.pdf)), the Commission investigated the safety and security implications of the Directive 96/67. However, even in this last study which included meetings with all stakeholders, no firm conclusions could be drawn on safety and security issues, in particular for security where no data was provided. The Commission would therefore be interested in having a factual description of situations/case studies where the implementation of the Directive could have lead to safety/security problems.**
- 5.75 **Question: Have you encountered safety/security problems which could be linked to the implementation of the Directive? If yes, could you precisely describe such problems and their link to the Directive?**
- 5.76 **Member States:** France, Poland and Spain have not experienced any significant safety and security issues since the introduction of the Directive. However, Belgium, Italy, UK and Bulgaria state there has been an increase in incidents on the apron and that further regulation and certification is necessary as inexperienced staff are being employed creating problems such as incorrectly loaded planes. Sweden, Italy and Germany suggest that, with an increase in companies and staff operating airside, identification has become an issue increasing security concerns. In the UK the CAA are examining introducing language qualifications as they believe staff difficulties in language comprehension is increasing the number of accidents.
- 5.77 **Airline Associations:** The majority of associations did not see any link between safety concerns and the introduction of the Directive. IATA supported the introduction of Safety Management Systems, but ERA believes that there should not be any additional legislation with regards to the Groundhandling Directive as it may duplicate or contradict existing legislation.
- 5.78 **Airlines:** The majority of individual airlines do not see a link between the introduction of the Directive and any deterioration in safety and security standards. A small number of individual airline respondents suggested that there should be more comprehensive reporting of incidents and the introduction of Safety Management Systems would be preferable, however, the majority did not see this as within the Directive's scope. It was also outlined that the list of groundhandling activities does not include document checks at gates though this activity must be performed by groundhandlers and the surveillance of baggage (baggage reconciliation) mail and aircraft which can be the responsibility of different groundhandling organisations.
- 5.79 **Airport Associations:** Associations agree that since the introduction of the Directive there has been a reduction in quality and an increase in minor incidents with

outdated equipment being used, a reduction in worker supervision and an increase in different workers needing access to secure areas causing security concerns.

- 5.80 **Airports:** The individual airport respondents highlighted three main safety and security problems that have been created since the introduction of the Directive: short term contracts and high turnover of staff have meant that staff qualifications and experience have deteriorated affecting the safety and security of passengers; the larger number of organisations and different staff operating at an airport has also increased the number of security checks and passes needed causing a detrimental effect on security measures; and finally there are concerns about the number of people and equipment operating on apron space increasing the chance of accidents. One airport group suggested a formula to determine the number of groundhandlers that should be allowed at an airport depending on the facilities available
- 5.81 **Handling Companies' Associations:** IAHA highlighted safety and security concerns since the introduction of the Directive as there was increased congestion and quicker turnaround times. The time taken to gain security passes for personnel had also increased and was now considered too long. ASEATA argued that third party handling agents and self-handling should be restricted based on capacity.
- 5.82 **Handling Companies:** The main concern of individual handling company respondents was the safety of ramps and aprons with an increased number of groundhandlers since liberalisation. Over half of respondents mentioned this problem whilst others mentioned that there were already specific procedures in place to ensure the safe operation of airports.
- 5.83 **Trade unions and worker organisations:** All highlighted the lack of investment that short-term groundhandlers invest in their equipment and training, putting their staff's training at risk. There is also concern over lost luggage as more organisations are involved in the process, reducing transparency and responsibility. Finally, the increase in the number of workers involved in groundhandling increases concerns of ramp safety and airside security.
- 5.84 **Other:** stakeholders raised concerns with the staff training and that staff were given responsibilities above their level due to staff shortages at some airports since the introduction of the Directive. The independent associations agree that more transparency of incidents is needed and assurances that goods and passengers of different security levels are kept separate.

In summary, the main concerns raised by stakeholders with regards to safety and security are those of ramp overcrowding increasing the chance of accidents, a reduction in investment in staff and equipment leading to poorly trained staff and inadequate equipment being used and a reduction in security standards at airports as more people are given access to the airside of airports. Independent reporting on the level of accidents, better management of ramp congestion and oversight of the provision of individual security passes were key recommendations from the responses.

## Clarifications to the Directive

### *Tender Process - Length of a contract when tendered (Your Voice Question 10)*

- 5.85** *In the case where the number of groundhandling providers is limited, the selection of suppliers shall take place according to a tender procedure. The main issues which were identified by stakeholders as requiring clarification include: the length of period for a contract when tendered and the evaluation of tenders, in particular regarding the role of the Airport User Committee (AUC).*
- Length of period of a contract when tendered*
- 5.86** *The directive currently sets to maximum 7 years the length of period of a contract when tendered. This period is considered by some stakeholders as too short for significant investment in personnel and equipment. However, there is a trend in the industry to rely more and more on rents for expensive equipment.*
- 5.87** *Question: What would be for you the advantages and disadvantages of extending tender contracts to a different period of time such as 10 years? Please specify the economic, social and environmental impacts.*
- 5.88** **Member States:** The Member State Respondents were broadly in favour of extending the tender contract period to 10 years as it will encourage investment and will reduce administration costs for government bodies, but concern was raised by Belgium, Bulgaria and Spain that it may reduce quality and competition. Poland suggests that the length of contract should be specific to the groundhandling activity. Whilst France and Italy both argue for shortened contract lengths to allow airport development and the opportunities for new entrants to enter. The regional governments were all in favour of an increase in contract length to reduce administration costs and promote investment.
- 5.89** **Airline Associations:** The airline associations were largely happy with the length of contract at 7 years, but would not oppose an extension as this would allow better planning and more investment to be made. IATA and ABBA did not oppose the extension but asked that exit clauses be included for bad service quality provision.
- 5.90** **Airlines:** The majority of individual airline respondents believe that the tender contracts at airports should be increased from 7 years with many suggesting 10 years as an alternative. They argue that this will increase investment in equipment and allow for better planning by the groundhandling service provider. A number of stakeholders stated that if the length was increased then it would be necessary to have exit clauses within groundhandling contracts and that the length of contract

should be in line with other service providers at the airport. The main arguments against this increase were that a minimum number of years should be introduced, not a maximum, so that the market could be further liberalised or that there was no problem with the current 7 year period.

- 5.91 **Airport Associations:** ACI are in favour of a longer contract period as it will create a more stable environment encouraging investment. They also point out it will reduce the administrative burden reducing the tender procedures to conduct. ADV argued that the current 7 years was an appropriate timescale.
- 5.92 **Airports:** Most individual airport respondents thought that extending the contract period from 7 to 10 years would be an advantage as it would encourage investment in equipment, create a stable environment in the groundhandling market for staff recruitment and future planning and help to reduce costs as groundhandlers' capital expenditure will be over a longer period. Concern was raised that this extension would reduce efficiency and quality as the groundhandling market would become less responsive to the overall air market and flexibility would be curtailed. One airport did not have a preference on the length of contract, but was concerned that however longer the tender, the ability to remove a groundhandling provider due to poor performance was necessary.
- 5.93 **Handling Companies' Associations:** IAHA argue that the 7 year contract should be the minimum contract term to allow the necessary investment in human resources, equipment, building a customer portfolio etc and ASEATA were in favour of the extension to 10 years to improve social stability and Research & Development investment.
- 5.94 **Handling Companies:** The majority of individual groundhandling company respondents were in favour of the increased contract period as it will allow groundhandling companies to recoup investments, reduce costs, bring fairer competition with airports providing groundhandling services, and increase stability. One handling company respondent stated that GSE is expensive and has got an average depreciation period of 9.3 years. Another suggested that licenses should not all have the same maturity date, but a 10 year license available every 5 years to allow equipment transfer. The two independent groundhandling stakeholders who did not support an extension of the contract period did not see an advantage in any extension.
- 5.95 **Trade unions and worker organisations:** All agreed that extending the contract length would be advantageous by increasing stability in the sector.
- 5.96 **Other:** The independent associations were not so concerned with the length of contract, but raised two concerns with tender contracts: that the ability to withdraw them during the contract period is necessary and that there should be no restriction in a fully liberalised market.

In summary, the extension of the tender contract period from 7 to 10 years appears to have broad agreement from all stakeholders with many seeing the advantages of increased investment, stability and lower costs. Many of those not in favour do not see a problem with the current situation or believe that there should not be a limit at all. One concern mentioned by a number of stakeholders was the need to have exit clauses in place particularly for poorly performing groundhandling companies to lose their right to provide groundhandling services.

*Tender Process - Evaluation of tender and Airport User Committee (AUC) (Your Voice Question 11)*

- 5.97 *The Airport User Committee (AUC) has a consultative role with respect to the tender process in the current Directive. It shall be consulted for technical specifications and standards in the tender, and for the selection of suppliers. However, at present, there is no obligation to justify why the Committee's recommendation is not followed, even in those cases where this recommendation is unanimous.*
- 5.98 *At the same time, with the current composition of the AUC, some members may have a conflict of interests, as they can be at the same time groundhandling suppliers and airport users.*
- 5.99 *Question: What would you suggest to ensure that airport users' preference is better taken into account in the selection process, which at the same time would not result in conflicts of interest? Please specify the economic, social and environmental impacts.*
- 5.100 **Member States:** Bulgaria and Belgium argue for greater clarity in the Directive about who should be included in the Airport Users' Committee and how they should operate. Germany, Bulgaria and the UK all argue that the AUC should be able to advise the airport operator, but that its view should not be binding. However, any decision in conflict to the AUC's recommendation must be fully justified. Belgium also suggested the introduction of an independent economic regulator to oversee the operation of AUCs at EU airports to ensure consistency. Most of the regional governments and Poland were happy with the way that AUC currently operates.
- 5.101 **Airline Associations:** EFA argue that a user definition is needed and that the voting power should be controlled to ensure that no user has more than 40% of the votes. AEA and IATA argue that the AUC's decision needs to take more prominence in the decision making process and voting power should reflect market share. Justification of decisions not in agreement with the AUC's recommendation was seen as important by the other Associations.
- 5.102 **Airlines:** Individual airline respondents argued that the Airport Users' Committee should have a prominent role in the selection of groundhandlers to operate at an airport. They believe that the users are the most important party in this decision as they will be using the service, their opinion should be decisive and any decision on the contrary to this should be justified. There were concerns about how to define and represent the users with suggestions of market shares, air traffic etc. Also it was highlighted that strict separation of airline representation is needed if they also are involved in groundhandling activities. One stakeholder not in favour to any change in the AUC argued that the role of the AUC should remain the same as its



current role and another argued that an independent body should decide which groundhandling agents should operate at an airport with input at every stage of the decision making process from airport users.

- 5.103 **Airport Associations:** ACI argue that the role of the AUC must remain as a purely consultative one, but that any decision not to follow its recommendation must be justified. All associations were concerned with gaining a fair representation of the airport users within the committee.
- 5.104 **Airports:** There was broad agreement amongst individual airport respondents that the current role of the AUC is satisfactory. Many were wary of giving users more power as there are often conflicts of interest and airport operators opinions are important for the decision making process, not just the users (airports notably argue that they are best placed to represent the "general interest" in the use of airport space). It was suggested that better feedback and reporting on decisions is the best option for increasing confidence in the decision making process and the use of the AUC.
- 5.105 **Handling Companies' Associations:** They argue that it is not the AUC that is important but that any decision making process is transparent, objective and public and in line with EU procurement principles. This would guarantee that more factors than just price were taken into account, e.g. social and environmental criteria, which are often focussed on by users.
- 5.106 **Handling Companies:** There is broad disagreement from the handling companies for giving the AUC more power as there is a worry about conflict of interest amongst the users. It is agreed that the users' views should be heard, but they should not be decisive as other factors are important. The introduction of an independent public body was suggested.
- 5.107 **Trade Unions and Worker's Representatives** were broadly happy with the current AUC, but two suggested worker representation should be guaranteed at the AUC.
- 5.108 **Other:** The independent associations supported more transparency in the decision making process with the AUC taking as many different opinions into account as possible.

In conclusion, the vast majority of the stakeholders except airlines are comfortable with the present constitution and role of the AUC. However, airlines believe much greater user representation is needed and voting rights must be further defined to avoid conflicts of interest. Some stakeholders asked for greater transparency of decision-making processes and decisions made by the AUC. A number of stakeholders asked that when the AUC's recommendation is not followed a full and transparent justification should be provided.

***Selection of self-handling providers (Your Voice Question 12)***

- 5.109 ***The number of self-handling providers for airside services can be limited pursuant to article 7 of the Directive. However, no mechanism is proposed in the Directive to select the self-handling providers authorised to carry-out self-handling, in contrast to third-party handling providers who have to be selected through tender. Such a mechanism could rely on criteria to be defined.***



- 5.110 **Question:** *In the cases where the number of self-handling groundhandlers is limited, what would be the advantages and disadvantages of introducing a mechanism to select self-handling providers, such as the definition of criteria? Please specify the economic, social and environmental impacts.*
- 5.111 **Member States:** Most Member State respondents agree with the introduction of criteria for self-handling airlines, with Belgium and the regional governments suggesting that it should be the same as for other groundhandlers, but Bulgaria, UK, Spain and Hungary simply placing importance on having clear and transparent procedures that unify existing rules across Member States. Poland is supportive of any guidelines to reduce misunderstandings surrounding the issue of selection of self-handlers.
- 5.112 **Airline Associations:** There is opposition to the introduction of any criteria to limit the ability of an airline to self-handle from airline associations, if they are capable they should be allowed to operate. Many argue that self-handling only occurs in limited cases in the market so this intervention to determine criteria is unnecessary. AEA and IATA argue that if there is any exceptional constraint then this should be able to be resolved in the individual airport through consultation with the AUC.
- 5.113 **Airlines:** They were strongly opposed to any restrictions on the ability of airlines to self-handle. Many felt that in the few exceptional circumstances where self-handling was restricted under the existing Directive, for example for physical space constraints should be resolved through discussions between the airport and airlines. A small number of individual airline stakeholders argued that self-handling could also be restricted on the grounds of market share.
- 5.114 **Airport Associations:** ACI suggested that as self-handlers are generally chosen on the amount traffic they handle at the airport and this is subject to fluctuations. To ensure stability the rights to self-handle should be provided for a specified period of time and aligned with the duration of the third party contracts. Another association suggested limiting the occupation areas within the airport and having binding quality criteria for self-handlers.
- 5.115 **Airports:** The majority of airports believed that the fairest way to chose self-handlers is through the same criteria as independent groundhandlers, however many did not believe that the restriction of self-handlers was currently a problem. Some suggested that selection criteria be based on the volume of traffic at airports.
- 5.116 **Handling Companies' Associations:** ASEATA suggests that criteria could be created based on quality, training etc which are comparable to third party groundhandlers. IAHA agree that the same service level and access conditions as other handling suppliers should be introduced.
- 5.117 **Handling companies:** All individual handling companies believe that airlines should have to meet the same criteria as independent handlers in order to operate at an airport. This is to ensure that equipment and space is available to all groundhandlers and there is a fair and transparent system for allocating licenses at airports.
- 5.118 **Trade unions and workers organisations:** The workers representative respondents do not see the practice of self-handling needing regulation. However, one suggested that any airline self-handling should have to perform to a minimum frequency of operation if they were given approval to provide ground handling services.

- 5.119 **Other:** The European Express Association argued that no limit be placed on self-handling and that the market should decide the number of airlines who wish to self-handle.

In conclusion, the majority of airlines and their associations opposed any restriction on self handling. Member State respondents and most airport respondents, as well as all independent handling respondents suggested that self handling airlines should have to meet the same criteria as independent ground handling agents. Many respondents suggested that congestion on the ramp could be a reason for restrictions on self handling, with the hub and largest airline users given first preference for self handling rights.

*Charges to Access/use airport installations (Your Voice Questions 13 and 14)*

- 5.120 *The Directive does not rule out the possibility that access to airport installations may be subject to a fee. Case C363/01 clarified that the fee to access installations can be of an amount "which takes account of the interest [of the managing body of the installations] in making profit". However, there is no agreement on what can be charged including a reasonable "profit margin" and to what level.*
- 5.121 *Question: What would be the advantages and disadvantages of defining more precisely elements to be taken into account for assessing a fee and its "reasonable profit margin" part for the access to airports installations?*
- 5.122 *Question: What would be the advantages and disadvantages of an independent authority being in charge of monitoring airport installations' fees/charges (including for centralized infrastructures' fees and charges), similarly to what exists for airport charges in Directive 2009/12? Please specify the economic, social and environmental impacts.*
- 5.123 **Member States:** All Member State respondents were in favour of transparent and defendable fees being charged by airports. However, Germany and France mentioned how these should already be covered in the Charges Directive. They all agreed with the principles of an independent regulator as this would increase transparency and monitoring of airport charges and ensure that monopolistic situations are not abused. Hungary, Belgium, Germany and Poland mentioned concerns about the administrative and financial cost of setting up any regulator. The UK and the regional governments stated that the current system was sufficient and Spain and France stated that they did not have these charges.
- 5.124 **Airline Associations:** Bravo Delta Foxtrot (German airline Association) BDF, AEA and ABBA believe that charges should be based on the principles of the Airport Charges Directive. ERA believes there needs to be greater oversight and transparency of charges and an independent regulator would help reduce discrepancies between approaches. Other associations are in favour of the setting up of an independent regulator.
- 5.125 **Airlines:** The individual airline respondents believe that there should be defined criteria for charges for airport installations. Many suggested that these criteria should be in line with the Airport Charges Directive ensuring that they are transparent, cost efficient, cost-related and introduced through consultation with airport users. One airline suggested that there should be no access fees. Most were

happy with cost recovery charges as long as there were assurances that airports were not abusing their monopoly position as infrastructure provider with the level of these charges. The majority of airlines supported the introduction of an independent regulatory body as they would resolve any appeals or disputes, ensure there are not discrepancies across airports and regulate prices against costs, as they would be fully independent and could settle specific airport disputes. Those who were not supportive of an independent regulatory body were individual airlines who did not see the need for further regulation in this area, or they already had something similar set up in the airports in which they operate. One stakeholder suggested that all EU regulated airport fees should be consolidated within one piece of legislation.

- 5.126 **Airport Associations:** All the airport associations do not agree that the definition of the access charges needs to be improved as they believe it provides an appropriate framework against which to set the airport charges. The introduction of an independent regulator was seen as an unnecessary cost burden and any charges should already fall within the remit of Directive 2009/12.
- 5.127 **Airports:** Most individual airport respondents do not believe that further defined charging mechanisms are needed as either the ones in place at the moment are satisfactory and national and EU regulation cover anything else or it would be impossible to produce EU relevant definitions of profit margin and cost recovery. Many airports agree that the charges should be open to challenge from users and that consultation is helpful, but that changes to the Directive are not necessary. The majority of individual airport respondents did not see the advantage in an independent regulatory authority being set up as there are often already authorities that are able to regulate prices in Member States and another regulator will add more bureaucracy to the system. This introduction will also be likely to increase costs to groundhandlers through increased administration costs and would reduce the market liberalisation that has so far occurred. The advantages mentioned were ones of transparency and visibility to customers.
- 5.128 **Handling Companies' Associations:** The handling company associations were in favour of airports having to justify the airport charges to ensure they are transparent and objective. The idea of setting up an independent regulator was seen favourably, but there were concerns that this would lead to extra cost burdens.
- 5.129 **Handling companies:** All individual handling company respondents agree that airport charges should be transparent and justified objectively, with all airport users being charged the same, not just groundhandlers. Some handlers suggest that there should be no separate charge for centralised infrastructure use. Most handling companies and their associations agree with an independent regulator being set up to monitor airport infrastructure charges as it would increase transparency, monitoring and is necessary to resolve any disputes. There were some concerns as to whether an independent regulator was necessary as it may over regulate the industry and whether it would have appropriate powers to intervene in the case of a complaint.
- 5.130 **Trade unions and workers organisations:** All organisations believe that the airport's charges for installations should be monitored and restricted.

- 5.131 **Other:** The law firm respondent mentioned the European Court of Justice ruling C363/01 which states that the airport can only charge for the use of installations, however, they suggest that this needs further definition of what can be charged for this access. The independent regulator was seen favourably, but one stakeholder pointed out that the Directive provides for appeal to an independent body so any additional need for a regulator may be redundant.

In conclusion, most airline stakeholders and independent ground handlers support the introduction of access to airport installations charges criteria and independent regulator. However, independent ground handlers warn against over regulation of an independent regulator. Airports opposed such an introduction and felt that in many cases national regulatory procedures already provided users protections. Most stakeholders called for greater transparency of the basis of charges for airport installations. Concern was raised about the additional costs of independent regulation of these issues.

*Separation of Accounts (Your Voice Questions 15 & 16)*

- 5.132 *The implementation of the separation of accounts obligation was raised by stakeholders as needing clarification. The methods to ensure the effective implementation of accounting separation are indeed not specified in the Directive. In the current Directive, separation of accounts between their groundhandling activity and their other activities is required of all groundhandling providers, whether they are airports, airport users or groundhandling suppliers.*
- 5.133 *The issue also exists of who is the "independent examiner" in charge of checking that this separation of account is effectively carried out for all groundhandling providers. This independent examiner shall also check that airports do not cross-subsidise between their activities as groundhandler and as managing body. The question arises as to what transparency requirements shall be expected regarding these verifications.*
- 5.134 *Question: Should more precision on the separation of accounts be given? If so, which stakeholders should be covered by this requirement, what should be the rules and which methods should be used to ensure effective implementation of the accounting separation requirement? Please specify the economic, social and environmental impacts*
- 5.135 *Question: What would you suggest to introduce more precisions about the independent examiner's checks? Should there be a compulsory and regular publication of the effective auditing of the accounts? Should the independent examiner's reports (or part of them) be available publicly? Please specify the economic, social and environmental impacts*
- 5.136 **Member States:** Most Member State respondents believe that the current Directive is sufficient in its guidelines on the separation on accounts. However, France, Hungary and Bulgaria believe this could be extended to make the guidelines clearer to ensure there is no cross-financing. Poland was concerned about the administrative burden and cost of any further interventions. Most Member State respondents believe the independent examiner's role is necessary and Belgium suggests that checks through auditing are sufficient.

- 5.137 **Airline Associations:** The associations agreed that the transparency and separation of accounts may not be sufficient with more provision needed. EFA and IATA supported the creation of separate legal entities, whereas AEA suggested this would not be necessary so long as there was a detailed breakdown of accounts and an external auditor could be used for this purpose.
- 5.138 **Airlines:** The individual airline respondents are all in agreement that more precision should be given on the guidance for the separation of accounts to ensure that the process is transparent and fair. There was no agreement amongst individual airline stakeholders as to whether companies should have to create separate legal entities to perform their groundhandling activities, with some believing that this is unnecessary if the separation of accounts is enforced sufficiently, whereas others believe the more separation the better the system will be. The majority thought that airports should be the only operators needing this separation, but one mentioned that it should also be applicable to airlines that self-handle. A couple of airlines suggested the regular publication of results from the audit or at least part of the examiner's report, however there were concerns amongst respondents of the extra costs this may create.
- 5.139 **Airport Associations:** Two airport associations argue that no changes to the rules are necessary, but that it is up to Member States to better enforce the rules and this is where there may be deficiencies with the process. ACI suggested that the requirements be clarified so that the prohibition to cross-subsidize refers only to purely aeronautical revenues (charges) for which the airport is acting as an authority.
- 5.140 **Airports:** Most individual airport respondents do not see the need to further specify the separation of accounts requirements arguing that current arrangements are sufficient. Many airports felt that the publication of results was unnecessary and had no practical use, but one stakeholder pointed out that publishing the results would improve other stakeholders' perception of the effectiveness of the current regulation. A number also suggested that this separation should be applicable to all groundhandlers, including airlines that self-handle.
- 5.141 **Handling Companies' Associations:** ASEATA do not believe any amendment is needed, however IAHA believe airports need to legally unbundle and publish separate accounts.
- 5.142 **Handling Companies:** The individual handling company respondents generally agree that more precise rules on the separation of accounts are needed, with some saying they should be applicable for all multi-functional companies, but other stating it was only applicable to airports. The majority agree that the Independent Auditor's audits should always be published. One handling company was concerned that publication may cause problems as the results may not be interpreted correctly.
- 5.143 **Trade unions and worker representatives:** They state that the separation of accounts should be transparent and fair and overseen by an independent examiner with the results publicly available.
- 5.144 **Other:** The independent associations all agreed that transparent separation of accounts is needed.

In conclusion, greater clarity of the requirements for separation of accounts was supported by the majority of airlines and their associations, trade unions and

workers' representatives and independent handlers. Airports and the majority of government stakeholders did not believe this was necessary. There was concern from airports and government stakeholders about the administrative costs of introducing greater regulation. Most respondents did not believe it was necessary to make accounts publicly available. However, trade unions and most independent handlers supported full transparency.

*Airport groundhandlers and selection procedure (Your Voice Question 17)*

- 5.145 *Airports have the right with the Directive to provide groundhandling services without having to be selected through tender. This feature is also valid for the undertakings controlled by the airport (or controlling the airport) such as airport's subsidiaries, and a trend could be observed in the recent years for airports to set up subsidiaries specialized in groundhandling. Such subsidiaries can compete today on the groundhandling markets at several airports.*
- 5.146 *A number of stakeholders raised that this situation leads to competition distortion, as it gives a clear advantage to the "airport groundhandler" when compared to its competitors.*
- 5.147 *Airports on the other hand raised that the right for airports to keep a groundhandling activity can be motivated by public service interest reasons.*
- 5.148 *Apart from this debate, it could be questioned whether the current criterion of "control" by the airport (or control of the airport) is still relevant nowadays in view of the privatisation of airports. Airports could indeed today "control" (or could be "controlled" by) other groundhandling suppliers (such as major airlines at "hubs"); this could lead to situations where several suppliers are exempt from the selection procedure.*
- 5.149 *Question: What would be for you the advantages and disadvantages of making it compulsory for airports and/or for the airports subsidiaries to pass a tender procedure? Please specify economic, social and environmental impacts*
- 5.150 **Member States:** The Member State respondents gave mixed views with some of them (Belgium, Hungary, Bulgaria, Spain) seeing the airport involved in the tender procedure as necessary to require equal conditions in the market and transparency. Others including Sweden, Germany, France, Poland, the UK and the regional governments were in disagreement as the airports supply expertise to market that would be lost if they went through the tender process and that airports were at no advantage without going through the tender process as they are fixed in one place so have not got the flexibility of other groundhandling organisations.
- 5.151 **Airline Associations:** All airline associations were in agreement that airports should undergo the same tender procedures as other groundhandling operators. IATA argues that there is no justification for favouring airports and the associations argue this will allow a level playing field and reduce market distortions. ABBA supports the provision of no tender procedures for any groundhandling operators to allow the market to determine entrants, but until full liberalisation was possible airports must undergo the same procedures as all other companies wishing to provide groundhandling services.

- 5.152 **Airlines:** All individual airline respondents agree that airports should be subject to the same tender procedures as all other groundhandlers so that there is a fair and balanced procedure and to help control the number of groundhandlers
- 5.153 **Airport Associations:** The associations argue that it is the airport's obligation to provide a groundhandling service and therefore they should not go through the same tender procedures. One association agreed that if the airport groundhandler was going to step in as a groundhandler and another party was interested then a tender procedure could be justified, but a compulsory tender would be unfair.
- 5.154 **Airports:** The individual airport respondents expressed strong views against airports being subject to the same tender procedures as other groundhandlers as they were not in the same position as independent handlers. The airports argued that they have to provide the service if there is market failure, that their long-term expertise would be lost if they were unable to operate and that they are in a differing position to independent groundhandlers as they would be unable to change location if they were denied. It was also stated that in other sectors, Courts and legislators created a special right for the infrastructure provider. Those airports happy to undergo tender procedures argued that it would create a level playing field.
- 5.155 **Groundhandling Companies' Associations:** The groundhandling company associations are all in agreement that it should be necessary for airports to follow the same tender procedures as other handling operators as it will avoid the distortion of competition and create a level playing field for all members of the groundhandling market.
- 5.156 **Groundhandling Companies:** There is broad agreement amongst individual groundhandling company respondents for airports to undergo the same tender procedure as other groundhandlers to create a freedom of choice, an open markets and fair competition. Without this, one stakeholder argued that competition is distorted: with airports not having the risk of losing their access to the market to operate. Those not in favour, suggested that with the airports undergoing a tender procedure there would be a lack of continuity of services provision and that other rules such as the separation of accounts were sufficient for regulating airport groundhandling operation.
- 5.157 **Trade unions and worker representatives:** Most workers representatives were not supportive of the airports undergoing the same tender procedures as other groundhandling organisations as it may threaten jobs as airport groundhandling jobs may transfer between organisations.
- 5.158 **Other:** Some independent associations argue that to ensure standards then airports must go through the same tender procedure, whilst one argues they should not be put in direct competition with other large groundhandling organisations as they are only able to operate at one airport.

In summary, airline stakeholders and most independent groundhandlers supported airport (and their subsidiaries) ground handlers should be subject to tender procedures as this would provide a more competitive market and ensure a common set of standards. Most airports and trade unions opposed such procedures and warned against losing long-developed expertise, and did not have the opportunity to change location like independent handlers. Government stakeholder responses were split between these two views.

*Space constraints and their impact on the constraint on competition (Your voice Question 18 & 19)*

- 5.159 *Competition can be influenced depending on how the use of apron space for groundhandling activities is managed. There is also no framework to manage allocation of space when physically limited, in particular when the market is fully open.*
- 5.160 *Airports have limited ground space available so that even if the market is fully open, a time can come when a new groundhandler cannot be accommodated. Groundhandling operators need space for equipment storage and staff. Even where ground equipment is rented, it has to be present at the airport, and the level of equipment is determined by the level necessary to service the airport at peak periods. In addition, space allocated to a groundhandling company might be more or less advantageous when compared to the location of operations.*
- 5.161 *For airports with a limited number of operators, the number of authorised handlers can in theory be fixed at the "appropriate" number of handlers. However, even in the ideal case where the number of handlers perfectly fits the space allocated, the "value" of the premises allocated may differ from one handler to another.*
- 5.162 *For airports with no limitation in number (fully opened market for airside activities), the issue arises of what happens when the market is saturated and when there would be more groundhandling undertakings interested in operating at the airport than there would be premises readily available. Due to the limited space available at airports, building new premises may indeed not be possible (or may only be possible on a long-term period when compared to the market timescale). Possible solutions proposed so far for this situation include:*
- Auctioning of airport premises ;*
  - "first arrived, first served" option (new entrants have to wait that a premise is made available);*
  - Definitions of minimum criteria which have to be met by a new entrant to obtain premises (expected market share, number of staff or equipment).*
- 5.163 *Question: What should be the best way to manage space for groundhandling activities at airports and ensure fair competition?*
- 5.164 *Question: In the case of fully opened markets for airside activities, what would be the advantages and disadvantages of the solutions proposed (or any other*



***solution you might propose)? Please specify the economic, social and environmental impacts***

- 5.165 **Member State:** The Member State respondents produced a mix of suggestions for managing space constraints. Belgium, Bulgaria, France and the regional governments were all opposed to the introduction of auctions as this would favour those groundhandlers in the strongest financial position. France and the regional governments suggested the use of a ‘first come first served’ allocation and Italy and Spain favoured a criteria based approach. Belgium supported a consultation with stakeholders and Germany, Poland, Sweden and the UK supported giving airports the power to decide the allocation of space. Hungary suggested assessing individual space requirements of companies when assigning space and Germany thought that a pool of equipment may help alleviate problems, however there may be problems co-ordinating needs and demand peaks.
- 5.166 **Airline Associations:** The airline associations were in favour of case by case solutions to space allocation problems with associations such as EFA suggesting the use of the AUC. IATA, AEA, BDF and ABBA were strongly opposed to the use of auctions as this would push up prices for airlines. ERA suggested the pooling of equipment and BDF said it was the responsibility of the airport to provide more space.
- 5.167 **Airlines:** The individual airline respondents suggested space should be allocated through consultation with the stakeholders involved and it may be necessary to limit the number of groundhandlers having access to the airport to ensure there is adequate space for groundhandlers. There was also support for space allocation criteria. Other suggestions to resolve space disputes included airports being required to increase capacity and space being allocated on the basis of operative capacity. A large number of airlines objected to space been allocated by auction as this would push up prices and create large barriers to entry for new market entrants.
- 5.168 **Airport Associations:** One airport association suggested that airports should be looked at on a case by case basis, as if there is a shortage of space this can result in increased costs as transportation of equipment is required from space allocated to aircraft stand. Others believed that space should be allocated by the market and if there is a capacity constraint then individual intervention should be allowed.
- 5.169 **Airport:** Individual airport respondents contributed a mix of opinions of the best solution to the allocation of space. A number proposed that the first come, first served solution was preferable because it was in line with the rental conditions that already operate at the airport. There was also support for consultation to allocate space as each airport where the local situation is different. However, consultation with stakeholders every time groundhandling operators change would not be workable. Some suggested a permit scheme for vehicles as often space was taken up by unused equipment. Criteria based on activity were popular and again there were strong views against the auctioning of space. The airports believed that a solution to the problem of lack of space at airports was an issue that needed clarification in the Directive to enable transparency and fairness across airports and situations, to ensure prices did not rise and to reduce the need to invest in further space provision.

- 5.170 **Groundhandling Companies' Associations:** The groundhandling Associations agree that access should be granted based on capacity and once the capacity is reached it should be allocated depending on market share or seniority of the company, but it should always be allocated based on transparent and objective criteria.
- 5.171 **Groundhandling companies:** All ground handling company respondents were against the idea of auctioning. Instead they were in favour of space allocation based on the level of groundhandling activity, along with airports having to provide extra capacity and space allocation through consultation with stakeholders. Other ideas included the use of an independent authority to regulate space allocation, pooling of equipment, airports deciding the allocation of space and historical allocation. The advantages for controlling the allocation of space included guaranteeing safety at the airport as well as ensuring there was capacity for future market entrants. It was suggested by one groundhandler that guidelines for space allocation be included in the Directive which left airports some ability to adapt to their specific situation.
- 5.172 **Trade unions and worker representatives:** The trade unions agreed that space should be allocated by the airport as if the market is fully open this will cause negative consequences on security and profitability.
- 5.173 **Other:** One independent association was against the use of auctioning, but suggested that airports could rent out machinery to groundhandlers, creating a central pool of equipment. Another believed that the current system of first come, first served in their Member State works effectively, but that consultation is necessary with users if there is any change to installations. Complete liberalisation was also suggested with any controls once capacity is reached being agreed by the AUC.

In summary, there were a large number of suggestions for better managing space for groundhandling activities. Most stakeholders opposed the use of auctions for space allocation. Some suggested, 'first come - first served', historic rights, use of an independent authority, pooling of equipment to save space, and requirement for airports to increase ramp space if it was congested.

### Simplification of the Directive

#### *Groundhandling Market Regulation and full opening of the airside market (Your Voice Questions 20 & 21)*

- 5.174 ***With the Directive, access to groundhandling services was open to competition; such a liberalization was introduced at airports considered big enough to accommodate in a sustainable manner at least 2 competitors (i.e. airports over the threshold of 2 million passengers or 50 000 tons of freight a year). However, in contrast to landside groundhandling services, the Directive left for airside groundhandling services the possibility (chosen by certain Member States) to limit the number of suppliers and self-handlers to a number to be defined by Member States (in the national measures of transpositions of the Directive) and/or by the airport or an independent authority. This possibility conducted to introduce compulsory tender procedure to ensure transparency and non-discrimination in the selection of the providers.***

- 5.175 *As a result, EU groundhandling market is today a mosaic of different national markets, with different numbers of minimum suppliers (some Member States limiting the number of airside providers to 2 for all airside categories while others chose 2, 3 or 4 depending on the categories, sometimes at the same airport), different conditions to access the market (free access/tender procedure or existence/absence of national approval procedure). Some stakeholders therefore raised the issue that the EU groundhandling market is complex and that disparities between national markets make it difficult for new comers to enter a new market. It could thus be questioned if, in the framework of a possible revision of the directive, simplification and enhanced harmonization would not be desirable.*
- 5.176 *This leads to consider the issue of what would need to be harmonized in the EU groundhandling market.*
- 5.177 *In this context, a specific option of further harmonization of the groundhandling market could be to require complete opening of the market for all EU airports, removing the current possible limitations in the number of airside groundhandling providers. It would indeed ensure that, throughout Europe, groundhandlers can enter anytime the market of any airport (above a certain threshold).*
- 5.178 *Question: What would be for you the advantages and disadvantages of harmonizing the European groundhandling market? Which specific aspects would you suggest to harmonize? Please specify the advantages and disadvantages of your suggestions as well as their economic, social and environmental impacts.*
- 5.179 *Question: What would be for you the advantages and disadvantages of a full opening of the market (for airports above a given threshold)? Please specify economic, social and environmental impacts.*
- 5.180 **Member States:** There are mixed views amongst the Member States respondents to the further harmonisation of the groundhandling market as well as its further liberalisation. The advantages of harmonisation included to ensure a common regulatory framework, however, the UK, France, Germany and the regional governments believe that the current Directive is sufficient, but it may need improved application and enforcement. The majority of the government stakeholders could see the attractiveness of market opening, however, many had reservations about how applicable it would be at all airports and its effect on safety and quality standards. Proposals for further harmonisation included compulsory approval procedure, basic staff requirement, basic quality requirement, self handling definition, thresholds of the directive depending on the free existing/expected market, and no limitation of the number of self-handling airlines except for capacity and safety reasons.
- 5.181 **Airline Associations:** BDV and AEA argue that the current lack of harmonisation is leading to market distortions and unfair competition, with AEA, BDV and ABBA arguing that a full harmonisation of the market could be achieved through full liberalisation. IATA argue for no maximum number of groundhandlers, but for a harmonised minimum for the market to be liberalised as much as possible. If the market is not liberalised then AEA and BDV suggest stepped thresholds could be

applied for 3 and 4 groundhandlers when over 10 million and 20 million passengers. IATA also argues that fuel service regulation be harmonised.

- 5.182 **Airlines:** Around half of the individual airline respondents were in favour of further harmonization of the market, but keeping the current system of a minimum number of groundhandlers at airports, as this would increase transparency across the EU of the requirements of groundhandlers and help to maintain a similar standard across all Member States. The suggestion was made to address what is considered as the major flaw of the current Directive and which is the discretion of Member States regarding the number of suppliers, which does not have to be justified. The remainder believe that if there is going to be increased harmonisation this should not be done via the current system, but should go straight to full liberalisation. Many who saw the advantage of harmonising the current system also supported full liberalisation.
- 5.183 **Airport Associations:** The airport associations argue that further harmonisation is not necessary and that there is not a single solution to the thresholds across Europe, but they should be determined by individual airports depending on their capacity and constraints. ADV also see the complete opening up of the market may have negative consequences on quality and costs. ACI add that social protection of staff and safety and security will suffer with full liberalisation.
- 5.184 **Airports:** The individual airport respondents were not in favour of further harmonisation of the EU groundhandling market arguing that the current Directive was sufficient in giving guidance regarding the minimum number of groundhandlers. They argue that the further harmonisation would be over ambitious and unnecessary and would be difficult to introduce because of the varying situations across the EU. Instead focus should be placed on implementing the current Directive fully in all Member States. Proposals for harmonisation included subcontracting, harmonised insurance sums and risk areas to be insured, approval of groundhandlers including self-handling airlines, selection of suppliers. The full opening of the market was not seen as favourable with airports losing control of the number of groundhandlers at their airport and worries raised about safety, social stability, quality and congestion. A minority of airports were in favour of full market liberalisation arguing it would increase efficiency and decrease costs to customers.
- 5.185 **Groundhandling Companies' Associations:** ASEATA argued that there needs to be harmonisation of staff training, quality requirements, self-handling definition and thresholds for groundhandlers and that by opening up the market this would not be possible. IAHA support the case for better harmonisation but not full liberalisation to allow economically and undistorted competition.
- 5.186 **Groundhandling Companies:** The majority of individual groundhandler respondents believe that harmonisation of the groundhandling market is advantageous to ensure standards are the same across the EU and support open, fair and non discriminatory competition. However, a minority believe that the current Directive is sufficient, but that it needs to be better enforced and that Member States should take a lead in this. There was broad disagreement with the suggestion to open the market fully with handling companies arguing that it would favour the financially strong players, affect safety and security standards, decrease quality and would not be advisable for all airports.

- 5.187 **Trade unions and workers representations:** They were in favour of further harmonisation of all areas of the Groundhandling market as they believe it will aid in the harmonisation of working standards across the EU, for example staff qualifications and social legislation. They were all against the full liberalisation of the groundhandling industry as it would encourage competition on all standards including worker conditions.
- 5.188 **Other:** One other stakeholder suggested the EU should consider introducing a Regulation rather than a Directive to unify national rules and ensure harmonisation across the EU and another promoted full market opening to promote the efficient allocation of resources and maximise the benefits to consumers. The independent associations were in favour of more harmonisation of the groundhandling market across the EU as this would reduce protectionism and aid simplification. They were also in favour of full market liberalisation as it would increase quality and efficiency. However, one stakeholder stated that the Directive should be implemented fully across all Member States before harmonisation occurred.

In conclusion, around half airline respondents supported greater harmonisation and full liberalisation of the groundhandling market. The majority of airports did not support greater harmonisation or liberalisation. The majority of independent handlers supported greater harmonisation but not full liberalisation as it would favour the larger groundhandling operators. Member States and trade unions supported harmonisation. However, trade unions opposed greater liberalisation because of the potential negative social impacts and most Government stakeholders were concerned about the number of airports that would benefit from such a change and the potentially negative social and safety side-effects.

*Threshold level for application of Directive and case of oscillation around the threshold (Your Voice Question 22 & 23)*

- 5.189 *Some stakeholders reported that annual fixed levels cause problems for airports oscillating around that threshold. To avoid that problem, a mechanism could be envisaged whereby the airport has to fall above the threshold for 3 consecutive years in order to be subject to the relevant provisions of the Directive.*
- 5.190 *In addition, in the case where the system of a minimum number of groundhandling providers for airside services would be kept, the question of introducing additional thresholds was raised. Indeed, even if the minimum number of groundhandling providers which are sustainable at an airport depends on many factors (such as the type of traffic of the airport, whether the airport is a hub or not, etc.), the Directive makes it possible at the moment that, all else being equal, an airport with 3 million passengers has to accommodate the same number of minimum providers as an airport with more than 50 million passengers (Member States can indeed limit to 2 the number of suppliers for these airports). Some stakeholders therefore proposed, in order to avoid that the number of groundhandling providers could be underestimated at very big airports, to increase the number of minimum suppliers for these very big airports to at least 3 or 4, depending on the airport's size. This would be possible by introducing additional thresholds such as (threshold levels are only illustrative): minimum 3 groundhandling providers for each airside*

*category at airports with a traffic over 30 million passengers or 100 000 tons of freight; minimum 4 providers at airports with a traffic over 60 million passengers or 250 000 tons of freight.*

- 5.191 **Question:** *What would be for you the advantages and disadvantages of the proposed mechanism (or any other mechanism that you might propose) to avoid airports oscillating around the threshold? Please specify the economic, social and environment impacts.*
- 5.192 **Question:** *What would be the advantages and disadvantages of introducing additional thresholds for the minimum number of groundhandlers for very big airports? What threshold(s) would you suggest? Please specify economic, social and environment impacts.*
- 5.193 **Member States:** There was agreement from all Member State respondents for the introduction of a longer term view of airport activity to determine whether an airport is above the Directive threshold. Sweden said that this would ensure that infrastructure investment was worthwhile and necessary and that there was sufficient demand for any groundhandler entering the market. A regional government questioned the relationship between the freight and passenger thresholds and argued a 30 million passenger airport could not be compared to a 250,000 tonnes of cargo one. Whether there is a need for more thresholds met a mixed reception with Poland arguing it would be preferable as currently 3 million and 50 million passenger airports are treated the same. However, France, Bulgaria and Belgium see it as unnecessary and raised concerns as to whether additional groundhandlers could be accommodated at airports without a detrimental effect on safety, security and congestion. Hungary raised questions over how different terminals are treated at an airport and if one could need more groundhandlers than another at the same airport.
- 5.194 **Airline Associations:** Most airline associations thought the Directive should be applicable to all airports, but if a traffic threshold is used than a 3 year period is acceptable. IACA and BDF suggested lowering the minimum threshold to 200,000 passengers. EFA also supported a multi-threshold approach with free access at the largest threshold with agreement from the AUC. AEA and BDF believe there should be objective criteria to restrict the number of groundhandlers as BDF say it is often for political reasons. IATA argues that fuel facilities should be open access.
- 5.195 **Airlines:** The majority of individual airline respondents were in favour of an airport been subject to the Directive once it reached a certain threshold. They agreed that long term trend in passengers or freight was needed to remove the difficulties with the current drafting of the Directive. Suggested criteria included 3 consecutive years below the threshold or 2 consecutive years or 5 years out of 10. There were calls from some airlines for the Directive to be applicable at airports regardless of their size and to remove the minimum number of suppliers. Thresholds based on the number of passengers were also not seen as sufficient with some airline stakeholders arguing other factors were important such as having an adequate number of providers for the business models of airlines demanding the services. One major concern raised by two airline stakeholders was how to reduce suppliers if the airport fell below the threshold with one suggestion that those with the highest market share keeping their access to the market. Other concerns included what would happen if the minimum number of service providers could not be found if the

business opportunity was not attractive at the airport and whether additional thresholds were politically achievable.

- 5.196 **Airport Associations:** Most airport associations were happy for a longer term view of traffic to be used to decide whether the Directive was applicable, however, one thought it was unnecessary as the problems of lack of space, cost increases, industrial relations will still exist. ACI proposed that the size of the contestable market should be the deciding factor for any increase in the number of groundhandlers in the market.
- 5.197 **Airports:** About half individual airport respondents were in favour of a longer term definition of passenger numbers to determine the threshold whether the Directive was applicable to an airport as this would aid planning and would ignore any annual fluctuations. One stakeholder also suggested the introduction of a recurrence principle for the number of years an airport has to be above a threshold. The others were happy with the way the thresholds were enforced at the moment. There were suggestions that there should not be a minimum number of groundhandlers and that the threshold would be based on clear, measurable restrictions with space and the contestable market at the airport should be taken into account. This meant that the few respondents that agreed with additional thresholds felt they should be based on something other than solely passenger and freight traffic. One stakeholder also suggested that the level of freight and passenger traffic that currently takes an airport above the threshold is too low. There were a large number of objections to additional thresholds mainly because they were unnecessary and by forcing the minimum number of groundhandlers to increase it may cause safety concerns at some airports. Concern was also raised as to whether with more groundhandlers in some airports this may erode the commercial opportunity for all groundhandlers (by spreading a small contestable market across more groundhandling providers). One respondent suggested a sliding scale to determine the minimum number of groundhandlers or the airports deciding the possible number of providers.
- 5.198 **Handling Companies' Associations:** ASEATA believe member states should determine the number of operators at an airport and the thresholds should be for longer than a year.
- 5.199 **Handling Companies:** The majority of handling companies were in favour of a longer more stable view of airports being consistently exceeding the threshold, with average traffic across years and other variables being taken into account. There was some support for more thresholds and minimum numbers of groundhandlers. However, the majority of individual groundhandling company respondents raised concerns of congestion, the size of the contestable market and safety. One respondent suggested the number of ground handlers allowed, at large or very large airports, should be the decision of the Member State.
- 5.200 **Trade unions and workers' representatives:** Many workers' representatives raised concerns about increasing competition at airports being unnecessary as this may introduce instability and insecurity in the market, especially if the market is not sufficiently large to sustain the extra entrants that are introduced. The contestable market and impact of deregulation need to be taken into account before any change to the thresholds is made.
- 5.201 **Other:** One of the independent organisations suggested a better definition for the thresholds, not based solely on passenger numbers.

The majority of stakeholders supported the introduction of a longer-term threshold definition for application of the Directive. Most stakeholders did not support additional thresholds, but some supported the full liberalisation of the market removing all thresholds. Trade unions opposed the introduction of an increase in competition. Defining the size of the “Contestable” market was seen as the most important factor by many stakeholders in determining the number of ground handling companies it could support.

**Member States Approval and approval Procedure (Your Voice Questions 24 & 25)**

- 5.202** *Approvals (article 14 of the Directive) are not compulsory but have been widely introduced by Member States. However they differ across Member States (some deliver approvals per category of ground handling activity, others per airports of operations etc.).*
- 5.203** *A refinement of the criteria to obtain an approval could be introduced to limit the divergence of what is required to perform a groundhandling activity. But the criteria could also be changed, and additional criteria, not mentioned in the current directive, introduced. They could include for instance training provisions or quality measures.*
- 5.204** *Question: What would be the advantages and disadvantages to refine the conditions to obtain an approval? Please specify economic, social and environment impacts.*
- 5.205** *Question: What would be the advantages and disadvantages to change the criteria taken into account for approval? How about including training provisions or quality measures? Please specify economic, social and environment impacts.*
- 5.206** **Member States:** The Member State respondents provided a variety of responses with Germany, the UK, France and the regional governments proposing that refinement was not needed and current guidelines were sufficient, whilst Bulgaria and Spain thought that anything to limit divergence between Member States should be supported. Belgium and Spain thought training provisions, safety and security and quality measures should be included in approval processes. Italy and Hungary both stated they have developed their own regulation to guarantee the quality of applications.
- 5.207** **Airline Associations:** IATA propose the use of the IATA Safety Audit for Ground Operations Program by Member States to define their approval criteria, this includes 300+ agreed standards to promote safety, efficiency, training, personnel management etc. ABBA, BDF and AEA proposed that these standards should not be defined by the Member States, but should be in the contract between the two parties (airline and ground handler).
- 5.208** **Airlines:** The majority of individual airline respondents believe that further conditions for groundhandling operators to meet in order to operate in the EU should not be set by the Directive. Instead any details should be decided in consultation between a range of stakeholders, including the users, the providers,



the airport and the AUC. A number of respondents believed that current regulation is sufficient and one stakeholder raised concern that any further conditions may incur further costs for groundhandlers.

- 5.209 **Airport Associations:** Most airport associations agreed that there needed to be harmonisation of approvals processes across Member States to improve performance and to allow effective operation of groundhandling activities. This may increase costs but will ensure there is not differing requirements for the same services.
- 5.210 **Airports:** The individual airport respondents believe that there is a need in many Member States for a better harmonisation of the approval procedures. There are mixed views amongst airports and about refining the criteria for approval, with some believing that it would be useful if conditions covered working conditions, quality, training and insurance etc. Others disagreed saying Member States should be free to develop their own local criteria and that the current rules are sufficient. There were other advantages described for increasing the conditions taken into account for approval including these criteria creating unified standards across the EU and removing local inconsistency and subjectivity from the approvals process.
- 5.211 **Handling Companies' Associations:** ASEATA supports the establishment of uniform conditions across all Member States and suggests minimum criteria for training and qualification of workers, quality and security. IAHA disagree saying there is no need to change the current Directive and increase the administrative burden on groundhandlers.
- 5.212 **Handling Companies:** The individual handling companies had mixed views on the approval procedures with 50% believing that there needs to be no change at the Directive level with any changes taken at the Member State level whilst the other half saw the benefit of introducing general criteria to make access uniform across the EU. The criteria supported by most respondents were for training and qualification for workers with them declaring that the standards for this were not currently sufficient. However, one respondent pointed out these criteria could not necessarily be uniform across all types of groundhandlers as they may have very different characteristics.
- 5.213 **Trade unions and worker representatives:** All agreed that training and staff qualifications should all be part of the criteria that groundhandling companies should have to meet to be granted approval to operate in Member States.
- 5.214 **Other:** One stakeholder strongly opposed quality standards as these are difficult to test and may sharpen divisions in groundhandling services if they are judged differently by Member States. The independent associations had differing views with one strongly supporting one approval process for the whole of Europe, another believing criteria should be defined in the service level agreement and a final one supporting the argument that current regulation in this area is sufficient.

In conclusion, there was no consensus across each category of stakeholder on this question. Some stakeholders saw the advantage of greater standardisation of approach across Member States and introducing requirement for training and staff qualifications in approvals procedures. However, around one half of respondents from airlines, airports, government and independent ground handlers did not believe further regulation was required. Airlines felt it should be left to contractual agreements between stakeholders, and a number of other respondents supported the discretion at a Member State level.

## Definitions requiring Clarification

### *Self-handling (Your Voice Question 26)*

- 5.215 *The principle that carriers have the right to handle their aircraft, referred to as self-handling, is generally acknowledged. However, it has been raised by some stakeholders that the scope of what should be considered as self-handling could be clarified or amended, in particular with respect to industry practices such as wet lease, dry-lease, code-sharing, alliance arrangements.*
- 5.216 *Question: What would be the advantages and disadvantages to refine the boundaries of self-handling? Please specify economic, social and environmental impacts.*
- 5.217 **Member States:** Many Member State respondents agreed that the definition in the Directive did need to be clarified especially regarding alliances and Belgium suggested the role of freight integrators needs to be defined. Sweden suggested that the AOC should have a role in controlling self-handling to ensure services are available. Germany, France and Italy were all concerned that by extending the definition it may reduce the contestable market. The UK supported the right for airlines to be free to choose their groundhandler. Spain said it would be useful to harmonise the interpretation about what is covered by self-handling across Europe. Poland said that by defining self-handling better this would reduce misunderstanding.
- 5.218 **Airline Associations:** All the airline associations were in favour of redefining self-handling to include the widest possible definition. This they argued would promote the benefits of economies of scale and lower prices.
- 5.219 **Airlines:** All the individual airline respondents except one were in favour of expanding the definition of self-handling to include code sharing, wet lease, dry lease and alliance partners. The benefits they described included allowing economies of scale, improving quality and greater efficiency through integration. One negative effect mentioned was that airlines may experience a reduction in choice as they have to use a partner's groundhandler.
- 5.220 **Airport Associations:** All the airport association respondents were opposed to extending the definition of self-handling, arguing that this would be against the principles of the free market by reducing the contestable market. They were all satisfied with the current definition.
- 5.221 **Airports:** The individual airport respondents were not in favour of an extension to the definition of self-handling. However, a number were in favour of a clarification to the definition so that it is easier to define those handlers that are operating as

self-handlers and to ensure there is a consistent definition across airports and Member States. The arguments against the extension of the definition of self-handling included concern that it would reduce the contestable market open to third party groundhandlers and would reduce market competition as well as enforcement difficulties in defining alliance partners and freight integrators. One stakeholder suggested that an extension to the self handling definition should only be allowed in defined exceptional circumstances.

- 5.222 **Handling Companies' Associations:** The handling company associations were not in favour of any widening of the definition. ASEATA suggested that self-handling must relate to the requesting airline and its subsidiaries and franchise operations. IAHA requests a tightening of the definition of article 2 (f) by stipulating: '...concludes no contract of any description with a third party [for the provision of such services]...'.  
 5.223 **Handling Companies:** The respondents from handling companies were not in favour of extending the definition of self-handling as it would reduce the contestable market and may lead to cascading subcontracting processes. There was support for and a suggestion to clarify the definition further to ensure covert self-handling does not occur. There was agreement amongst respondents that self-handlers should need to adhere to the same rules and requirements as third party groundhandlers in order to operate at an airport.  
 5.224 **Trade unions and worker representatives:** All were not in favour of a widening of the definition of self-handling with one suggesting the introduction of approvals for self-handling in the same way as required for third party groundhandlers.  
 5.225 **Other:** One independent association felt that the definition should be widened for self-handling as this would allow further market liberalisation as the airline would only self-handle if it was cost effective. This viewpoint was supported by the law firm that responded to the consultation. Another association was not in favour of this as it will disadvantage the independent groundhandlers.

In summary, most respondents supported an improvement, and greater clarity in the definition of Self-handling in the current Directive. Airlines and their associations supported the widening of the self-handling boundaries to include code sharing, alliance partners, and services provided under dry and wet leases. The airports, independent handlers, governments and trade unions did not support the widening of the self handling market boundary definition, as this would result in a reduction in the size of the contestable market.

***Freight handling (Your Voice Question 27)***

- 5.226 ***Freight handling definition has been raised by stakeholders as causing problems: the handling of certain types of air freight (coffins, art work, etc.) usually involves specific actors, which may not be selected freight handlers in the meaning of the Directive as they only operate punctually at the airport. Integrators face similar problems: few handlers are capable to play a part in the specialised process of handling express cargo, and not all handlers are capable of operating at the time integrators require their services, mainly at night. As a consequence, these companies have little choice than to organise their own on-loading or off-loading.***

- 5.227 **Question:** *What would you suggest to improve the handling of freight? Please specify the advantages and disadvantages of your suggestions, and their economic, social and environmental impacts.*
- 5.228 **Member States:** Most Member State respondents felt the current guidelines were sufficient and that they did not know of any situations where this had been a problem. Hungary suggested separating the treatment of passenger and cargo handling activities in the Directive as this would allow for specialised handlers to provide cargo handling. Sweden states that through its own regulation of the industry it ensures that freight forwarding companies are always available at airports but is unable to influence the prices that they charge customers. Spain suggested the areas of responsibility for cargo handling needed to be defined.
- 5.229 **Airline Associations:** EFA suggested freight handling definitions should be dealt with through consultation with the airport and AUC. AEA argued that freight handlers should be able to handle the flights of all aircraft on their network and liberalisation will help to solve this problem. They highlight that this shows a one size fits all policy on groundhandling is not effective. BDF are concerned that any special treatment of cargo handlers may lead to discrimination and with the blurring of the lines between integrators and general air cargo airlines it may be difficult to decide who should get this special treatment.
- 5.230 **Airlines:** Most respondents from individual airlines were in favour of cargo operators being able to self-handle their own flights. A small number of airline respondents suggested solutions that included handlers being able to deal only in freight and not passenger handling. Additional suggestions, included that groundhandlers need to have clauses built into their contracts at an airport to offer freight handling services between certain times of day and responses in support of complete liberalisation of the freight groundhandling market.
- 5.231 **Airport Associations:** ADV believe freight handling should be reviewed on a case by case basis, but should only be performed by an authorised freight service provider or can be self-handled by those that fly the freight themselves. ASEATA do not support any special treatment as if the service is not being provided a company can enter the market or a cargo company can self-handle. ACI suggests that operators must undergo specific training to operate certain freight.
- 5.232 **Airports:** The individual airport respondents generally agree there is no need to change the definition of freight handling, however, a few did suggest that freight handler's needs should be assessed on an airport by airport basis. It was suggested by a small number of airport respondents that the services that are included in the definition should be clarified and there may need to be certain requirements a groundhandler has to fulfil to carry certain freight for example specific liability insurance.
- 5.233 **Handling Companies' Associations:** One handling association suggested that a fully open market would avoid any freight handling problems and the IAHA was concerned about creating artificial distinction and separate licensing needs. ASEATA thought a clearer definition of responsibilities would be advisable.
- 5.234 **Handling Companies:** Most of the responses from individual handlers companies did not include a response on the issue of freight handling. Of the small number that did respond, they suggested that there should be clearly defined responsibilities for freight handlers and freight integrators. Two respondents suggested that freight

handlers should be allowed to transport their own goods so long as they met the same training, safety and insurance criteria as other groundhandlers. Another said that handlers should be allowed to specialise in certain areas of groundhandling.

- 5.235 **Trade unions and worker representatives:** Only two trade union stakeholders responded, one suggesting special measures were not necessary and the other suggesting training and education requirements are needed.
- 5.236 **Other:** The law firm and independent association that answered this question both suggested that the market should be fully liberalised in the area of freight groundhandling operations.

In summary, there were not strong views surrounding the definition of freight handling. Many stakeholders were happy with the current definition, but airlines were in favour of allowing freight handlers to self-handle.

#### *Groundhandling Category 1 (Your Voice Question 28)*

- 5.237 **The Annex of the Directive comprises a wide range of activities. It indeed encompasses administrative tasks as well as "telecommunications", "handling and storage of unit load devices" and "any other supervision". Some Member States mentioned that this definition could be clarified, in particular when it comes to delivering approvals to undertakings falling under this category.**
- 5.238 **Question: What would you suggest in order to clarify or amend the definition of "ground administration and supervision"? Please specify the advantages and disadvantages of your suggestions, as well as their economic, social and environmental impacts.**
- 5.239 **Member States:** A number of Member State respondents suggested that clarifications of this definition were necessary as it was too broad. Italy and Spain suggested moving 1.3 from category one to category four. Spain also suggested 1.2 be moved to four and Hungary thought category one and nine could be combined. France argued that any change in the Directive would mean that national legislation would need to be amended and instead further clarification can be found in the Airport Handling Manual published by IATA. Germany and Belgium did not think any change was necessary. The regional governments did not see this as an issue as at regional airports groundhandling category one is rarely applicable.
- 5.240 **Airline Associations:** There were limited responses to this question with only one comment by EFA about category 1.4 providing sufficient opening to cover needs by user.
- 5.241 **Airlines:** Most individual airlines did not respond to this question. Those that did thought that the definition of Groundhandling category 1 should fall within any contractual arrangement between airlines and handlers. One respondent suggested that physical handling and documentation/administrative handling should be under separate categories within the Directive.
- 5.242 **Airport Associations:** The airport associations did not see any need for the definition to change.
- 5.243 **Airports:** Most individual airport respondents did not believe that any changes should be made to the definition of Groundhandling Category 1. Some suggested ensuring that the definition was consistent with IATA standards 2008 and three airport respondents thought there was some merit in clarifying the definition.

- 5.244 **Handling Companies' Associations:** There was only one suggestion that categories 1.2 and 1.3 be classified in category 4.
- 5.245 **Handling Companies:** Most respondents from handling companies did not believe that any changes were needed to the definition of Groundhandling Category 1. Respondents agreed that the definition should correspond with IATA standards. However, some handling companies raised a concern that this definition needed to be expanded and clarified.
- 5.246 **Trade unions and worker representatives:** The only suggestion from trade unions was that supervision is necessary to ensure handling operators who do not comply with the definition stop their activities.
- 5.247 **Other:** There was a suggestion to bring the definition in line with IATA even though other respondents had previously said the definition is the same. One other respondent suggested that there should be two categories of handling agents, those providing services to airlines and those providing service to the private/business/corporate and general aviation.

In summary, most stakeholders agreed that the definition of Groundhandling Category 1 does not need to change, that it should be in line with IATA standards and that any clarifications or further details can be clarified within these standards not within the Directive.

***Centralised Infrastructure (Your Voice Question 29)***

- 5.248 ***Centralized infrastructures are not defined explicitly in the Directive, but refer to infrastructures used for the supply of groundhandling services whose complexity, cost or environmental impact does not allow of division or duplication. Usage of these infrastructures can be made compulsory by Member States. It has to be recognized that centralized infrastructures across Europe are of different nature, depending on the airport's location in the European Union. This has significant impacts as the introduction of these infrastructures at an airport reduces the contestable market.***
- 5.249 ***In addition, the way in which the managing body of these infrastructures (which can be the airport or "another body") is designated is not clear, as the Directive only states that "Member States may reserve [for this body] the management of the centralized infrastructures". In particular, when it comes to the "reservation" of an installation as "centralized infrastructure", clarifications could be made on the role of the "managing body of the centralized infrastructures", whether it is the airport or not. And in the specific case where the "managing body of the centralized infrastructures" is not the airport, the respective roles of this body and the airport could also be addressed.***
- 5.250 ***Question: What would you suggest in order to clarify the concept of Centralized Infrastructures and improve the way these infrastructures are managed? Please specify the advantages and disadvantages of your suggestions, as well as their economic, social and environmental impact.***
- 5.251 **Member States:** There were a mix of views from Member State respondents with some believing the definition of centralised infrastructure was extensive enough whilst others believed elements should be defined further. Bulgaria suggested the core infrastructure to include baggage handling system, passenger boarding bridge,

fixed power installations, fuel and oil stations and check-in desks. Hungary believed that if any further clarification was needed then this could be done on a case by case basis. Italy and a regional government asked for management responsibilities of the centralised infrastructure to be defined. Poland suggested publishing the fees and included infrastructure on the internet so that they were transparent.

- 5.252 **Airline Associations:** Most airline association respondents suggested that fees be subject to minimum criteria and legislation should help ensure that airlines are not being charged twice through a fee and an airport charge. IATA suggests the fuel services need greater clarity in the definition. ABBA calls for a more restrictive definition to ensure a fair and transparent access. However, EFA argue this should be done at the individual airport level.
- 5.253 **Airlines:** To improve the management and clarity of the concept of Centralised Infrastructure in the Directive most of the individual airline respondents suggested that criteria should be used to define Centralised Infrastructure and a fair and transparent system of charging mandated. Concern was raised about the situations when the airport provides groundhandling services and also defines Centralised Infrastructure and the charging arrangements. To address this, the amended Directive should require an independent body to be responsible for setting criteria and overseeing charges for Centralised Infrastructure. There was another concern raised by a number of airlines that they should not pay twice for infrastructure through Centralised Infrastructure fees and airport landing charges.
- 5.254 **Airport Associations:** One airport association argued that centralised infrastructure should be further defined at an airport level and another saw this definition as sufficient as Member States can define the infrastructure further. However, the other airport association believed that greater detail in definition will help Member States define centralised infrastructure at airports.
- 5.255 **Airports:** Most airports argue that the current definition of Centralised Infrastructure is sufficient and that it should not be further defined as it needs to be applicable to a variety of airports and conditions. However, a number said the definition would benefit from being more precise and a list of services developed. Most airports believe the definition and control of Centralised Infrastructure should be the responsibility of the airports alone.
- 5.256 **Handling Companies Associations:** One handling company association said that this definition was sufficient and that the Member States should be the one to define centralised infrastructure for their own airports and the criteria for charging. IAHA were concerned that charging is sometimes excessive and distorts competition if different types of handlers pay different rates.
- 5.257 **Handling Companies:** The responses from individual handling companies contained a number of different suggestions for clarifying the approach to Centralised Infrastructure in the Directive. Only one believed that Member States should be the ones to define centralised infrastructure further. Others thought there should be publication of the content of Centralised Infrastructure in each airport to ensure consistency, transparency and harmonisation across all Member States. There was also the suggestion to introduce an independent regulator to ensure fairness of Centralised Infrastructure charging across the groundhandling industry.
- 5.258 **Trade unions and worker representatives:** There were no suggestions from the trade unions.

- 5.259 **Others:** One association suggested a third party should oversee the definition and charging of centralised infrastructure to ensure competition is not distorted. The regulation of charges was highlighted as an area for concern and it was suggested that minimum, transparent criteria was needed. The law firm respondent suggested that the definition needs to be more restrictive as otherwise the airport is free to define their own centralised infrastructure with no consultation with users.

In summary, stakeholders agreed that the Directive is not clear about which party should define what is included within the definition of Centralised Infrastructure and what charges are acceptable. Further clarification is necessary, but there is a range of opinions as to how this should be done. Airlines and some other respondents supported the introduction of an independent regulator. Airports felt this should be left to them to define. Some independent handlers suggested that publication and therefore transparency of the criteria basis of the fees should be required.

#### *Other Issues (Your Voice Question 30)*

- 5.260 *Question: What are the other issues with the Directive you would like to draw to our attention?*
- 5.261 A number of the respondents highlighted further issues that were not discussed in their specific responses to questions raised in the consultation. These suggestions are summarised below.
- Regulation versus Liberalisation*
- 5.262 There was concern raised by a stakeholder as to whether any changes to the Directive would increase the regulatory burden and reduce the opportunity to establish an open market. Its view was that any amendments to the Directive should introduce further market liberalisation.
- 5.263 Two stakeholders proposed that to assist the effective introduction of complete market liberalisation, the EC or States should, at the same time, introduce a requirement for an independent monitoring of the operation of the groundhandling market to ensure that there were no abuses taking place.
- Enforcement across all Member States*
- 5.264 Some stakeholders said that before any revision to the Directive is made, the Commission should ensure that the current requirements of the Directive are implemented across all Member States. Differing approaches to implementation across Member States was a source of significant frustration.
- 5.265 A stakeholder stated that any changes to the Directive should continue to allow for flexibility to local circumstances and be flexible to the size of the company and airport.
- 5.266 Two other stakeholders supported the case for a process for appeals and continuation of an exemption procedure.
- 5.267 One stakeholder suggested a harmonised definition of the cost of groundhandling to be adopted so that there can be a comparison across all airports in the EU.
- Additional suggested changes to the Directive*
- 5.268 A number of stakeholders made suggestions for specific changes to the Directive:



- Offices should not be classified as commercial premises, but as Centralised Infrastructure;
- Fuel infrastructure should be classified as Centralised Infrastructure under the Directive;
- Ramp handling for General Aviation should be removed from the Directive;
- A better definition of the insurance required by groundhandlers should be drafted;
- Category 8 Groundhandling should be better defined; and
- Provide guidance when the withdrawal of a groundhandler, at an airport with only two providers, leaves a temporary situation where only a monopoly provider is available. Methods for awarding additional licences, or reserve licences to provide competition in this situation should be made available.

*Reducing market viability*

- 5.269 There is a concern that changes to the self-handling definition in the Directive allied with airline consolidation will significantly reduce the commercial viability of independent providers of groundhandling. As the number of airlines decreases and there is further integration through alliances, code shares etc. it is likely that at airports where there is a major airline or alliance, this will lead to a single groundhandler gaining most of the contestable market. This may in turn result in a monopolistic situation being created. There was a suggestion that all companies offering groundhandling separate should have no association with either the airports (infrastructure provider) or the airlines (the passenger service provider). This would lead to providers focussing on standards and quality.

*Other concerns*

- 5.270 An airport stakeholder raised the concern that poor groundhandling service provision would have adverse impacts on the airport operator's reputation. Therefore, measures should be taken to ensure minimum quality standards were guaranteed for end customers (passengers and freight users).

## 6 Information: Research of the issues

### Introduction

- 6.1 In this chapter we present the results of Steer Davies Gleave’s independent analysis of the key issues identified during previous studies and the stakeholder consultation. The aim of the chapter is to try to collect fact based evidence. In many cases, data and facts are not available from previous studies or the opinions expressed by stakeholders during previous consultation exercises.
- 6.2 The analysis aims to identify the underlying drivers of these issues as well as their practical effects, and their order of magnitude. We have utilised data for the maximum number of countries available, however in most cases data is only available for a sub-set of countries covered by the European Ground Handling Directive.
- 6.3 The issues raised in Chapters 4 and 5 can be characterised into the following groups that we have analysed:
- **Market failure:** where imperfections in the market mechanism, lead to failures to reach the expected outcome, or lack of availability of services;
  - **Consequences of moving from a managed monopoly ground handling business to a managed competitive business:** where the changes introduced by the current Directive have led to impacts on the operation of industry;
  - **Regulatory and legal costs:** where the existing system impact the costs of operation due to regulatory and legal procedures, enforcement of the current Directive; and
  - **International precedent:** where there may be lessons from how other countries manage their ground handling market relevant to any further proposed changes in the European market.
- 6.4 In the remainder of this chapter we present the evidence that Steer Davies Gleave has collected.

### Market failure

- 6.5 The research areas where we have attempted to collect information on market failure in the European groundhandling market include: barriers to entry, limitations on the size of the competitive market, and domination of one groundhandling provider.

#### *Barriers to entry?*

#### *Approvals*

- 6.6 Section 14 of the Directive allows States to use independent authorities to provide conditional approval of suppliers of groundhandling services and self-handling services. *“The criteria for such approval must relate to a sound financial situation and sufficient insurance cover, to the security and safety of installations, of aircraft, of equipment and of persons, as well as to environmental protection and compliance with the relevant social legislation.”*

- 6.7 The barriers to entry perceived by the stakeholders are generally of 3 types:
- **The approvals and airport licensing process is different in each Member State across Europe:** in some countries (France and Portugal) there is a double system: a handler must obtain an approval from the Civil Aviation Authority and a license from the airport operator; in a similar way in Ireland the approval is delivered by the independent regulator the Commission for Aviation Regulation and the licence is provided by the airport. In Greece, in some cases staff have to be interviewed as part of the approval process, and all equipment available for use before receiving a licence to operate, which is perceived by stakeholders as a serious entry barrier to handling business.
  - **The approval requirements vary greatly:** for example as provided in the table below certification in Italy and training in Denmark. Moreover some requirements such as high levels of insurance, value of bona-fide guarantee or significant levels of registered financial capital are seen by groundhandlers as barriers to entry since they are believed to be cost increasing, especially for small independent groundhandlers wishing to access activities such as passenger handling, etc;
  - **The length of time for the approval to be issued:** this can be very long and particularly for new handlers adds a significant financial burden and barrier to entry on small groundhandlers, when they are staffed and fully equipped awaiting the official authorisation to start operations.

6.8 Measuring the impact of barriers to entry is difficult as groundhandling companies would not consider requesting an approval in the airports or countries where they feel barriers to entry to be hampering competition, so therefore it is very difficult to estimate how strong the effect of these can be. However, the table below presents the approval requirements of a selection of countries and illustrate the wide range of licensing processes and requirements.

**TABLE 6.1 APPROVAL REQUIREMENTS AND OTHER TYPES OF LICENSING**

Country	Type of approval/ licensing	Approval requirements	Length of time to be approved	Length of approval
Denmark	License delivered by the airport	Employee training, safety standards		7 years
France	CAA approval and then airport licence led	Insurance requirements and healthy financial situation, adhere to legislations		5 years
Germany	CAA led (must sign contract to operate with airport)	Financial and capacity statements, professional competence, staff transfer plans		7 years
Netherlands	License delivered by the airport	Business, Safety and Environment plan, bank guarantee, ISO certificate		Indefinite, but reviewed every 3 years

Country	Type of approval/ licensing	Approval requirements	Length of time to be approved	Length of approval
Italy	CAA led	Capital stock, equipment and capabilities, social legislation and insurance		4 years (2 years extendable to 4)
Portugal	CAA led then airport led	Financial, technical, insurance, adhere to social legislations	Lengthy aims to be 3 months	Revalidation every year
Spain	CAA led	Legal standards, financial standards, insurance, security, environmental protection and social legislation etc	Long when first developed	7 years
UK	no approval; License delivered by the airport	Variable with some airport asking for experience and letter of intent to use the service from an airline		7 years
Poland	CAA led	Financial and fiscal statements, economic fitness, insurance details		Left to the groundhandler to decide
Malta	CAA led	Financial fitness, insurance cover, security and safety of installations, aircraft, equipment and persons and compliance with relevant industrial legislation		7 years
Hungary	CAA led	Indication of where services would be performed and the services supplied		5 years (which can be extended to another 5)

Source: National transposition directives, SH&E 2002

### ***Limits on the size of the competitive market?***

- 6.9 The limit of the size of the competitive (or contestable) market remains an issue at many airports. Throughout the European Union, the contestable market (total market excluding the self-handling part and, at those airports where the major based airline(s) is allowed to handle third parties, the operations of that airline's franchisees, alliance and code-sharing partners) size is estimated to be at around 40-45% on average for EU-15 airports (SH&E 2002). However, the size at each airport varies considerably - at some being as high as 75-80-% of the market, based on SH&E's estimate of what was the contestable market. In the ARC 2008 study they conducted a survey of handlers, airport operators and airlines for a sample of airports which showed the variation of the size of the contestable market by airports was wide (based on a survey results) and found that the average contestable market was "probably higher at New Member States airports" (ARC 2008), but this varies by country and by airport size. Where the self-handling airlines or the airport operator dominate, this has an impact on the finances of ground handling companies. In this case most independent third-party handlers will struggle to make a profit. For instance in 16 small Spanish airports, only Iberia

Handling is able to offer handling, as it is non-economically viable for the other handlers to do so.

- 6.10 Airlines have been keen to state their right to self-handle their operations and are pushing for inclusion of their “alliance partners” within their self-handling activities. However, there is no precise definition of what alliance partners are and this can range from merger partners such as Air France and KLM to airlines member of a global airline network (such as the Star Alliance, oneworld or SkyTeam) to code-share partners on specific routes. The Directive’s definition of self-handling does not permit airlines to handle wet-lease operations<sup>1</sup> or to undertake reciprocal handling (that is at an airline’s base to handle another airline which handles the first airline at its base).
- 6.11 The size of the “contestable” market at larger airports would be likely to reduce if the definition of the self-handling market was allowed to include alliance partners, codeshare arrangements etc. From the airline alliance perspective we can understand it would be in their interests in some cases to standardise and regroup their handling requirements at airports in order to benefit from economies of scales, or to facilitate joint procurement or to remove administrative burden in the case of small operations at an airport. As discussed later in this section, in Australia there are no restrictions on self-handling. Airlines are free to have their handling organised by themselves, alliance members or third-party handlers.
- 6.12 However, as described above, the size of the contestable market is already limited at a number of airports, and therefore, widening the self-handling definition would serve to reduce the size of the contestable market available other providers of ground handling services, including legacy and independent ground handlers.

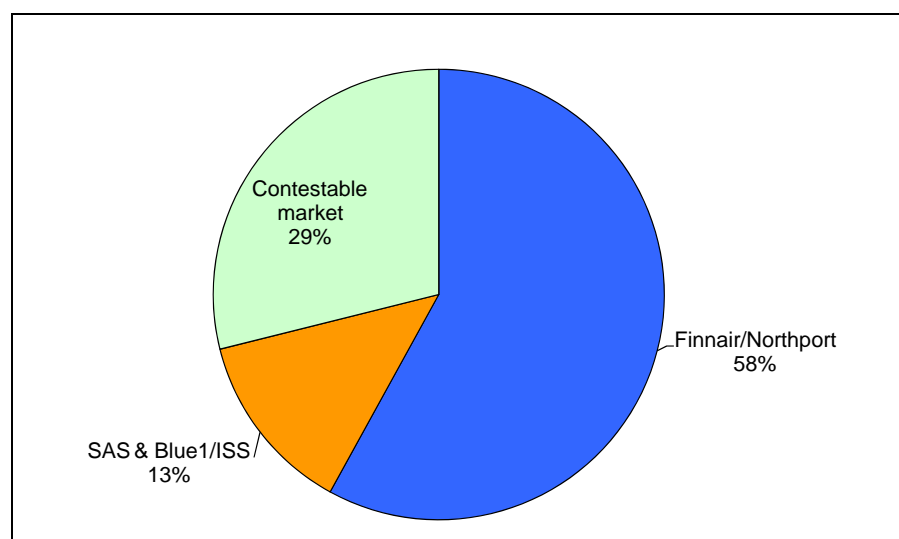
***Domination of one ground handling player***

- 6.13 Even though the markets at many European airports are now open for competition between groundhandling companies, the contestable market that companies can access may remain restricted. For example, Helsinki airport’s groundhandling market is fully open to competition. However, as illustrated in Figure 5.1 Finnair dominates the air market at this airport with a 58% share and Northport, a former subsidiary of Finnair operates as a groundhandling company at the airport. SAS and Blue1 (owned by SAS) airlines together have a 13.1% share of the air market and ISS, a groundhandling company formerly owned by SAS also operates at the market. In practice, this means that less than 30% of the airline market is contestable to be shared by groundhandling companies with no historical links to major airlines at the airport. This is reinforced by an independent ground handler at the airport stating that only 20% of the airport market is available to them. These estimates of the contestable market are lower than the EU-15 average found in the SH&E study. Moreover, the recent ARC report found that self-handling at airports in the EU-27 represented on average 26% of the Groundhandling market (ARC 2009).

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<sup>1</sup> A wet lease is a leasing arrangement whereby one airline (lessor) provides an aircraft, complete crew, maintenance, and insurance (ACMI) to another airline (lessee), which pays by hours operated.

FIGURE 6.1 HELSINKI GROUND HANDLING MARKET



- 6.14 The historical links between airlines and their chosen groundhandling agents are likely to remain in the short to medium term. This means that the contestable market open to new groundhandling providers in this seemingly open market can remain very restricted in size.

***Domination of the airport when it provides GH services***

- 6.15 At a large number of airports in the EU-27 the legacy groundhandling service provider, associated with or a subsidiary of the airport operator often continue to dominate the provision of groundhandling services. There are potentially a number of advantages for airport groundhandling service companies.

- There are generally no selection procedures to pass to enter the airside airport market from airports respectively;
- Legacy understanding of the airport's operations and allocation of centralised infrastructure to the airport groundhandling company;
- Relationships with the airline customers that have been built up over many years of providing groundhandling services with the company;
- Shared expertise, and influence with the wider airport management with respect to access to airport infrastructure; and
- Size of operation, for example in the case of Fraport who handles Lufthansa at Frankfurt airport ARC believe it would be very difficult for an independent handler to compete as the vast majority of the market is already handled by the airport competitor (they would have no economies of scale benefits).

***Interaction between size of airport, airline profile and groundhandling agents***

- 6.16 The current Directive sets a threshold related to ramp handling services competition at a level of 2 million passengers and 50,000 tonnes of cargo per annum. Airports above this threshold are subject to the Directive. Member States may limit the number of handling agents for baggage handling, ramp handling, fuel and oil handling and freight and mail handling, but at least two providers with one being an independent handler is required (Article 6).

- 6.17 The amount of independent self handlers an airport can support will depend on the size of the contestable market (see above). This is airport specific, and it is very difficult to determine a set of EU-wide parameters to reflect the differences between airports.
- 6.18 The size of the contestable market will depend on the mix of airlines, whether there is a hub airline and the number of partners or associated airlines who operate at the airport. However, in any event there will be airports with throughput of only 1 million passengers that can support an independent ground handler.
- 6.19 Moreover, in addition a number of stakeholders have argued that larger airports (above 5 million passengers throughput) and very large airports (above 10 million passengers throughput) could accommodate a larger number of independent ground handlers.
- 6.20 Experience from countries with more liberal groundhandling services, would support both of these cases where even smaller sized airports can support more than one handler and the larger airports support a larger number of handlers. In the UK, Prestwick (1.8 million) has 3 handlers (Prestwick Handling, Greer Aviation and Ocean Sky), Cardiff Wales (1.6 million) has 2 handlers (Serviceair and Aviance) at larger airports such as Birmingham (9 million) has 2 independent handlers (Swissport, Serviceair) and larger airports such as Gatwick and Heathrow support larger number of independent handlers.
- 6.21 In Ireland, Dublin supports a large number of ground handlers, at Cork (3 million passengers) Aer Lingus, Servisair and Sky Handling Partner provide groundhandling services.
- Lack of availability of groundhandling services (outside core hours or in case of disruption of operations)***
- 6.22 The lack of availability of groundhandling services outside core hours, particularly at small airports where low traffic volume makes operations less attractive, remains an issue for stakeholders. One of the reasons is that it is not economically attractive to provide services outside core-hours for a ground handler, unless it can on-charge higher fees during these periods as illustrated in the table below. We have not found any evidence relating to the number of airports impacted by a lack of ground-handling outside core-hours, and the number of movements that could not be operated at these airports because of lack of groundhandling services.
- 6.23 However, in the example illustrated by Table 6.2 we demonstrate the operational and cost reasons why groundhandling companies may be reluctant to offer their services outside the core hours. Using an example from the 2002 SH&E report where the core groundhandling operating hours are 06:00 to 24:00. When 2 movements are added outside these times, then some additional staff needs to be used for “only” 2 movements during the night. Once the movements have been handled the staff remain unused until the start of the core hours movements. This means that for an additional 2 movements outside core-hours (or an increase of 0.6% of daily movements) there is a 3% increase in handling resources units.
- 6.24 In summary the ground handler will receive around 0.6% more revenue but will incur (if we assume staff costs are 60% of total costs), some 1.8% more costs. Therefore the additional services are not economic to provide. Of course, the handler could increase the charges for its night services, but the volume of air services at night

may well mean that it will support, at most, only one ground handling provider to provide night services.

TABLE 6.2 HANDLING OFFERS

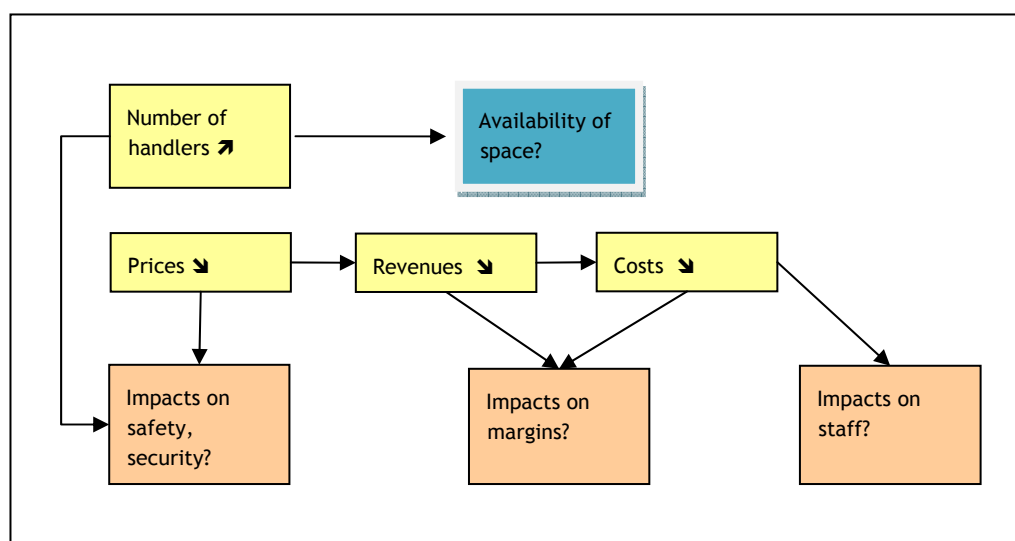
Nature of the traffic	Handling offer	Comments
316 movements to be handled between 06:00 and 24:00	With 1 handler: 480 unit handling resources	
316 movements to be handled between 06:00 and 24:00	With 2 handlers: 512 unit handling resources	6.6% more units than with 1 handler
316 movements to be handled between 06:00 and 24:00, and 2 extra movements between 02:00 and 04:00	With 2 handlers: 528 unit handling resources	10% more units than with 1 handler

Source: SH&E presentation, 2007

**Consequences of moving from a monopoly provider to a managed competitive ground handling market**

6.25 Many stakeholders have raised the issue that the enforced movement from a single provider to a managed competitive ground handling market has put significant pressure on the price offered by, and profitability levels, of groundhandling service providers. Additionally they have experienced that a more competitive environment on the ramp has led to adverse impacts on the level of safety. They also observe that changes in the market have reduced the quality of provision and that any reductions in costs have been provided through a reduction in staff costs. We have attempted to collect data to examine these issues as illustrated in the chart below:

FIGURE 6.2 FROM MONOPOLY TO A MORE COMPETITIVE ENVIRONMENT



**Trends in prices**

6.26 Finding verifiable information on the amount paid by airlines to their groundhandling suppliers is very difficult as this is commercially confidential information, based on a bilateral contract that is not disclosed. Standard rates,



unlike for airport charges, are rarely provided. The best sources of information in this case remain the surveys conducted by SH&E in 2002 and the Airport Research Centre in 2009. Both studies show that prices have decreased in nominal terms over the years since the introduction of the Directive. However, they found that although the Directive has facilitated competition “*many parties have argued that the changes in prices are a result of the evolution of the airline industry, in which airlines are constantly reducing costs and putting pressure on their suppliers.*” (SH&E page 21).

- 6.27 The surveys found that the decrease in prices was large in Member States with former handling monopolies (Greece and Italy) than in those States where the market was already open (e.g. the Netherlands).
- 6.28 The 2009 Airport Research Centre survey seems to indicate a reduction in prices of around 10% to 20% in nominal terms between 2002 and 2007 in approximately 75% of the EU-15 airports surveyed. In some cases this follows price reductions of around 5% to 10% between 1996 and 2002 for the same group of airports. In the New Member States the prices appear to have fallen significantly between 2004 and 2007, but exchange rate effects makes it less easy to provide an accurate order of magnitude.
- 6.29 It should also be noted that the Directive’s introduction is responsible for one part of this decrease in prices, but other drivers include pressure from the airlines to cut costs (particularly since 2001), economies of scales due to increasing traffic volume and stable number of handlers, and introduction of new technologies requiring less manpower. The relative impact of these different parameters is impossible to determine given the data available.

#### ***Safety impacts***

- 6.30 Groundhandling (at least the airside categories of groundhandling) is an activity that requires an intense period of activity around expensive aircraft and where accidents or incidents happen, especially where space might be restricted among suppliers of groundhandling services working on the ramp.
- 6.31 The safety requirements are the collective responsibility of the industry: airports, groundhandling companies and airlines under the requirements of their air operating certificates.
- 6.32 Based on 2005 figures from the IATA’s Ground Damage Prevention Programme, the cost of ground handling damage has been estimated by the Flight Safety Foundation to be of the order of \$5 billion per year for the air transport industry across the world, \$4 billion for the aviation industry alone and the remaining \$1 for the corporate aviation sector. These estimates exclude injury costs. Unfortunately in the analysis no data was available specifically for Europe and prior to 2005, so we are unable to estimate what the exact impact of the Directive on safety levels has been.
- 6.33 However, the same source estimates the number of accidents and incidents at airports around the world to be around 27,000 per annum, the equivalent of 1 per 1,000 departures. For the EU-27 airports, based on Eurostat traffic figures this is the equivalent of 11,800 accidents per annum. With the average cost of a ramp accident estimated at \$250,000, the estimated cost of accidents for the EU-27 airports is €2.6 billion.

- 6.34 The European Commission has extended the Common aviation safety rules, in 2009 to extend to the safety aspects of aerodrome operations and provision of air navigation services and air traffic management. These will be executed through progressive adoption of implementing rules in the period till 2013. These implementing rules are adopted by the Commission on the basis of technical opinions provided by the European Aviation Safety Agency (EASA).

***Security impacts***

- 6.35 There have also been a number of security impacts from an increase in the number of groundhandling providers at the airport. Stakeholders have reported:

- Greater turnover in staff, and more temporary workers have led to greater difficulties with the provision of airside security passes;
- When surveillance of baggage, mail and aircraft were the responsibility of different organisations this has the potential to cause confusion; and
- Higher number of vehicles and personnel operating on the ramp, increase the security risk of operating at the airport and airside security.

- 6.36 In summary, the impact of the Directive has been to increase pressure on security risks. We have not been able to collect any data to demonstrate the size of these impacts.

***Airfield space management***

- 6.37 Increasing the number of groundhandling companies has the potential to increase pressure on airfield space facilities including the ramp, buildings, and roads used by the groundhandlers' vehicles. To accommodate a larger number of groundhandlers means that there is a need to establish airfield/ apron rules of conduct (entry points, environmental rules), and sometimes capital investment will be required to increase the apron and office space needed to accommodate the number of handlers.

- 6.38 Member States have taken different approaches to addressing this issue.

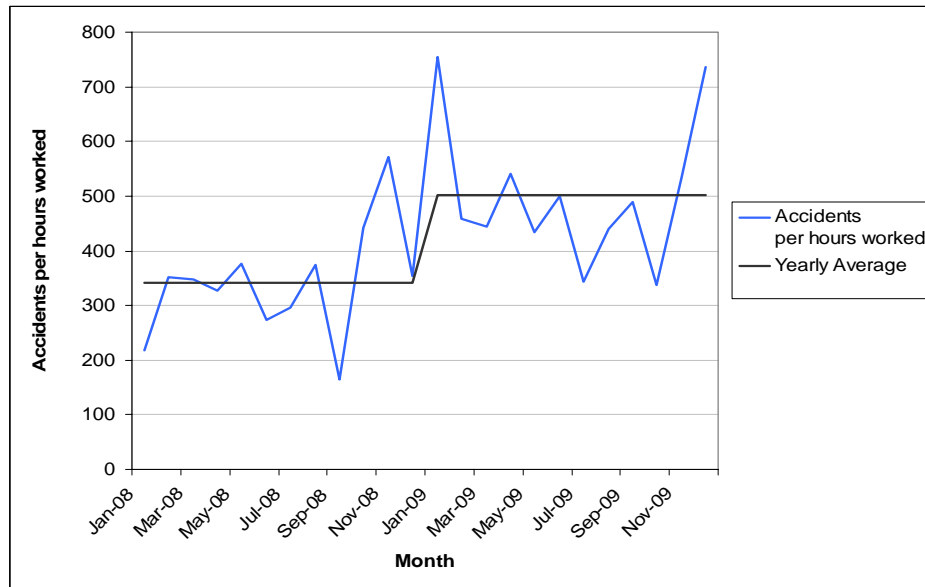
- 6.39 For example, in Spain the approach assumes that the numbers of handlers ought to be limited in order to maintain adequate conditions for safety. AENA, the airport operator can restrict the number of third-party handlers or self-handling airlines in airports where space is limited and the case for investments to increase space is not economically justified.

- 6.40 In contrast, in the United Kingdom the Civil Aviation Authority has encouraged airports to accommodate all ground handling companies. The view of the UK CAA on the allocation of space for handlers in the case of an airport without legal barriers to the number of handlers is that the airport operator would be expected to work with all handlers to ensure that adequate space is sought, allocated and used appropriately (assuming it does not itself own a groundhandling company). Effective groundhandling operations depend on groundhandlers/airlines cooperating and working together to ensure the most efficient use of groundhandling infrastructure, especially at peak times, and the CAA estimates that it is the role of the airport operator in this case to help resolve issues in order to maintain full and effective cooperation.

**Social impacts**

- 6.41 A number of stakeholders have identified that a relationship exists between a more open market environment and negative social impacts. Some stakeholders have experienced pressures on price levels in the competitive market leading to job losses, and deteriorating working conditions (reductions in benefits and salary increases being less than other services provided in the aviation industry). It should, however, be noted that there are social consequences of any market transition from monopoly to competitive provision, for example when the intra-European Union's air services were fully liberalised as a part of the third package.
- 6.42 We have researched two specific issues:
- Whether the health and safety of workers has increased or decreased since the introduction of the Directive; and
  - Whether there has been a pressure to reduce staff costs as illustrated by a lower profitability of the business, and/or a high proportion of staff costs as of total costs leading to staff costs being the main cost item subject to adjustment.
- 6.43 Looking at the rate of accidents faced by the airport services industry in France, we see an increase between 2005 and 2008, in terms of the number of work related accidents per 1,000 workers changing from 51.32 in 2005 to 52.67 in 2008. Similarly the level of gravity rate of injury sustained by the injured worker increases by nearly 25% from 1.54 to 1.9 between the same years. (Source: CNAMTS - Direction des risques professionnels, 2009). This demonstrates that the groundhandling industry is a relatively risky industry to work in.
- 6.44 From data provided to us from Flightcare Belgium the average rate of accidents has increased between 2008 and 2009 (this is illustrated in Figure 6.3). This evidence appears to be consistent with the information provided by the social partners during the social dialogue workshop. However, it is not statistically significant and moreover does not track the outcomes over the period since the Directive was introduced.
- 6.45 The 2009 ARC study could not draw any clear conclusions on possible impacts of the Directive on safety events, except that "the link between safety events and the Directive is not obvious".

FIGURE 6.3 ACCIDENT LEVELS FOR FLIGHTCARE GROUNDHANDLING ACTIVITIES 2008-9



6.46 The pressure on the groundhandlers to be more cost efficient is also visible from the figures sourced from the Menzies annual reports. They show that labour hours per turn have decreased by 18% in 2 years. Caution does need to be taken when interpreting these figures as changes in aircraft size could also be a potential explanation for these trends. Moreover, due to lack of data transparency this information is only available for one groundhandling company.

TABLE 6.3 LABOUR HOURS PER TURN

	2005	2006	2007
Ground handling	37.3	32.5	30.5
Cargo handling	3.2	2.9	N/A

Source: Menzies annual report

6.47 As a part of its data collection for its 2009 study on social impact of aviation on employment and working conditions by Booz and Co, IAHA estimated an increase in staff operating in independent groundhandling companies from 13,000 in 1996 to 60,000 employees in 2007, the majority of which are in the EU15 countries. However, “it is likely that some of this growth stems from airline outsourcing (that is, the transfer of staff from airline employer to independent ground handling employer)”. In 2002, ETF was quoted in the SH&E study as stating that the growth in employment figures in ground handling was only half the rate of that of traffic.

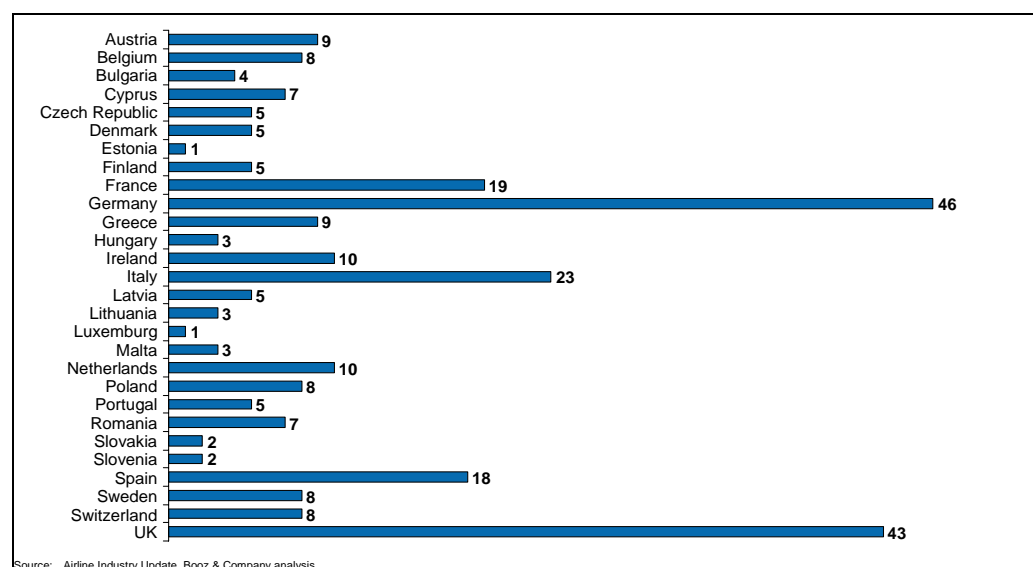
6.48 The 2007 Ecorys study presents evidence for the groundhandling sector where “the use of fixed term and temporary contracts has increased in the past ten years”, in order for the sector to be able to react faster to changing level of their activities. This is also confirmed by the more limited sample of stakeholders’ respondents in the most recent ARC study of 2009.

**Profitability levels**

6.49 The global handling market is still very fragmented with over 400 operators worldwide and a combined market share of 20% for the top 4 handlers (according to

Swissport, 2008), in spite of numerous recent acquisitions and mergers. The market has not witnessed the same level of regroupings than other aviation sectors have experienced such as the duty free provider industry. The graphic below from the Booz and Co study shows for the UK and Germany a very pluralistic market, whereas within newer Member States there is a tendency of smaller handling companies or handling by the airports. However, the impact of the level of competition is only recognisable at each airport and for each service. For example, in Germany although there are a large number of providers at many airports, ramp handling is limited to two providers and dominated by the airport company.

**FIGURE 6.4 NUMBER OF GROUNDHANDLING PROVIDERS IN THE EU27 AND SWITZERLAND, 2008 (PAX, RAMP, CARGO, FUEL, FLIGHT SUPPORT AND DE-ICING)**



6.50 Currently the independent ground handlers use a wide range of business models and their ground handling business profitability varies significantly. The table below presents a snapshot of the profitability of some of the main handlers in Europe in 2007. The profit margins or Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) as a % of revenues in the single digits reflect the nature of the groundhandling business as a relatively commoditised, low cost margin business. This contrasts to the airline services industry with very low margins (3-4% over the period 1995-2008 source IATA) and airport business with higher margins of 10% on average (source: Infofinancials) representing some degree of local monopoly power.

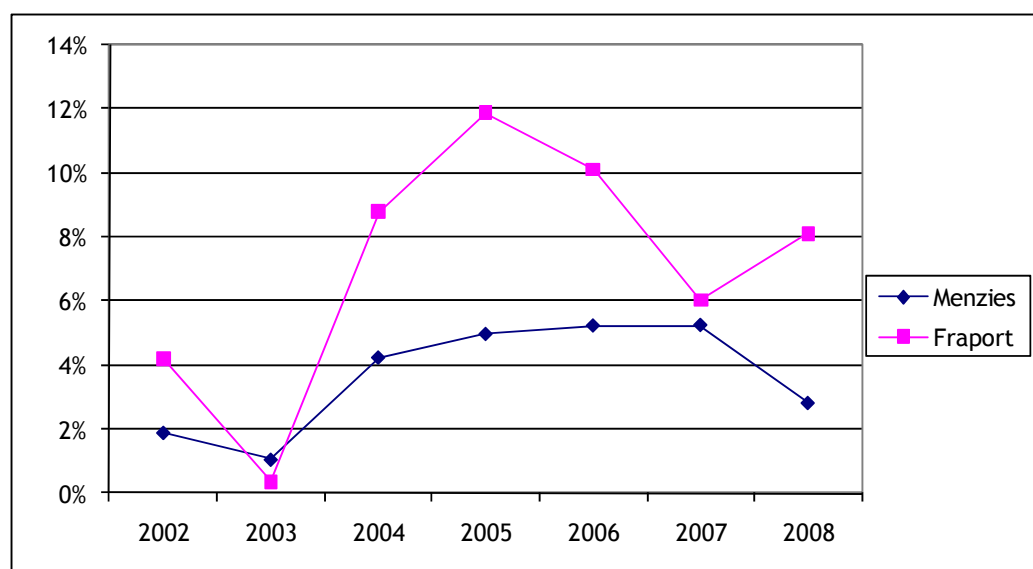
**TABLE 6.4 EBITDA MARGIN OF SELECTED HANDLERS IN 2007**

Company	EBITDA %	Comments	Source
BBA	14.2%	Primarily handling for business aviation and fuelling	KPMG
Menzies Aviation	5.2%	Significant small acquisitions	Company report
Acciona (Handling business)	7.5%	Focus on lucrative ground handling locations in Spain	KPMG

Company	EBITDA %	Comments	Source
		and Germany	
WFS	6.7%	Primarily a cargo handler	KPMG
Servisair	3.8%	Large ground handling company	Company report
Swissport	5.1%	Largest ground-handler by global presence	Company report
Go-Ahead (Aviation)	0.6%	Sold to Servisair UK in Jan-2010	KPMG
Fraport Ground Services	6.0%	Operates in Frankfurt and Vienna	Company report

6.51 The profitability of the handlers evolve year-on-year largely as a result of the state of the airline industry as well as the mix of contracts won and operated. Looking at the profitability of handlers over the last 8 years, the graphic below shows a higher profitability for Fraport (an airport subsidiary) versus Menzies an independent groundhandler. We would need to go back to 1996 to get a true view of the impact of the Directive and this was not possible. Figure 6.5 shows that profitability changes over time and the level of profit margin remains low, in single figures.

FIGURE 6.5 EBITDA MARGIN



Source: Company reports

6.52 The profitability of companies reflects, amongst other things, the trends in prices, whether from competitive or monopoly providers this information remains at the heart of commercial agreements between the suppliers and the airlines, and therefore is not publicly available.

**Staff costs**

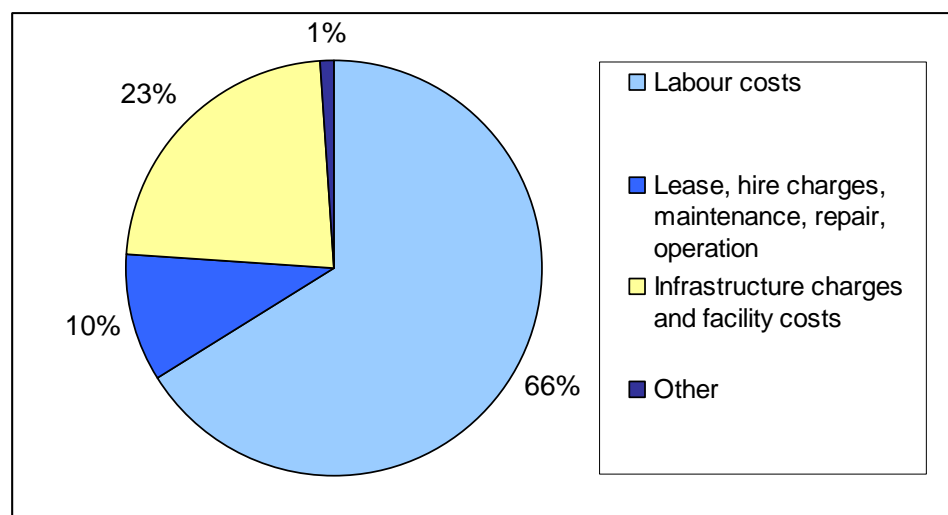
- 6.53 The trade unions identified that employment conditions for groundhandlers have deteriorated over the decade since the introduction of the Directive. In most cases, with wage increases under the rate of inflation or not increasing at the same rate as the national average earnings index, an increase in temporary employment contracts with limited length, reduced benefits, reduced training budgets and increased work pressures to be more efficient.
- 6.54 To explore this, we have examined the relationship between staff costs and total operating costs of groundhandlers, we can see from the table below that staff costs do indeed represent the vast majority of the handlers' costs (ranging from between 66% and 75% of costs).

**TABLE 6.5 SHARE OF STAFF COSTS**

Company	Servisair UK Limited		Aviance UK		Worldwide survey
	2007	2008	2007	2008	
Year	2007	2008	2007	2008	2004
Proportion	65%	66%	73%	74%	66%
Source	2008 annual report		2008 annual report		SH&E, 2004

- 6.55 This implies that there will always be pressure on staff costs to be kept at a minimum and that staff costs are likely to be an obvious source of reductions and cost-saving when handlers need to be more profitable. In particular, handlers and/or airlines will be looking at automating as much as possible labour intensive activities by developing self-check-in or internet check-in for instance, minimising the number of checked-in bags or even encouraging passengers to carry their bags themselves to the aircraft (as publicly announced by a low cost airline in June 2009). This also shows that the potential for national or regional economies of scales between handling stations are limited.
- 6.56 The SH&E survey (results presented at the 6<sup>th</sup> Ground Handling conference in 2004" Making the most of a marginal business") is a worldwide survey but its sample is biased towards Europe with 55% of respondents operating in the region. It shows the relative small proportion of total costs provided by equipment costs (although the equipment required for apron groundhandling for instance is not cheap) compared to staff costs as illustrated below. It appears also that the share of infrastructure charges and facility costs amounts to nearly 25% of the total operating costs.

FIGURE 6.6 SHARE OF COSTS



Source: SH&E survey, 2004

- 6.57 We have also found that in the United Kingdom, the average gross annual earning for a groundhandler is lower than the median UK gross annual earning, by approximately 8%. This, in part reflects the relatively low skilled nature of many of the positions in the ground handling function.

TABLE 6.6 COMPARAISON OF EARNINGS IN THE UK

Company	Description	2007	2008
Servisair UK Limited	Gross average annual staff earning	22,168	23,121
Aviance UK	Gross average annual staff earning	22,191	22,879
UK	Median gross annual earning	24,043	25,123

Source: 2008 company reports, UK Annual Survey of Hours and Earnings 2008.

- 6.58 At a European level, the Ecorys study states that their research on the level of remuneration is “inconclusive” for the ground handling staff: national employers would state that wages have increased in line with the national wage average, but according to trade unions the remuneration would have lagged behind inflation. Moreover, ECORYS found a trend towards greater flexibility in contracts was most visible in groundhandling staff across the aviation

#### *Transfer of staff*

- 6.59 The transfer of staff between groundhandling companies in the case of a take-over of contract or a merger has long been seen as a key issue by workers and groundhandling companies. This issue is discussed in Section 4.22, where the European Court of Justice decisions has determined the applicability of Directive 2001/23 to the Groundhandling sector, but that any additional Member State social protection should not impede the effectiveness of the Directive.
- 6.60 Transfer of staff in the groundhandling market can take place as a results of ‘normal market operations’ - mergers, change of groundhandling provider by airline), or as a



result of the tender process which provides a time-limited access to the market which can be lost at the end of the award length.

- 6.61 Some Member States have introduced national legislation or agreements to address the social impacts of introducing market competition into previously monopoly businesses. In others, the requirements of Directive 2001/23 are seen as sufficient.

*Case study: Spain's sector agreement*

- 6.62 In Spain a sectoral agreement or collective bargaining agreement covering staff transfer and other social aspects has been agreed by the employers and trade unions and has been in use since 2006. The aim of this agreement is two folds:

- It provides guaranteed minimum working conditions to workers (the agreement having been drafted to be just over the level of the least favourable working conditions in the sector), protects them in the case of staff transfer, and offers them job stability;
- It creates a level playing-field to established groundhandling companies, whereby a new entrant cannot win a tender through "social dumping". It also allows companies to recoup their investments in staff training.

- 6.63 Any groundhandling company operating in Spain (whether third-party or self-handling) must abide by this agreement, or risk seeing their approval revoked. Unions and employers meet very frequently (twice monthly) to discuss any social issues arising from changes in the market, and unions can contact AENA directly where they feel that companies do not fulfil their social obligations correctly.

- 6.64 For the groundhandling operators, this agreement means that the competition cannot take place not only through cost competition, but rather on the level of service as well as the price. Since the agreement was introduced, Spanish unions estimate that:

- Over the 2006-2009 period tender prices have gone down by a cumulative 30%, largely because of the companies' decision to minimise their profit margins;
- 6,000 (or 30% of the groundhandling workforce) workers have been transferred between ground handling companies over the 2006-2009 period. Under the National Collective Bargaining arrangement they are protected through transfer of staff wages and other benefits and rights. Only some of these would have been protected under the direct application of Directive 2001/23

*Number of Staff affected by staff transfers*

- 6.65 Comprehensive data, by Member State is not available to determine the number of groundhandling Staff that have been granted the protection in case of staff transfers in accordance with Directive 2001/23. During responses to the "Your Voice" consultation, we have received information from Workers' Trade Unions in three of the Member States, two of which estimated the number of groundhandlers that had been subject to transfer (in Spain 6,000 (2006-2009) or approximately 30% of the total and in Italy 3,000 (period not specified) or approximately 15% of the total). In both cases it is not known how many of these would be under Directive 2001/23.

- 6.66 Although comprehensive data is not available, this sample of Members States data implies that a significant proportion of workers are affected by staff transfer as a result of the competitive nature of the provision of groundhandling services, and some consolidation of the industry through mergers or take-overs.

## Regulatory and legal costs

6.67 The regulatory costs of implementing the Directive can be described at three levels:

- Enforcement costs of the European Commission - linked to monitoring, investigation and carrying out infringement proceedings.
- Member State regulatory authorities - linked to any Member State, internal regulatory procedures and investigations.
- Aviation industry costs of implementing the Directive for groundhandling companies, airports and airlines/ customers.

6.68 The first two categories of costs are related to enforcement proceedings and their costs which are discussed later in this section. However, a number of stakeholders have raised issues that the regulatory and legal requirements of the Directive have added unreasonable and unnecessary costs onto the aviation industry. This in particular relates to time and effort required to go through the often two tier system of Member State approval and airport licensing process

### *Oscillating around the threshold*

6.69 One of the difficulties highlighted with the Directive has been for airports oscillating around the thresholds set to require a managed competitive ground handling market. Since 2001, the threshold for the application of the Directive has remained at a level of 2 million passengers a year or 50,000 annual tonnes of freight. In 2008, data from Eurostat indicates that 110 airports are in scope based on their passenger and freight traffic (where data has been reported to Eurostat). This represents an increase of 20 airports from the 90 airports covered by the Directive in 2004.

6.70 These airports breakdown in the following categories:

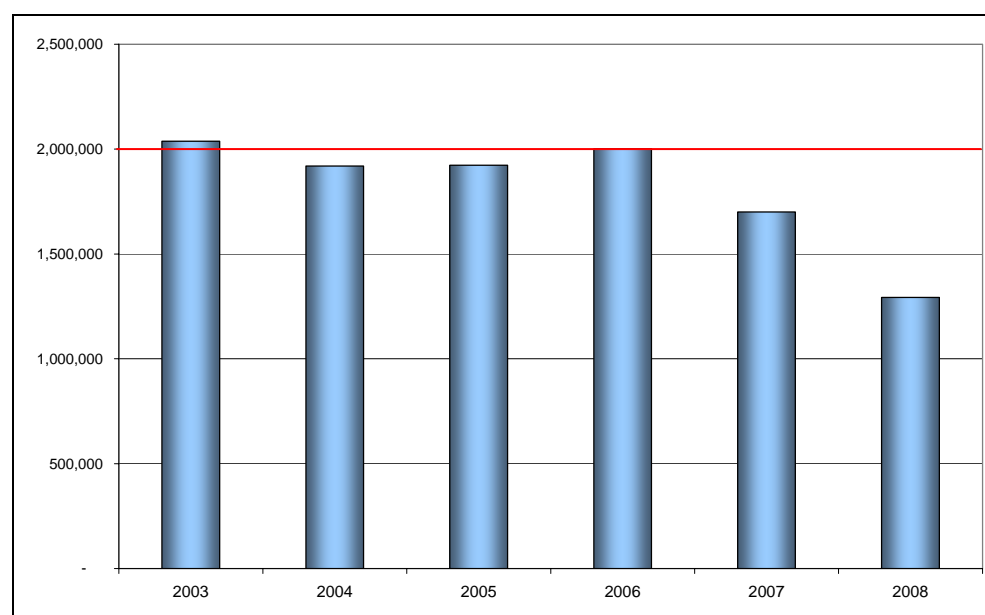
**TABLE 6.7 AIRPORTS COVERED BY THE DIRECTIVE (2008)**

Type of threshold	Airport size	Country type	Number of airports
Passenger	Large	EU-15	21
		New Member States	0
	Medium	EU-15	35
		New Member States	5
	Small	EU-15	37
		New Member States	7
Freight	Large	EU-15	2
	Medium	EU-15	1
	Small	EU-15	2
Total			<b>110</b>

Where for passenger airport, small is between 2 and 5 mppa, medium between 5 and 15 mppa, and large above 15 mppa. For freight, small is between 50 and 200.000 annual tonnes, medium between 200 and 500.000 and large above 500.000 annual tonnes.

- 6.71 Looking at the number of airports which have been oscillating between categories year-on-year, this number appears limited to less than 10 annually with 18 recorded in 2004 down to 10 in 2008. The Eurostat statistics also show that one of the most complex cases for oscillation is probably that of Strasbourg airport because of its declining passenger traffic, where the airport has been subject to the Directive in only 2003 and 2006 of the six years.

FIGURE 6.7 PASSENGER TRAFFIC OF STRASBOURG AIRPORT



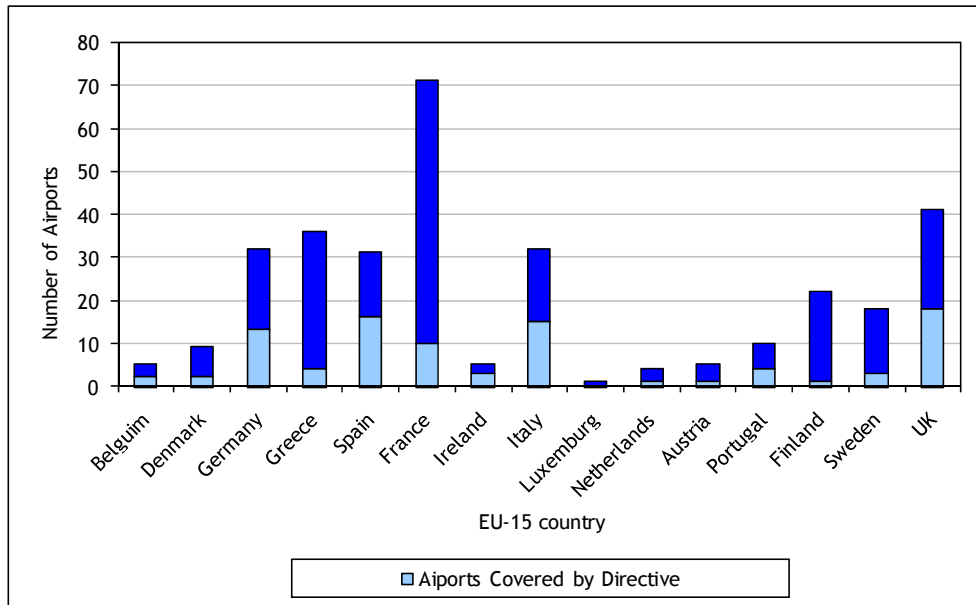
Source: Eurostat data

- 6.72 In 2009, the downturn in traffic resulting from the economic recession may affect more airports which are close to the 2 million passenger threshold, for example Bratislava. The airports face the prospect of oscillating in and out of the Directive threshold level.

**Coverage of airports in the Directive**

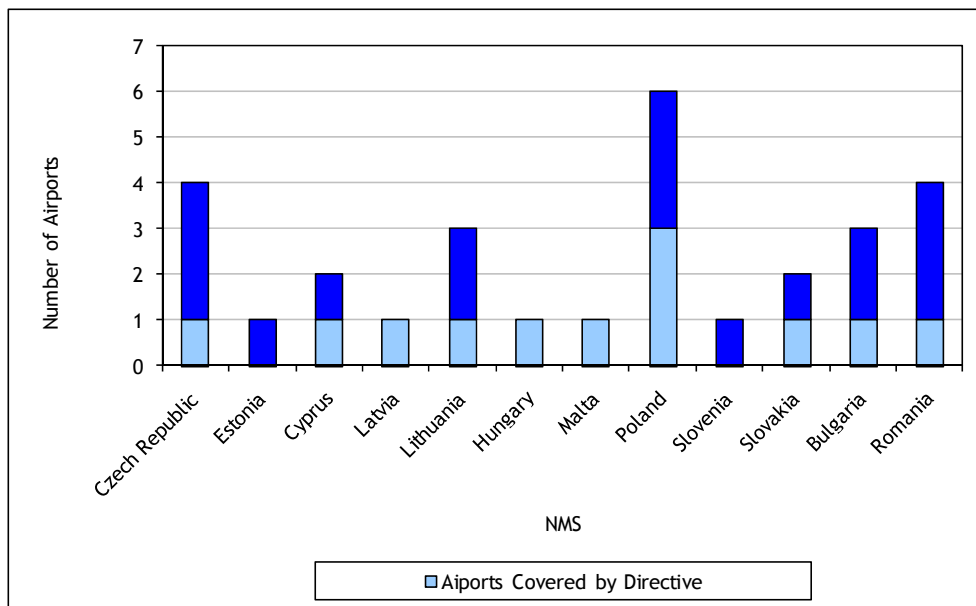
- 6.73 As the Directive is enforced depending on the total number of passengers at each airport, the distribution of passengers by airport will affect the proportion of passenger journeys covered by the Directive. For instance if there are many airports with a few passengers, the Directive may not be relevant to any passenger journeys, however, if there is only one main airport in a country than most journeys will be covered.
- 6.74 Figure 6.8 and Figure 6.9 show that 29% of airports in EU-15 countries are covered by the Directive and 41% of airports in New Member States (NMSs). This analysis includes all airports carrying more than 5,000 passengers annually.

FIGURE 6.8 EU-15 AIRPORTS COVERED BY THE DIRECTIVE



Source: Eurostat data, Steer Davies Gleave analysis

FIGURE 6.9 NMS AIRPORTS COVERED BY THE DIRECTIVE

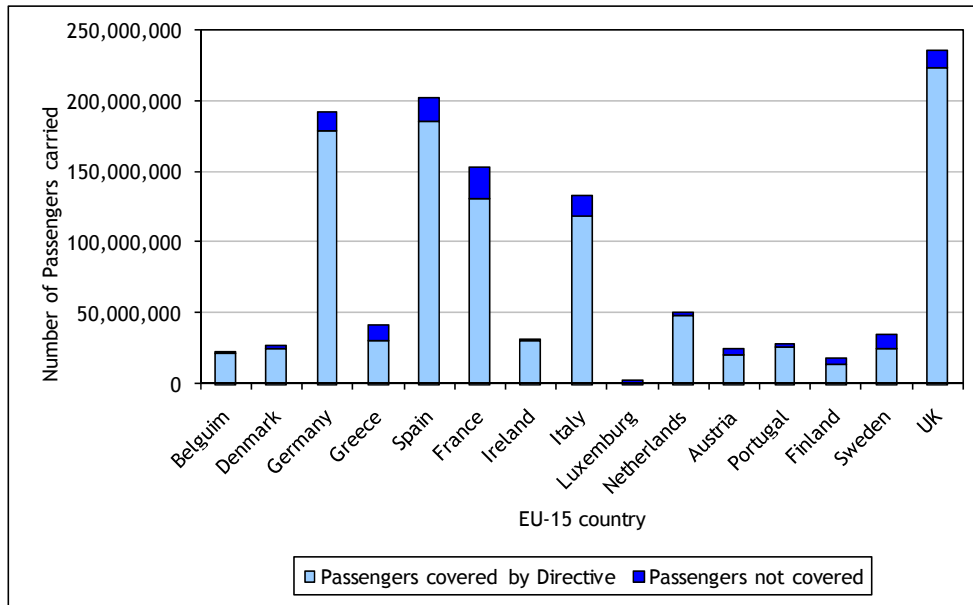


Source: Eurostat data, Steer Davies Gleave analysis

For the EU-15 Member States the proportion of total passengers covered by the Directive is higher with 90% of passenger journeys at airports under the Directive’s scope (Figure 6.10), whereas only 77% of passenger journeys are covered in the NMS (Figure 6.11).

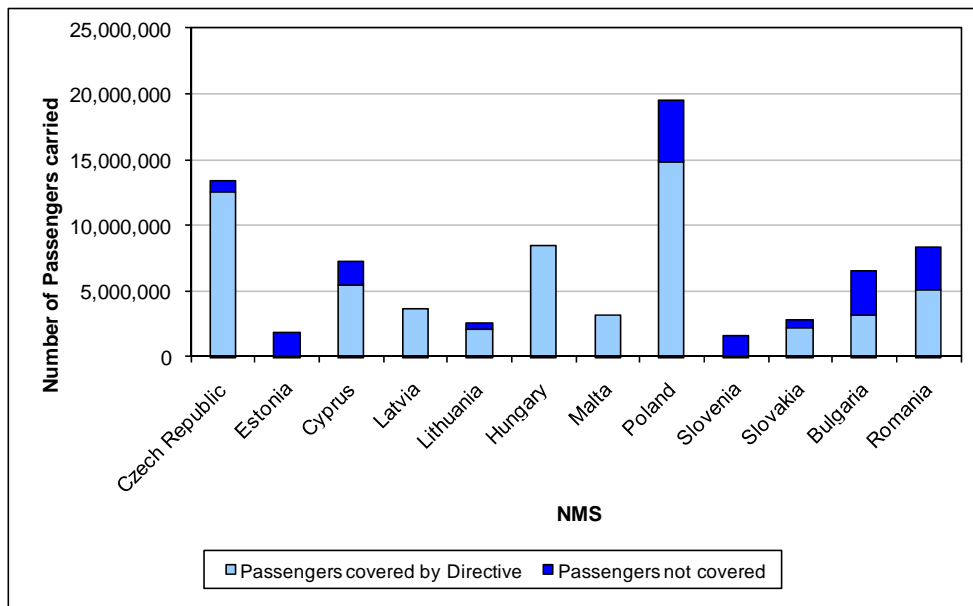
6.75 The total passenger demand is much higher in the EU-15 at 1.2 billion passengers a year, compared to 79 million passenger journeys in NMSs.

FIGURE 6.10 EU-15 PASSENGERS COVERED BY THE DIRECTIVE



Source: Eurostat data, Steer Davies Gleave analysis

FIGURE 6.11 NMS PASSENGERS COVERED BY THE DIRECTIVE



Source: Eurostat data, Steer Davies Gleave analysis

### Enforcement

- 6.76 Under the Directive 96/67/EC, each Member State is responsible for ensuring its compliance with the requirements. States have taken differing approaches to enforcement: some have passed the powers to independent aviation regulators (for example the Commission for Aviation Regulation in Ireland), for the majority the powers remain with the State, through its Department of Transport.
- 6.77 At a Member State level, stakeholders can also appeal to State regulators on infringements and non-compliance. We are aware that this has taken place in a

number of States but do not have data on the number of appeals that have been investigated.

- 6.78 The European Commission has identified a number of States who are not fully implementing the Directive 96/67/EC. These have been discovered through the course of Commission research, or through Stakeholder complaints to the Commission. Examples of non-compliance, resulting in significant barriers to entry, include: the absence of tender arrangements, not following the minimum number of ground handling providers, and imposing additional barriers through the design of the State licensing system.
- 6.79 The maturity of the implementation of the Directive, to some extent, reflects the timing of the Directive being adopted in the EU-15 (1996) and New Member States (NMS) (2004 and 2007). However, in the NMS, a number have only implemented their rules in the past two years and currently there are only 12 airports whose size is greater than 2 million passengers across the 9 NMS compared to the 98 airports in the EU-15.
- 6.80 The European Commission is currently conducting infringement procedures under Directive 96/67/EC on 6 Member States, of which 5 are from NMS and 1 from an EU-15 State. A further two EU-15 States are under investigation by the European Commission for potential infringements. In March 2010, the Commission published details of some of these proceedings:
- Poland, following infringement proceedings at Warsaw-Okecie airport, has adopted new legislation to provide for the full opening of its airside groundhandling market.
  - Germany, the Commission has sent a formal request to Germany to ensure the fair access to service providers to groundhandling markets at major airports (14 airports). This is the second stage in an infringement process. The reason for the infringement proceedings is: *“The Commission considers that the Federal Republic of Germany does not meet its obligations under Community law by giving airports an excessive power in the selection of service providers, by excessively limiting the right of appeal of parties with a legitimate interest, and by restricting the practice of self handling”*.
- 6.81 This body of evidence demonstrates that there are significant difficulties, particularly within the NMSs in implementing the Directive. The lack of enforcement, within some Member States has in a number of cases led the European Commission to resort to taking infringement procedures.
- 6.82 Although this question was not specifically asked during the “your voice” questionnaire, we are aware that new entrant ground handlers find that the discretion between approaches to managing the market in different Member States and airports within each Member States is a source of frustration. Many of the stakeholders have called for greater transparency and more consistency/standardisation of approach across Member States to reduce barriers to entry.

### Environmental costs

- 6.83 The impact on the environment of groundhandling activities is largely the result of 3 different issues:
- Air quality emissions of groundhandling vehicles or activities;

- Noise emissions of groundhandling vehicles or activities; and
- Land use of groundhandling vehicles or activities.

- 6.84 In order of priority, it seems very important to focus on air emissions mainly because the two other issues are linked to the wider airport land management question in the case of land use and because the noise emissions of ground handling vehicles or activities are rather small compared to those of aircraft movements on the ramp (circulation, parking, APU, etc) or on the runway (take-off and landing).
- 6.85 Groundhandling vehicles have been recognised to emit a variety of air pollutants such as SO<sub>2</sub>, NO<sub>x</sub>, COVNM, CO, CO<sub>2</sub>, N<sub>2</sub>O, and PM. Using the methodology developed by the Centre Interprofessionnel Technique des Etudes de la Pollution Atmosphérique (CITEPA) and applied to Paris-Charles de Gaulle and Paris-Orly airports, and then transposed to all the European airports in scope for application of the Directive in 2008 based on their number of movements, we are able to estimate for the EU airports the following level of emissions:

**TABLE 6.8 AIR EMISSIONS FROM GROUNDHANDLING, 2008**

Pollutant	Paris airports Tonnes / year	Airports in the Directive Tonnes / year
SO <sub>2</sub>	7.9	131
NO <sub>x</sub>	646	10,686
COVNM	84	1,391
CO	428	7,087
CO <sub>2</sub>	25,741	425,905
N <sub>2</sub> O	17.3	287
PM	15.8	262

- 6.86 In terms of costs, we have used Eurocontrol's Standard inputs for Cost/Benefit analyses for the cost of tonnes of CO<sub>2</sub> and NO<sub>x</sub> (Eurocontrol does not provide cost information for the other pollutants). In the worst case, the high scenario where the price of a tonne of CO<sub>2</sub> is at €56.1 and €6.7 for a kilo of NO<sub>x</sub> in 2005, this allows us to estimate the cost of ground handling emissions at €101 million euros in 2008. Although significant this is a relatively small proportion of the total air transport industries emissions costs. For example, it is estimated that top 30 airlines in Europe resulted in 252 million tonnes of CO<sub>2</sub> emissions during 2008.
- 6.87 Moreover, although more fuel efficient vehicles could be introduced, it is unlikely that the number of ground handling companies will materially impact the environmental impacts of the groundhandling industry - as a vehicle will need to be used whoever provides the service and therefore the number of vehicles does not change.

## International comparison

6.88 We have examined the approach to management and regulation of the ground handling market in Australia and the United States to examine whether there are any potential learning points for any potential future changes to the European Union legislation.

### *Australia*

- 6.89 In Australia, it is the airline who determines who they employ to do their groundhandling at each airport. There is no direct legislative control over the number or quality of ground handlers.
- 6.90 Airline operators have historically provided the groundhandling services at airports: airlines had their own staff servicing their aircraft, and they also looked after the ground handling for international operators. In the past, Qantas, Australia's largest airline had been the dominant provider of these services.
- 6.91 In the last couple of years there has been a shift to third party ground handling providers. As compared to Europe, the airports generally do not offer, nor control, ground handling services. Today's market is currently structured to contain a mix of airline staff or airline-owned subsidiary companies plus a number of third party ground handling organisations. Some of these are international companies, and others are local companies.
- 6.92 The leading independent providers of ground handling services include Menzies, AeroCare (established in 1992), Toll Dnata Airport Services, Skystar (established in 2001), Jet Corp, etc. The Qantas group has developed its own groundhandling subsidiary company, Express Ground handling which was established in 2004.
- 6.93 Many groundhandlers will operate at multiple airports, for example Express Ground Handling operates at Cairns (3.8 million passenger in 2008), Brisbane (18.5 million passenger in 2007-08), Sydney (31.9 million passenger in 2007), Melbourne (24.7 million passenger in 2008-09), Avalon (1.4 million passenger in 2008), and Adelaide airports (7 million passenger in 2008-09). Similarly Aero-care currently provides ground handling services at 17 airports.
- 6.94 The table below details the market participants operating at Australia's four major airports.



TABLE 6.9 GROUNDHANDLING COMPANIES AT THE LARGEST FOUR AUSTRALIAN AIRPORTS 2008

Brisbane Airport	Melbourne Airport	Perth Airport	Sydney Airport
AERgO International Pty Ltd	Aero-Care	Aero-Care	Aero-Care
Aircraft Loaders & Packers	Menzies Aviation	Av West Aviation	Australian Airsupport Pty Ltd
Australian Air Support Services Pty Ltd	Patrick Air Service	Complete Aviation Services	Inflight Logistics Services
Brisbane Jet Base	Qantas Airways	Crescent Air Services	Menzies Aviation
Hawker Pacific FBO	Toll Dnata	Maroomba Airlines	Qantas Airways
Jet Support Services		Menzies Aviation	Toll Dnata Airport Services
Menzies Aviation		Perth Flight Centre	Wymap Group Pty Ltd
Oceania Aviation Services Pty Ltd		Qantas Airways	
Pacific Air Express		Toll Dnata Airport Services	
Qantas Airways		Universal Aviation	
Skyclean			
South Pacific Airmotive			
Toll Dnata Airport Services			

- 6.95 There are no restrictions applying to an airline's ability to self-handle or ground handle for other airlines.

*Access at airports*

- 6.96 Any organisation can offer their services as a groundhandler, it is a completely open market. There are no minimum requirements regarding the number of organisations that can offer ground handling services at an airport, this tends to be commercially driven.
- 6.97 Additionally, there are no restrictions on how long a groundhandling agent may operate at any airport.
- 6.98 Most of the regional airports across Australia have 2 or 3 groundhandling ramp agents available, whereas the major airports will have many organisations looking after the various airlines operating into that airport. For instance at Sydney airport there are 7 ramp ground handlers, but there are many other associated services that are provided by these companies and additional companies including cabin cleaners, catering companies, engineering services, fixed base operators, freight, fuel companies, ramp services, security companies, waste disposal.

*Approvals/ Licensing*

- 6.99 In order to operate, groundhandlers will enter into a license or conditions of use agreements with the airport operator. These will set out the terms and conditions under which groundhandling services are delivered, for the activities that airports are responsible for such as airside driving, vehicle control and how the airport operates (but this is largely regulated in Part 139 of the Australian legislation).
- 6.100 AAAL (the Australian Airports Association) stated that arrangements between airlines and their contracted groundhandlers are always commercial-in-confidence and therefore there is no information available to the airports about the detailed arrangements and costs in place.

*Airport User Committee*

- 6.101 There is no legislative or other requirement for cooperation and consultation between stakeholders, however AAGSC (the Australasian Aviation Ground Safety Council) stated that a well developed Safety Management System (SMS) would require such meetings to happen. Depending on the size of the airport, there would be several airport consultation forums that would involve all interested parties. Ramp safety meetings are held and documented as part of the airports SMS.
- 6.102 As most groundhandling activities in Australia involves bilateral relations between the airline and its agent, the groundhandling agent will generally meet regularly with the contracting airline to ensure that their operations are consistent with the airline's Safety Management System and that active communication between the parties is maintained. This is particularly relevant where new equipment, legislation or airport requirements are introduced and this implementation has to be managed between the airline and GHA.
- 6.103 There are also regular meetings throughout the year of the Australian Airports Association to allow airports across Australia to discuss issues that effect ground handling activities and provide a forum to create consistency at the various airports.

*Quality*

- 6.104 Each airline operator determines the minimum requirements that they wish to establish in the agreements they put in place with their groundhandling agent. That being said, it is a legislative requirement for all airline operators and aerodromes to have comprehensive Safety Management System in place that covers all employees and contractors alike. When an airline establishes a ground handling agreement, they will have to ensure that all minimum levels of required training, staffing levels, reporting and documentation are established to allow the groundhandling agent to comply with their own SMS.

*Space issues*

- 6.105 One challenge that exists is around space restrictions which may limit the number of groundhandlers at a given airport. AAGSC (the Australasian Aviation Ground Safety Council) stated that it is often discussed at ramp safety meetings at airports across Australia. The solutions which vary from airport to airport are discussed in an open forum and the airport often finds itself as the mediator between the various parties concerned. The airports will often specify the requirements and provide the equipment and activity areas and will intervene with the groundhandling agents where the areas are not being used appropriately. They will not allocate tarmac or common-user space to specific groundhandling agents, but they will however often

allocate office or activity space to specific groundhandling agents away from the ramp.

#### *Centralised Infrastructure*

- 6.106 Some infrastructure such as the luggage sorting system, de-icing, etc is generally regarded as common-user areas provided by the airport for the relevant activities and all groundhandling agents will be required to use the common spaces to perform their tasks. The airlines are charged a fee related to the number of passengers or tonnes of freight that they move through the airport. This fee is in part used to cover the costs associated with providing the infrastructure for all common user areas of the airport.
- 6.107 At some of the major airports, larger airlines may also select to lease terminals and/ or infrastructure to secure sole use occupancy.

#### *Social conditions*

- 6.108 We understand from a press review that jobs are being lost as “traditional ground handlers”, i.e. airline ground handling companies’ share of the market diminishes and new third party handlers win contracts. Lower wages are paid by these new companies and previous workers lose their jobs. Recently unions have argued that “increased charges are part of a Qantas strategy to axe jobs and outsource all ground services to contractors that pay lower wages. The airline has laid off up to 3,250 workers over the past year from its 34,000-strong workforce”.

#### *Training*

- 6.109 The training standards are not regulated; it is the responsibility of the airlines to ensure that they have suitably trained ground handling staff (either their own or their contracted groundhandling agent). The airlines generally use a groundhandling agent that complies with the IATA ground handling requirements or their own contracted requirements. These contracts are generally very detailed and are consistent with the IATA Ground Handling procedures. The training standards of the handlers must however comply with the Airlines Safety Management System requirements.

#### *Regulation*

- 6.110 The regulation of groundhandling activities in Australia is the responsibility of two distinct agencies: one for the technical and safety regulation (CASA) and the other for the economic and access issues (ACCC).
- 6.111 The Civil Aviation Safety Authority (CASA) is the regulatory body that ensures that airport and airlines maintain the highest levels of safety. Through legislation, consultation, auditing and investigation, they ensure that airports and airlines alike have the correct processes in place to ensure that ground handling activities are conducted with a high degree of structure and safety.
- 6.112 Australia’s airports were privatised in the late 1990s and early 2000’s. Following privatisation, the Australian Competition and Consumer Commission (ACCC) role involved administering price caps, price monitoring and quality of service monitoring. The legislative regime has since changed and currently the five major Australian airports are subject to price monitoring, financial accounts reporting, and quality of service monitoring but are no longer price capped.

- 6.113 In Australia, where infrastructure services are provided under commercial agreements between the airports and their groundhandling suppliers (for infrastructure access fees for instance), the ACCC has only a monitoring role.
- 6.114 Australian airports are still potentially subject to the provisions of Part IIIA of the Trade Practices Act of 1974, but only if the relevant services are 'declared' by a Minister of the Government. 'Declaration' would mean that if a commercial agreement between the service provider (in this case the airport) and the access seeker (the ground handler) could not be reached then the ACCC would determine the terms and conditions of access through a legally binding arbitration process. Currently, Sydney Airport's domestic airside services are declared services until December 2010. Our understanding is that groundhandling services may be covered by the declaration.
- 6.115 There have been legal challenges by Sydney and Brisbane airports about the laws governing groundhandling. In 2007 Virgin Blue Airlines Pty Limited notified the ACCC of an access dispute at Sydney airport. It related to the method of allocating costs for access to the airside services (runway, taxiway, parking aprons and other associated facilities) between airline users of that service and the basis on which the price for access to the airside services should be levied.
- 6.116 The Productivity Commission provided a report on the Price Regulation of Airport Services in January 2002 and recommended that there were insufficient grounds for an airport-specific access regime as the general access provisions available under Part IIIA of the TPA provide sufficient safeguards for those seeking access to airport facilities.

#### *USA*

- 6.117 In the USA, the aviation industry was opened up in the late 1970s early 1980s allowing liberalisation of the groundhandling industry. Airport ownership in the USA is generally controlled by local public municipalities or bodies. However, specific terminals are often either owned or operated by airlines with significant or particularly hub operations there.

#### *Market structure*

- 6.118 Airports have a lot of control over ground handling matters. For instance, they decide how many ground handling companies operate in the airport, the rates they can charge and the subleasing they undertake. Airports also develop their own dispute resolution procedures. The majority of the ground handling work is carried out by "Fixed Base Operators" (FBO) which are privately owned or a department of the municipality the airport serves. Often only one FBO serves a particular airport. Only a small proportion of the ground handling operations are performed by independent companies. The total market increased significantly between 1995 and 2002, but after 9/11 legacy airlines cut capacity and this decreased ground handling substantially.

#### *Regulation*

- 6.119 There does not appear to be any specific legislation relating to ground handling at airports which would indicate that groundhandling is not regulated (apart from general competition and fair trade legislation), giving all powers in the hand of airports, on a case by case basis.

*Competition*

- 6.120 There have been issues raised about there being special relationships between the airport and the FBO and that this might create competition stifling preferential treatment, but if the relationship goes bad it can be the target of discriminatory treatment. Transportation Code, 49 USC section 47107 (a)(4) expressly prohibits exclusive relationships, but the FAA unofficially supports a protectionist policy for FBOs and other airport operators (Air Commerce Act 464). Congress has granted airports limited immunity from antitrust lawsuits only permitting awards of injunctive relief. Therefore the airports have so far been able to continue their special relationships with groundhandling and not have to allow competition and access to other ground handling operations.

*International comparison conclusion*

- 6.121 In both countries under study, groundhandling is less regulated than in Europe. It is understandable though as Europe was in 1996 and still is a patchwork of countries having laws and different groundhandling market situations. In the USA, it appears that airports continue to control access to groundhandling activities, whereas in Australia where airports' involvement in groundhandling was limited, very few airports are involved in providing groundhandling services.
- 6.122 Generally, this means that Australia's market structure is far simpler than that of Europe where airports are only infrastructure providers, not competitors or tender managers. Therefore Australia's approach to ground handling is to let airlines and their chosen groundhandlers work through their issues. In the USA the relationship between the airport operator and the Fixed Based Operator (FBO) who often provides the groundhandling services is a key determinant of the market and is at the discretion of each airport's management.
- 6.123 However, in some instances, Australia faces similar groundhandling issues that Europe faces, such as space allocation or social issues. In general solutions to these issues are coordinated at the local level, with limited federal intervention. In the USA the close relationship between the airport operator and FBO means space allocation is addressed through these relationships.



## 7 Problem definition

### Introduction

- 7.1 In this chapter we define the problems that could be addressed through revision to the Directive 96/67/ EC. This is based on a thorough examination of the evidence available, described in Chapters 3 to 6 of this report. We have utilised: previous studies, previous stakeholder consultations and the results of our own consultation exercise.

### Who is affected?

- 7.2 The Groundhandling 96/67/EC Directive has an impact on a large number of stakeholders: airlines, airports, independent groundhandling service providers: their staff, as well as the passengers and freight operators who use these services.

### *Limited agreement between parties*

- 7.3 Through stakeholder consultation we have identified a number of issues that stakeholders believe could be improved upon and provide shortcomings of the current Directive. However, there is very limited agreement between different stakeholders how the Directive should be revised to meet these requirements. Therefore, each stakeholder is only likely to agree with a subset of the problems identified below.

### *Tension between market opening and social protection*

- 7.4 As we have demonstrated in Chapter 6, opening the market to increased competition can be expected to have benefits through reductions in prices and improvements to quality of services. However, it also has an impact on staff costs of groundhandling service providers, unless social protection measures are put in place - as is the case in Spain. The 96/67/EC Directive has limited market opening requirements, and independent handlers would like these to be extended. However, the workers' trade unions believe that greater social protection needs to be introduced across Europe even under the current arrangements.

### *Ultimate users*

- 7.5 The ultimate user of the groundhandling services is the air passenger or freight forwarder/citizens or companies sending freight. They will reap the benefits of lower prices, and/ or a better quality and reliability of service.

### What are the issues that require action?

- 7.6 A detailed presentation of each of the issues is presented in Chapters 2 to 5 of the report. However, in this section we summarise the key themes:
- **Barriers to entry:** there remain some barriers to entry into the market. These are provided, for example, by the limited size of the contestable market and the duration of the approval process and the dominance of airport in the groundhandling market companies at some airports.
  - **Potential for greater benefits for airlines from more open competition (taking into account the costs of relieving space constraints for airports):** the evidence shows that greater reductions in prices have been experienced in

Member States that have moved from a monopoly to a managed competitive groundhandling market (e.g. Greece and Italy) than those that were already open to competition (the Netherlands). However, there are some costs associated with opening the market related the airport's provision of centralised infrastructure to accommodate additional groundhandling companies.

- I Social impacts of competition:** with greater competition for groundhandling services and pressure to reduce prices, there has been increased impact on staff conditions and salary levels. The evidence collected supports that this is likely to be the case with staff costs being greater than 60% of total costs. There have also been a large number of staff transferred between ground handling providers under the Directive and workers have increasingly moved onto more flexible working arrangements.
- I Quality of service impacts:** with greater competition for provision of groundhandling services, there is concern that greater competition has led to deterioration in the quality of groundhandling services provided. With staff less consistently qualified to minimum standards, and some evidence of greater congestion on the ramp.
- I Regulatory and legal costs:** the Commission and Member States incur significant costs from enforcing the Directive, through enforcement or local legal processes. In addition, groundhandling companies have the costs of compliance, related to the approvals and tendering processes introduced by the Directive. There is the potential to simplify and reduce these costs, however some of the options for changing legislation and introduction of independent regulators may also increase these costs.

### What are the drivers of the problem?

7.7 The key drivers of the problems are:

- I** Definitional and clarity problems with the Directive;
- I** The Directive's limits on the size of the competitive (contestable) market;
- I** Whether the safety and quality of service will be provided as a result of market forces, or requires more specific action through revision to the Directive;
- I** Whether general social protection legislation is sufficient to cover the changes in the ground handling industry or specific actions are required through revisions to the Directive;
- I** The timing of when the Directive was introduced: some 14 years ago, meaning the air transport market has evolved significantly since it was written.

### How will the issue evolve?

7.8 The aviation industry is dynamic and enjoys the benefits of being a growing industry (with some downturns). The growth in air travel will impact the implementation of the 96/67/EC Directive as more airports can expect to come under the Directive's passenger or freight thresholds. In addition, we expect that as discussed in the ARC report (2009), the full implementation of the Directive in the New Member States will take effect over the coming years and the incidences of infringement actions will reduce. Moreover, we also expect that there will be increasing consolidation of



the airline industry as pressures mount on the financial performance of airlines increases and the regulatory barriers (particularly in the USA) to consolidation diminish. This trend will increase pressure from airlines to widen the definition of self handling in the Directive.



## 8 Impact Assessment: objectives and policy options

### Introduction

- 8.1 In this chapter we describe the European Commission’s policy objectives from the potential revision of the Directive. We then go on to describe the policy options for achieving these objectives.

### Objectives

- 8.2 The main policy objectives for the European Commission in considering the case for a revision of the Groundhandling Directive are:

- **Simplifying, clarifying the legislation** - through improving definitions, correcting inaccuracies and removing obsolete provisions.
- **Improving the EU groundhandling market by making the competition framework more simple, fluid, fair and uniform (the establishment of a "single European market")** - through simplifying and standardising procedures, reducing administrative burden, increasing transparency, and enhanced opening of the market.
- **Ensuring a better quality of groundhandling:** through improving staff competence, environment, safety, security, information to passengers.
- **Better taking into account other relevant EU legislation:** for social, safety, security, airport charges and passengers with reduced mobility legislation.

### Policy options to meet the objectives

- 8.3 The policy options to meet the objectives are built off the problem definition provided in Chapter 7.

- 8.4 In this section we:

- Highlight the policy options we have ruled out and why; and
- Describe the policy options we investigate in the impact assessment.

### *Policy options from the Impact Assessment Guide and those we have ruled out*

- 8.5 The potential policies suggested in the Impact Assessment Guide are presented in the box below:

- “No policy change” baseline scenario.
- “Repealing the Directive” (e.g. discontinuing existing EU action).
- Improved implementation with additional guidance.
- Self and co-regulation.
- Application of International standards where they exist.

- 8.6 The “No policy change” will be investigated and will form our Policy Option A for the impact assessment described later in this section.

- 8.7 The second suggestion “repealing Directive 96/67/EC” would imply a return to Member States local legal requirements. Since the Directive has been introduced it has produced some positive effects on the groundhandling market such as approval and tender safeguards, separation of accounts, definition of centralized infrastructures, as well as providing greater choice and more competitive prices to users of groundhandling services. Previous rounds of consultation with all the stakeholders indicate no desire to repeal the Directive since all appear to believe that some sort of regulation is better than no regulation in the current context. Moreover, there would be a danger that different Member States would introduce very different national legislation going against the Single Market concept. Therefore we have not considered this further.
- 8.8 We will consider the third suggestion by using “guidance” drafted by the Commission to improve the understanding and implementation of the Directive and this is described further later in this section as Policy Option B.
- 8.9 Self-regulation does not appear a viable option to consider, given the very different perspectives and opinions on the operation of the market of different stakeholders. Moreover, self regulating social, environmental and safety issues is unlikely to be practical. Therefore we have not considered this further. Co-regulation would imply transferring responsibility to a third party (social partners, associations etc...) under a framework influenced by the Commission. For similar reasons of lack of consensus across stakeholders we do not consider this a viable option.
- 8.10 We have reviewed international standards including IATA standards and the ground handling markets in the USA and Australia. The results of this analysis will be used to refine the policies under consideration. However IATA standards are only commercial standards, not covering key aspects of the EC objectives such as social and environmental improvements.

### Policy options to investigate in the impact assessment

- 8.11 The policy options we have investigated in the impact assessment are:

- **Policy Option A) Baseline of maintaining the current directive** (providing the counter-factual to the assessment and requiring no EU action).
- **Policy Option B) Issuing guidance and best practice.**
- **Policy Option C) Substantial revision of the legislation to improve the quality and social considerations.**
- **Policy Option D) Substantial revision of the legislation to improve market performance from opening the market.**
- **Sub-Option D1: through improvement of current provisions.**
- **Sub-Option D2: through gradual further opening of the market.**
- **Sub-Option D3: through a full liberalisation of the market .**

- 8.12 In principle, the Commission will be able to produce the best option for change to the Directive by mixing aspects of the presented options and sub-options, for example: Parts of Policy option C and Sub-option D1, etc.

## Mapping of issues to policy options

8.13 In the remainder of this section, we describe the detailed changes that are included in each of the policy options considered in the impact assessment. In each of the policy options we have classified the issues between those which have a primarily:

- Economic / market impact;
- Social impact;
- Quality impact; or
- Administrative impact.

### ***Policy Option A): Baseline of maintaining the current Directive***

8.14 Under this policy option, there are no changes to the Directive, and no guidance or description of best practice is issued. However, the groundhandling market will continue to evolve over time and as the air transport industry grows an increasing number of airports will pass the thresholds for passenger and air freight throughput set in the Groundhandling Directive.

### ***Policy Option B): Issuing guidance and best practice***

8.15 The European Commission would issue guidance, examples and highlight best practice in a number of areas of the implementation of the legislation to provide greater clarity to industry stakeholders and to improve its implementation. However, as noted earlier in this chapter, these do not amend the legislation and are not legally binding.

8.16 We would expect the following issues to be addressed through guidance and best practice:

TABLE 8.1 POLICY OPTION B: ISSUES

Content of the option	Guidance would be given on the following subjects:
Economic/ market	Self handling definition Freight ground handling definition Subcontracting Access fees for infrastructure Exemptions
Social	How to understand article 18
Quality	Reference to link to Passengers with reduced mobility and other recent EU legislation
Administrative	Member State approval procedures Centralised infrastructure definition Insurance (requirements) Separation of accounts Composition of AUC (which airlines classified as airport users)

Content of the option	Guidance would be given on the following subjects:
Other (general )	Environmental protection

***Policy Option C): Substantial revision of the legislation to improve the quality and social considerations.***

8.17 For both Policy Option C and D there will be a number of areas where redrafting of the legislation which seek to clarify and improve the implementation of the Directive. In the table below we describe the changes that will be common across both options. We then go on to highlight the key issues which are specific to Policy Options C and D.

**TABLE 8.2 COMMON POLICY OPTIONS C & D ISSUES**

Content of the option	Issues addressed by redrafting the legislation
Economic/ market	<p>Redraft: self handling definition</p> <p>Redraft: freight groundhandling definition</p> <p>Redraft: subcontracting article</p> <p>Redraft: Exemptions article</p> <p>Redraft: Access to infrastructure clause</p> <p>New clause, redraft: Introduce on-duty ground handling provision</p> <p>Redraft: definition of threshold for instance “the Directive shall apply to airports which were systematically above the 2 million passengers per year in the last x years”, where “x” has to be defined.</p>
Administrative	<p>Redraft: Centralised infrastructure definition</p> <p>Remove: “Airport system” and “that third country” terms</p> <p>Redraft: Insurance cover and minimum requirements clause</p> <p>Redraft: regulation and appeal procedures clauses</p> <p>Redraft: enforcement of rules of conduct clause</p> <p>Redraft: separation of accounts article</p> <p>Redraft: obligation to publish list of airports covered by Directive to be replaced by the publication of Eurostat figures;</p> <p>New: transparency clause for information needed about the market e.g. restricted or open airside services</p>
Other (general)	<p>Introduce article to clarify what environmental protection covers</p> <p>New: Introduction of a passengers with Reduced Mobility (PRM) article</p>

TABLE 8.3 SPECIFIC POLICY OPTION C ISSUES (IN ADDITION TO COMMON ISSUES)

Content of the option	Issues addressed by redrafting the legislation
Social	<p>Redraft: References in the Directive to relevant social provisions including the transfer of workers or national collective agreements. (the legal feasibility has been confirmed but would need careful legal drafting)</p> <p>New: introduce references to staff training requirements (to be included in common criteria for quality)</p>
Quality	<p>New: Setting common minimum criteria for quality (“quality being defined here in a broad meaning encompassing staff competence, environment, safety, security, information to passengers, etc) at European level independently to market access (taking into consideration existing or forthcoming legislation in these fields). This could take different forms:</p> <ul style="list-style-type: none"> <li>o from setting requirements in terms of training, operations, safety, environment etc.,</li> <li>o to introduce a qualification for staff,</li> <li>o or to introduce a certification for groundhandling undertakings.</li> </ul> <p>AND/OR</p> <p>Redraft: Modification of the tender procedures to include quality and social issues (quality and price rating of the tenders through KPI for instance, staff training requirements and qualifications, etc)</p> <p>AND/OR</p> <p>Redraft: Quality criteria defined in an approval process to be harmonized at a European level. (EU approval delivered by an EU authority or approval delivered by Member States) (scope and system of the approval to be refined)</p> <p>These harmonised criteria might include: sound financial situation, and compliance with common rules in the field of safety, security and environment. Other issues could be added such as insurance and training following further investigation. With regards to social legislation, environment, and some security aspects, it is an obligation to leave room for additional Member State rules.</p>

**Policy Option D): Substantial revision of the legislation to improve market performance from opening the market.**

8.18 The common issues presented in Table 8.2 will apply to Policy Option D in full. In the tables below, we describe the specific issues that would be addressed by changing the legislation to address the following issues.

**Sub-Option D1: through improvement of current provisions**

**TABLE 8.4 SPECIFIC POLICY OPTION D1 ISSUES (IN ADDITION TO COMMON ISSUES)**

Content of the option	Issues addressed by redrafting the legislation
Economic/ market	<p>Redraft: tendering process (modulation of the duration of tenders, AUC composition, voting mechanism and role). Obligation for all ground handlers (except self handling) to be selected through tender. The quality and price KPIs to be specified.</p> <p>Redraft: requirement to have transparent process, and criteria for the allocation of apron space to ground handling agents</p>
Administrative	<p>New: Independent regulator for approving the Centralised Infrastructures and their prices and the allocation of space using principles defined in the legislation.</p>

**Sub- Option D2: through gradual further opening of the market**

**TABLE 8.5 SPECIFIC POLICY OPTION D2 ISSUES (IN ADDITION TO COMMON ISSUES)**

Content of the option	Issues addressed by redrafting the legislation
Economic/ market	<p>Redraft: market threshold levels for passenger and freight services to be included under the Directive. Reduce the threshold level (to one million passenger or 25,000 tonnes of freight) in 2011 or later</p> <p>Redraft: increase the minimum number of groundhandling companies by one per classification, for airports with passengers more than 5 million per annum and 100,000 tonnes of freight in 2011 or later</p> <p>Redraft: tendering process (modulation in the duration of tenders, AUC composition, voting mechanism and role). Obligation for all ground handlers (except self handling) to be selected through tender. The quality and price KPIs to be specified.</p> <p>Redraft: requirement to have transparent process, and criteria for the allocation of apron space to ground handling agents</p>



Administrative	New: Independent authority for approving the Centralised Infrastructures and their prices and the allocation of space using principles defined in the legislation. (the 2009/12 one)
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***Sub- Option D3: through full liberalisation of the market*****TABLE 8.6 SPECIFIC POLICY OPTION D3 ISSUES (IN ADDITION TO COMMON ISSUES)**

Content of the option	Issues addressed by redrafting the legislation
Economic/ market	<p>Redraft: market threshold levels for passenger and freight services to be revised and eventually removed from the Directive. Full liberalisation of the market in 2011 or later</p> <p>Removal: Article on tender procedures as the market would be left to the airport and ground handling agents to manage.</p> <p>Redraft: requirement to have transparent process, and criteria for the allocation of apron space to ground handling agents</p>
Administrative	New: Independent authority for approving the Centralised Infrastructures and their prices and the allocation of space using principles defined in the legislation. (the 2009/12 one)



## 9 Analysis of impacts and comparing options

### Introduction

- 9.1 In this chapter we describe the impacts of each of the Policy Options for a possible revision of Directive 96/67/EC on access to the groundhandling market at Community airports.
- 9.2 We first provide an overview of the size of the impact, then go on to describe these impacts before using available data, collected during the stakeholder consultation and research, to quantify the size of these impacts. For specific parts of the options related to changes in social and quality requirements (Policy Option C) and different market liberalisation options (Policy Option D2 and D3) we have undertaken more detailed financial analysis of the impacts.
- 9.3 Our approach to the impact assessment makes the best use of qualitative and quantitative data that is available for this study. We have followed the impact assessment guidelines to:
- Establish the policy objectives of possible revisions to the Directive and define Policy Options to study for the impact assessment (Chapter 8);
  - Establish the background to the industry and the associated economic, social and environmental impacts of expected growth in the industry across Europe to form Policy Option A - no change in policy (Chapters 3-6);
  - Establish the changes incremental to the Base Case (Option A) from each of the Policy Options B, C, D1, D2 and D3 (in this Chapter).
  - Describe the economic, social and environmental impacts of Policy Option A - no change, and Policy Options B, C, D1, D2 and D3 introducing revision to the Directive (in this Chapter).
  - Describe the administrative impacts of Policy Option A - no change and each of the Policy Options B, C, D1, D2 and D3, in terms of implementing the changes to the legislation and the impacts in Member States (and potentially outside the Community) - (in this Chapter);
  - Identify the risks with the key assumptions used in determining the impact (in this Chapter); and
  - Analyse the outputs expected from the impact assessment of the options and compare them to the Commission's Policy objectives (in this Chapter).

### Overview of the impact assessment

- 9.4 In this section, we provide an overview of the impacts of each of the Policy Options under consideration.
- 9.5 For each Policy Option, we classify the impacts between:
- Economic/ market;
  - Quality;
  - Social;

- Administrative (transparency and costs); and
- Environmental.

9.6 The Policy Options for revision of the Directive are compared to Policy Option A, which assumes continued application of the current Directive.

9.7 The impacts are classified by:

- = Neutral no change
- ✓ Marginally Positive
- ✓✓ Positive
- ✓✓✓ Very Positive
- Marginally Negative
- Negative
- Very Negative

9.8 The principle used when making this assessment are: if benefits increase in size it is “Positive”, if they reduce it is “Negative”. Conversely, if costs increase in size it is “Negative”, and if they reduce it is “Positive”.

TABLE 9.1 OVERVIEW OF IMPACTS OF POLICY OPTIONS

	Policy Option A	Policy Option B	Policy Option C	Policy Option D1	Policy Option D2	Policy Option D3
Economic/ Market	=	✓	--	✓	✓✓	✓✓✓
Quality	=	✓	✓✓	✓	✓	✓
Social	=	=	✓✓✓	=	-	--
Administrative: transparency	=	✓	✓✓	✓	✓	✓
Administrative: costs	=	-	---	--	--	--
Environmental	=	=	=	=	=	=

**Mapping impacts to stakeholders**

9.9 Each of the impacts affect specific stakeholders in the groundhandling market. In Table 9.2, we map the impacts to the categories of stakeholders that will be impacted.

TABLE 9.2 IMPACT CATEGORIES BY STAKEHOLDER

Impact	Stakeholder
Market/ Economic	Passengers, airlines, groundhandlers and airports

Impact	Stakeholder
Quality	Passengers, airlines, groundhandlers, workers and airports
Social	Workers and their representatives
Administrative transparency	All stakeholders
Administrative costs	Commission, Member States regulators, industry compliance (all industry)
Environment	General population

### Description of impacts by Policy Option

9.10 In this section we describe the expected impacts of each Policy Option.

#### ***Policy Option A: Baseline of maintaining the current Directive***

9.11 Policy Option A is used as our Baseline of maintaining the current Directive. As aviation is a dynamic sector, there will be changes from the current position through application of the Directive. Moreover, we would expect, without any revisions to the Directive that enforcement and infringement procedures taken by Member States and the Commission to improve compliance.

#### *Economic/ market*

9.12 Over time, as the aviation market grows, a larger number of airports will exceed either the passenger or freight threshold levels and be applicable to the managed market of the Directive. Moreover, through enforcement, the market will be applied in the intended way to a number of States, where Commission infringement procedures are currently in process.

#### *Quality*

9.13 We do not expect significant changes from application of the current Directive. The results of Commission infringement procedures may result in a small improvement in the consistency of quality.

#### *Social*

9.14 We do not expect significant changes from application of the current Directive. There will continue to be competition between ground handling companies as a part of the tendering process. This will lead to some transfer of staff as a result of contracts being transferred between providers of groundhandling services.

#### *Administrative - transparency*

9.15 The result of infringement procedures and enforcement may improve the level of transparency.

#### *Administrative - costs*

9.16 The cost of enforcement and taking infringement procedures will hopefully reduce over time as, in particular, as the NMSs become more familiar with the implementation of the Directive.

*Environmental*

- 9.17 With growth in the use of aviation, the environmental impact of the groundhandling market will increase in line with expected growth in the number of flights.

***Policy Option B: Issuing guidance and best practice (Compared to Policy Option A)***

- 9.18 The issuing of guidance and best practice will have some impact on the operation of the groundhandling market compared to Policy Option A. However there are limitations to the extent of changes that can be introduced through this method.

*Economic/ market*

- 9.19 Guidance on definitions would facilitate more consistency across the operation of the market across Member States. However, we do not expect this to result in more airports been subject to the managed market. The greater transparency and consistency may have a small positive impact on reducing the average prices in the market.

*Quality*

- 9.20 Through greater clarity of processes, we would expect a modest improvement in the quality of groundhandling services. However, we would expect there to be an ongoing discussion between airlines and their providers of groundhandling services to determine the combination of price and quality they wish to purchase.

*Social*

- 9.21 We would not expect a material social impact from providing guidance and identifying best practice. As guidance is only able to clarify existing legislative requirements, and not introduce new social provisions. While we would expect guidance to be able to provide some clarification of how to interpret Article 18 (covering social and environmental protection) of the Directive this will not change the legal precedent set by the European Court of Justice for example.

*Administrative - transparency*

- 9.22 We would expect an improvement in transparency from guidance, allowing all stakeholders to have access to the Commission's interpretation of definitions and describing its intention of the legislation.

*Administrative - costs*

- 9.23 For groundhandling providers, there is likely to be an increase in administrative compliance costs, including insurance requirements. However, this might be partially offset by potential reductions in regulatory enforcement costs of Member States and the Commission resulting from the clarity provided by the guidance.

*Environmental*

- 9.24 Clarification could be provided related to the use of the term environmental protection in the Directive. However, we do not expect that this will have an effect on the environmental impact of the groundhandling industry.

***Policy Option C: Substantial revision of the legislation to improve the quality and social considerations (compared to Policy Option A)***

- 9.25 The impact of Policy Option C (compared to Policy Option A) results from a combination of the redrafting of legislation contained in Table 8.2 and the specific social and quality measures contained in Table 8.3.

*Economic/ market*

- 9.26 Some aspects of Option C will improve the functioning of the market. Redrafting of the Directives clauses on Centralised Infrastructure and requirements for greater transparency, as well as the new clause on the definition of the threshold, and harmonised criteria to use during the approval process.
- 9.27 However, the main impact of the changes in Option C will results from additional social requirements which will lead to additional costs for all ground handling agents. This will result in either reduced profit margins or more likely higher prices across all ground handling providers.
- 9.28 The additional costs will result from:
- Training costs to meet the minimum requirements for staff qualifications (we assume the costs would be borne by the groundhandling provider);
  - Additional compliance costs to meet the quality requirements in a number of dimensions: operations, safety, security, environment)
  - Any amendments to the social provisions which will increase the Member State/ groundhandling provider's costs related to transfer of workers.
- 9.29 If all these changes in obligations apply to all groundhandling agents in the market, then you would expect these costs to be able to be passed on to airline customers.

*Quality*

- 9.30 There are number of sub-options suggested for improving the consistency of the quality of the provision of groundhandling services.

*Minimum requirements*

- Specified for staff training, operations, safety, etc:
  - A qualification for/ licensing of staff:
  - Certification for ground handlers:
- 9.31 The minimum requirements would have quality benefits to airline users in that they would be able to expect greater consistency of groundhandling provision across the European Union's airports.

*Tender procedures*

- 9.32 The tender procedures to include a quality Key Performance Indicator as well as a price indicator. This would serve to place greater emphasis on the required quality of service to be provided at each airport.

*Quality processes in approval process harmonised at European level*

- 9.33 The approval process would need to be delivered either through Member State or European Union level.
- 9.34 Applying any of these approaches to improve the consistency and the quality of ground handling services would result in reductions in accident rates and less lost baggage, particularly if the wider industry stakeholders were involved with the specification of the minimum requirements.

*Social*

- 9.35 Specific social protection clauses in the groundhandling legislation will result in greater protection of staff providing groundhandling services, and will serve to provide them with minimum working conditions and training requirements.

*Administrative - transparency*

- 9.36 The redrafting of the legislation will provide greater transparency of information to Stakeholders as they will be clear how the Commission intended the legislation to be interpreted and implemented. This allied with the harmonisation of the approval process at a European level will provide a positive impact.

*Administrative - costs*

- 9.37 As a result of administrative requirements for minimum staff training and other requirements, groundhandling service providers are likely to have a significant increase in administrative compliance costs. We would also expect that Member States and the Commission will need to spend considerable costs on enforcement of compliance through infringement procedures or other actions.

*Environmental*

- 9.38 We do not expect any change in impact compared to Policy Option A.

***Policy Option D1: Substantial revision of the legislation to improve market performance from opening the market through improvement of current provisions (compared to Policy Option A)***

- 9.39 The impact of Policy Option D1 (compared to Policy Option A) results from a combination of the redrafting of legislation contained in Table 8.2 and the specific market opening measures contained in Table 8.4.

*Economic/ market*

- 9.40 Redrafting of the legislation will increase transparency, and the requirement for all ground handlers to be selected through tender will have a marginally positive impact, by increasing the efficacy of competition and we would expect a modest reduction in average prices.

*Quality*

- 9.41 Through greater clarity of processes, and greater consistency we would expect a modest improvement in the quality of groundhandling services. This would include the ability of groundhandlers to tailor their price/quality offer to airline customer requirements.

*Social*

- 9.42 We would not expect a material social impact from improvement of the current provisions.

*Administrative - transparency*

- 9.43 The redrafting of the legislation will provide greater transparency of information to Stakeholders.

*Administrative - costs*

- 9.44 For groundhandling providers, there is likely to be an increase in administrative compliance costs, including insurance requirements and the costs of independent regulation. However, this might be partially offset by potential reductions in



regulatory enforcement costs of Member States and the Commission resulting from the clarity provided by the redrafting of the legislation.

*Environmental*

- 9.45 We do not expect any change in impact compared to Policy Option A.

***Policy Option D2: Substantial revision of the legislation to improve market performance from opening the market through gradual further opening of the market (compared to Policy Option A)***

- 9.46 The impact of Policy Option D2 (compared to Policy Option A) results from a combination of the redrafting of legislation contained in Table 8.2 and the specific market opening measures contained in Table 8.5.

*Economic/ market*

- 9.47 Redrafting of the legislation will increase transparency. Reducing the threshold would increase the number of airports subject to managed competition. An increase in the number of groundhandlers would increase market competition. Both these are likely to result in a reduction in the average price at airports that have been subject to limited competition to date.
- 9.48 Independent regulatory approval of charges for Centralised Infrastructure will reduce barriers to entry.

*Social*

- 9.49 The increase in the contestable market and the required number of ground handlers will place greater pressure on efficient labour provision and the optimum mix of capital and labour to provide ground handling services. Therefore, as compared to Option A there are likely to a smaller number of ground handling staff (as chapter 5 shows where pressure on costs prevail, this will be transferred to staff to work more efficiently, therefore hiring new staff to accommodate growth in the volume of flights might no longer take place for example) and with more pressure on working conditions. This will result from a drive to more efficient working practices and approaches introduced by independent ground handling providers.

*Other impacts*

- 9.50 The same as Policy Option D1.

*Administrative - costs*

- 9.51 As the number of groundhandling providers is expected to increase at airports this will mean that new operational rules need to be defined to accommodate these new entrants. Moreover, at Member States where an approval is necessary to operate the number of approvals to be made will be increased

***Policy Option D3: Substantial revision of the legislation to improve market performance from opening the market full liberalisation of the market (compared to Policy Option A)***

- 9.52 The impact of Policy Option D3 (compared to Policy Option A) results from a combination of the redrafting of legislation contained in Table 8.2 and the specific market opening measures contained in Table 8.6.

*Economic/ market*

- 9.53 Redrafting of the legislation will increase transparency. Removing the threshold would increase the number of airports subject to open competition (using a similar approach to Australia). No limit on the number of groundhandlers would increase market competition. Both these will result in a significant increase in scope of the contestable groundhandling market and a reduction in the average price at airports that have been subject to limited competition to date.
- 9.54 To accommodate the increase in the number of groundhandling providers, some capital investment on apron and office facilities will be needed where these facilities are not available or already capacity constrained.

*Social*

- 9.55 The increase in the contestable market and the required number of ground handlers will place greater pressure on efficient labour provision and the optimum mix of capital and labour to provide ground handling services.
- 9.56 Therefore, as compared to Option A there are likely to be fewer ground handling staff and with more pressure on working conditions (see description in D2 above). This will result from a drive to more efficient working practices and approaches introduced by independent ground handling providers.

*Other impacts*

- 9.57 The same as Policy Option D1.

*Administrative - costs*

- 9.58 As the number of groundhandling providers is expected to increase at airports this will mean that new operational rules need to be defined to accommodate these new entrants. Moreover, at Member States where an approval is necessary to operate the number of approvals to be made will be increased

## Quantitative description of impacts

- 9.59 Using the data we have collected throughout the study and the qualitative description of the expected impacts, described earlier in this chapter, we have produced a quantitative description of the impacts. We have made extensive use of index values, to illustrate the relative changes. The detailed methodology for estimating these impacts is described in Appendix D. Care should be taken when interpreting the precise size of the impacts.
- 9.60 The quantification of the impacts are provided through the following key metrics

**TABLE 9.3 CLASSIFICATION OF QUANTITATIVE IMPACTS**

Impact	Measure
Economic and Social	Number of airports in scope of Directive
	Size of contestable market (% of total market)
	Average Price Index (2011=100)
	Average Quality Index 2011=100
	Social Index (2011=100)
Environment	Value of CO <sub>2</sub> emissions Index 2009=100
Administrative	Administrative costs to EC Index (2011=100)
	Administrative costs to Member States Index (2011=100)
	Aviation industry costs of compliance Index (2011=100)
	Administrative Transparency Index (2011=100)

### *Policy Option A: Baseline of maintaining the current Directive*

- 9.61 To describe the expected changes in the groundhandling industry whilst maintaining the current Directive, we have segmented the industry by geography and airport size:
- I Passenger airports, freight airports:** (where an airport exceeds the threshold for application of the Directive for both passengers and freight, we have classified them as passenger);
  - I Large, medium and small airports based on their traffic numbers:** for passenger traffic between 2 and 5 mppa we have classified as small, between 5 and 15 mppa medium, and above 15 mppa large. For freight, between 50 and 200,000 annual tonnes small, between 200 and 500,000 medium and above 500,000 annual tonnes large; and
  - I EU-15 and New Member States:** since both groups are at different stages of the implementation of the Directive.

9.62 Our key Policy Option A (base case) assumptions are provided in the table below. The key assumptions are sources from Chapter 6.

**TABLE 9.4 POLICY OPTION A (BASE CASE) ASSUMPTIONS**

Measure	2010	2011	2012	2013	2014	2015
Number of airports in scope of Directive  (growth from STATFOR forecast, and SDG load factor and capacity adjustments for passenger growth to meet or exceed threshold)	109	110	116	121	124	128
Size of contestable market % (see chapter 5 the 44.9% is the weighted average of the size of the contestable market by NMS and EU 15 split between small, medium and large size over the period) <sup>2</sup>	44.9%	44.9%	44.9%	44.9%	44.9%	44.9%
Average Price Index (base average price of €1,100 per flight)	100.1	100	100	100	100	100
Average Quality Index (set to 100)	100	100	100	100	100	100
Social Index (set to 100)	100	100	100	100	100	100
Value of CO <sub>2</sub> emissions (Index related to the growth in number of flights, 2009=100)	102	105.7	110.7	114.8	118.9	122.9
Administrative costs to EC Index = 100  (Assume €5 million pa)	100	100	100	100	100	100
Administrative costs to Member States index = 100  (Assume €15 million pa)	100	100	100	100	100	100
Aviation industry costs of compliance Index = 100  (Assume €30 million pa)	100	100	100	100	100	100
Administrative transparency Index =100	100	100	100	100	100	100

<sup>2</sup> The weighted average of the EU15 (Large 45%, Medium 45%, Small 45% and NMS (Medium 40%, Small 40%) with the average value weighted by passenger numbers from EUROSTAT

**Policy Options B, C, D1, D2 and D3**

9.63 For each issue (described in greater detail in Appendix D), we have classified the impact by:

- The likelihood of the impact (low, medium, high);
- The magnitude of the impact (low, medium, high); and
- The signage of the impact (negative, positive or neutral).

9.64 In

9.65 Table 9.6we show the relative change in the value of the key impacts in the Policy Option A (Baseline), using a + or - % change by 2015. The detailed year on year assumptions are provided in Appendix D. The assumptions are based on the qualitative description provided earlier in this chapter. Low impacts are assumed to be 1% pa, Medium 2% pa and High 3% pa. These, based on the data available are assumed to be reasonable estimates of the size of the impact. However, in some cases, such as where there are step changes in thresholds, may underestimate the average impact at each airport on the size of its contestable market. These are applied to the following questions described in Table 9.5.

**TABLE 9.5 QUESTIONS USED TO ASSESS THE POLICY OPTION IMPACT**

Type	Specific Questions	Measure
Economic	Does the option have an impact on the number of airports in scope?	Number of airports in scope
Economic	Does the option have an impact on the average price of GH services?	Base average price
Economic	Does the option have an impact on the transparency of tenders?	Administrative transparency
Economic	Does the option have an impact on the competitiveness of tenders?	Average quality
Economic	Does the option have an impact on the size of the contestable market?	Contestable market estimation
Economic	Does the option have an effect on the cost and availability of essential inputs including space, machinery, labour etc?	Base average price
Economic	Does the option provide greater clarity on centralised infrastructure and what their charges should be?	Base average price
Economic	Does the option create any further obligation on groundhandling reporting for the businesses?	Administrative costs for companies
Economic	Does the option create any further obligation on government reporting?	Administrative costs for EC and MS

Type	Specific Questions	Measure
Economic	Does the option create any further obligation on EU reporting?	Administrative costs for EC
Economic	Does the option have an effect on the quality of services?	Average quality
Social	Does the option have specific negative consequences for particular professions, group of workers?	Social index
Social	Does the option have an impact on job quality?	Social index
Social	Does the option provide conditions of staff transfer between old and new GH?	Social index
Social	Does the option impact the access of workers to vocational or continuous training?	Social index
Social	Does the option have an impact on workers' health, safety and dignity?	Social index
Environmental	Does the option have an impact on air quality patterns?	Value of CO <sub>2</sub> emissions
Safety	Does the option have an impact on safety at airports?	Average quality

9.66 It is important to note that the relative size of the impacts are comparable to the Base Case, but they are not easily comparable across impacts. For a subset of the changes we have attempted to quantify the impacts later in this chapter.

TABLE 9.6 POLICY OPTIONS: SIZE OF QUANTITATIVE IMPACTS (2015)

Measure	B	C	D1	D2	D3
Number of airports in scope of Directive	0	0	0	+53	+311
Size of contestable market <sup>1</sup>	0	+2.3%	+2.3%	+4.7%	+4.7%
Average Price	-1.7%	+5.0%	-5.0%	-6.7%	-8.3%
Average Quality	+2.5%	+10%	+7.5%	+7.5%	+7.5%
Social Index	0	+15%	0	-5%	-10%
Value of CO <sub>2</sub> emissions	0	0	0	0	0
Administrative costs	+5%	+15%	+10%	+10%	+10%

Measure	B	C	D1	D2	D3
to EC					
Administrative costs to Member States index	+5%	+15%	+10%	+10%	+10%
Aviation industry costs of compliance	+5%	+15%	+10%	+10%	+10%
Administrative transparency	+5%	+10%	+5%	+5%	+5%

<sup>1</sup> Please note this is the average for each airport covered by the Directive. Even though there will be large increases in the number of airports covered by the Directive in D2 and D3. The average contestable market depends upon the amount of airline self handling.

### Detailed analysis of specific changes in Options C and D

- 9.67 In order to understand the potential size of the impacts of key changes in Options C and D2 and D3 we have produced a more detailed financial analysis of the key changes contained in these options. The results of which are presented in the tables overleaf.
- 9.68 The financial values presented provide an estimate of the potential impact of each of these policy options on each category of stakeholder **should be viewed as illustrative**. As mentioned earlier in this report, the lack of data means that assumptions have needed to be made. Moreover, in relation to how extra costs are accommodated there are potentially a number of options for which costs could be funded. We do not speculate on how these will be accommodated by policy makers but list the possible options
- Costs are passed onto groundhandlers who either reduce their profit margins or where possible pass them onto the users of their services: airlines
  - Costs are borne by Member States or the European Commission (for example for the training costs and regulatory costs) which might provide wider benefits than to the aviation industry.
- 9.69 In the tables overleaf for each of the key steps considered in Policy Option C and Policy Options D2 and D3 we:
- Describe the impact of the change on each classification of stakeholder;
  - Describe the assumptions used to estimate the quantitative impact; and
  - Provide an illustrative estimate of the financial impact.
- Option C**
- 9.70 Please note that following discussion with our legal advisor, we assess that it would be legally feasible to introduce specific provisions for the transfer of workers in the groundhandling industry (potentially based on national collective agreements).
- 9.71 In theory, legislation could try to harmonise the position as regards all transfers or changes of providers of groundhandling services, and provide that any transfer or change of a groundhandling contract from one provider to another would fall within the Staff Transfer provisions. However, we assess that it would be necessary to

carefully define the circumstances in which a transfer or change would qualify, and this could be difficult. For example, there might need to be minima as to value/volume/length of contract specified and whether it should apply where only one or two types of handling service are provided. There would of course be the wider policy question of whether this could prejudice achievement of the competition aims of the groundhandling Directive, and whether it would be desirable to create a special regime for one type of employees.

### ***Options D2 and D3***

- 9.72 The financial estimates are based on the size of the market, the number of airports affected by the Directive and the changes in average prices that are likely to result from moving to a groundhandling market with increased competition. However, as we have highlighted above the available data is limited and therefore the results should be considered with a wide range of uncertainty and be updated when better data becomes available to the European Commission.

### ***Number of airports for D2 and D3***

- 9.73 As presented in
- 9.74 Table 9.6 we have estimated the number of additional airports that would come under the Directive by analysing Eurostat data and growth projections over the period from STATFOR, in the event that:
- The threshold is reduced from 2 million to 1 million we estimate a further 53 airports (than in Policy Option A) will be covered by the Directive in 2015.
  - The market is fully liberalised (with no threshold), then we estimate that a further 311 airports (than in Policy Option A) will be covered by the Directive in 2015.
- 9.75 For Policy Option A using the same data we estimate that the number of airports covered by the Directive will grown from 110 in 2008 to 128 in 2015. For Policy Option D2 in 2015 there is a total of 181 airports (+53) and for Policy Option D3 439 (+311).

### ***Presentation of the data***

#### ***Comparison of outcomes as compared to Policy Option A***

- 9.76 In the tables 9.7 to 9.9 below, we present the estimates of the financial impact comparing the changes resulting from implementation of Policy Options C, D2 and D3 as compared to Policy Option A (to carry on using the current Directive).

#### ***Positive and negative values***

- 9.77 Where financial values are presented as negative (-) they are costs. Where they are presented as positive they are benefits.

#### ***Time of assessment***

- 9.78 The assessment is undertaken for 2015. The Costs are presented in 2010 current prices.

### ***Conclusions***

- 9.79 The size of the financial impacts are illustrative, but across the industry they indicate that some of the impacts could be considerable (tens of millions per annum). The distribution of these impacts are also likely to be very different



between Member States. For example, Member States that have already liberalised will have minimal costs for implementing D2 and D3, but some States would face significant costs of implementing Option C. Whereas States such as Spain and Italy would have relatively lower costs of implementing Option C, but would face significant sized impacts of Options D2 and D3.

TABLE 9.7 OPTION C: DETAILED ANALYSIS OF SOCIAL AND QUALITY ISSUES

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
<b>Step 1: Redraft Social provisions with reference to staff transfer and national collective agreements</b>						
<b>Description</b>	Net impact of price changes would be passed onto airlines		Reduce labour market flexibility as compared to currently (in some Member States)	Greater protection of current benefits and salary levels for groundhandling companies than currently	Compliance monitoring	Infringement proceedings
<b>Approach to quantification</b>	Assume that all additional costs are passed onto airlines		Assume cost of labour is 10% higher than in Option A (based on half of changes resulting from competition 15-20% presented in Chapter 6) Assume that 5,000	Inverse of costs to ground handlers	Assume 0.2 Full Time Equivalent Staff (FTEs) per State  Assume cost of €70,000 per FTE (full costs including accommodation and other support costs)	Assume 2 additional FTEs  Assume cost of €100,000 per FTE (taking into account full costs including accommodation and support costs)

<sup>3</sup> For the United Kingdom see Table 6.6, Serviceair and Aviance average costs of £23,000 updated by 3% inflation in 2009 and converted to Euros at 1.2 per £ (€28,428), Spanish unions provided an estimate of €25,000 per groundhandler (FSC-CCOO) this would be on average slightly higher if management staff were added, for France we reviewed ADP accounting data and estimated an average cost (taking 65% of the revenues of the business in 2009) as staff costs and dividing by the number of groundhandling staff to get an average of around €27,000. Allowing for rounding, and some part time working we have used this as the basis of the €30,000 assumption per FTE.

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
			workers would be affected. Based on judgment.  Assume an average labour cost rate per worker of €45,000 (based on internet research UK, France and Spain <sup>3</sup> of €30,000 wage rate multiplied by 1.5 for benefit and accommodation costs)  (5,000*€4,500)		Based on consultant's experience of industry costs	Based on consultant's estimate of Commission costs
<b>Quantification</b>	-€22,500,000 Per annum		-€22,500,000 Per annum	+€22,500,000 Per annum	-€378,000 Per annum	-€200,000 Per annum
Step 2: Set Common Criteria for Quality through either: requirements for training, operations, safety, qualifications for staff, or certification for ground handlers						
<b>Description</b>	Assume the net costs would be passed onto airlines in short run		Cost of training and cost of compliance with other requirements	Benefits of better training through reduced accidents and consistency of quality of product	Compliance monitoring	Infringement proceedings

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
<b>Approach to quantification</b>	Difference between costs and benefits in year		Assume 60,000 ground handlers EU wide (based on IAHA estimate see Para 6.47) of the number of handlers across the EU industry Assume half (30,000) are not fully trained to required standards (based on judgement)  Assume week of training at cost of €2,000 per head (based on professional training costs)	Total cost of accidents on ramp estimated at €2.6 Billion per annum (see Para 6.33)  Assume 1% improvement from change in standards (based on judgement)	Assume 0.1 Full Time Equivalents per State  Assume cost of €70,000 per FTE (full costs including accommodation and other support costs)  Based on consultant's experience of industry costs	Assume 2 additional FTEs  Assume cost of €100,000 per FTE (full costs including accommodation and other support costs)  Based on consultant's estimate of Commission costs
<b>Quantification</b>	-€34,000,000  One-off  Airlines will reap some of the medium term annual benefits of accident savings of €26,000,000 pa		-€60,000,000  One-off	€26,000,000  Per annum	-€189,000  Per annum	-€200,000  Per annum

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
<b>Step 3: Modification of tender process including quality KPIs in the process</b>						
<b>Description</b>	Costs of changing process assumed to be passed onto airlines	Costs to change the tender process	Assume compliance cost are covered above		Assume compliance cost are covered above	Assume compliance cost are covered above
<b>Approach to quantification</b>		Assume €10,000 per airport (Based on judgement) Number of airports considered: 128 (See section explaining number of airport covered by current threshold in para 9.73) those covered by the Directive			Member states can also have tender costs when its airport is providing Groundhandling services	
<b>Quantification</b>	-€1,280,000	-€1,280,000				
<b>Step 4: Quality Criteria for approval process harmonised at European Level</b>						
<b>Description</b>			Easier process for certification		Compliance monitoring	Infringement proceedings
<b>Approach to</b>			Assume 10		Assume 0.1 Full	Assume 2

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
quantification			groundhandlers provide services at multiple airports in EU, each operating at 3 airports  Assume approval every five years based on chapter 6  Assume average price of €10,000 per approval (based on judgement)  Assume change saves 2/3rds of costs every five years (judgement)  (€10,000*10*3*(2/3))		Time Equivalent FTEs per State  Assume cost of €70,000 per FTE (full costs including accommodation and other support costs)  Based on consultant's experience of industry costs	additional FTEs  Assume cost of €100,000 per FTE (full costs including accommodation and other support costs)  Based on consultant's estimate of Commission costs
Quantification			+€200,000 (Every five years)		-€189,000 Per annum	-€200,000 Per annum

TABLE 9.8 OPTION D2: DETAILED ANALYSIS OF MARKET LIBERALISATION ISSUES

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
Step 1: Partial liberalisation reduce threshold level to one million passengers or 25,000 tonnes of freight						

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
<b>Description</b>	Assume benefits are passed onto airlines	Increase in the number of airports that are subject to the regulation.	Greater market access for independent ground handlers for airports  Competition	Competition likely to put pressure on wage rates and working conditions	Compliance monitoring	Infringement proceedings
<b>Approach to quantification</b>		Assume for extra airports (53 in 2015) see Table 9.6 growing from a slightly smaller number in 2011  Assume all bear €30,000 to set up process for competitive handling this figure takes into account the cost of setting up operational processes (based on judgement)  No additional building investments are included in the costs.	Assume that independent groundhandlers compete on price at airports introduced to and therefore pass savings onto its customers	Assume 60,000 ground handlers EU wide (based on IAHA estimate see Para 6.47) of the number of handlers across the EU Assume 5,000 affected by change in rules (based on judgement)  Assume average all in cost of employment of €45,000 per Full Time Equivalent worker (based on internet research see above)  Assume wage rates reduced by 10% (related to	Assume 0.3 FTEs per State  Assume cost of €70,000 per FTE (full costs including accommodation and other support costs)  Based on consultant's experience of industry costs	Assume 2 additional FTEs  Assume cost of €100,000 per FTE (full costs including accommodation and other support costs)  Based on consultant's estimate of Commission costs

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
				reduction in prices in SH&E and ARC prices some 2/3 <sup>rd</sup> of the total costs of groundhandling are labour and reductions of 15-20% have been experienced)  €4,500 (change in wage rates) * 5,000 workers		
<b>Quantification</b>	€22,500,000 Per annum	-€1,590,000	(Impact passed onto airlines)	€-22,500,000 Per annum	-€567.000 Per annum	-€200,000 Per annum

Step 2: Partial liberalisation increase the number of ground handling companies by one classification for airports with more than 5 million passengers or 100,000 tonnes of freight

<b>Description</b>	Assume benefits are	Change in number of handlers	Greater market access for	Competition likely to put pressure on	Compliance	Infringement
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	Airlines	Airports	Ground handlers	Workers	Member States	Commission
	passed onto airlines	<p>requiring administrative changes</p> <p>Some additional infrastructure may be needed at some airports</p>	<p>independent ground handlers for airports</p> <p>Competition</p>	wage rates and working conditions	monitoring	proceedings
<b>Approach to quantification</b>		<p>61 airports larger than 5 million or 100,000 freight (see table 6.7 for 2015) growing from a slightly smaller number in 2011</p> <p>Assume that all bear €30,000 to accommodate changes in competitive handling this figures takes into account the cost of setting up operational processes (based on judgement)</p>	<p>Assume that independent groundhandlers compete on price at airports introduced and pass all savings on to airlines</p>	<p>Assume 60,000 ground handlers EU wide (based on IAHA estimate see Para 6.47) of the number of handlers across the EU Assume 2,500 affected by change in rules resulting in a reduction in their salary levels (based on judgement)</p> <p>Assume average all in cost of employment €45,000 (based on internet research)</p> <p>Assume wage rates reduced by 10% related to reduction in prices in SH&amp;E</p>	<p>Assume 0.1 Full Time Equivalents per State</p> <p>Assume cost of €70,000 per FTE (full costs including accommodation and other support costs)</p> <p>Add additional costs for approvals to new handlers/for new airports</p> <p>Based on consultant's experience of industry costs</p>	<p>Assume 2 additional FTEs</p> <p>Assume cost of €100,000 per FTE (full costs including accommodation and other support costs)</p> <p>Based on consultant's estimate of Commission costs</p>

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
		<p>No additional building investments are included in the costs.</p>		<p>and ARC prices some 2/3<sup>rd</sup> of the total costs of groundhandling are labour and reductions of 15-20% have been experienced)</p> <p>€4,500 (change in wage rates) * 2,500 workers</p> <p>Assume that some of the growth in employment in Base Case does not happen in Option D2</p> <p>If we assume that employment grows at 50% of the growth in traffic (in the base case). With a base of 60,000 ground handling agent and an average growth rate of 3% then an additional 900 jobs would be created.</p>		

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
				In option D2 we estimate only a half of the additional jobs would be created  Therefore 450 jobs with an all in cost of €45,000 per worker (see above) would not be created		
<b>Quantification</b>	€11,250,000 Per annum €20,250,000 Per annum	-€1,830,000 One-off	(Impact passed onto airlines)	€-11,250,000 Per annum €-20,250,000 Per annum	-€189.000 Per annum	-€200,000 Per annum
Step 3: tendering process harmonised - duration of tender AUC composition, all ground handlers (except self handlers) to be selected by tender						
<b>Description</b>	Savings to airlines from harmonised process	Some change in processes at airports	Impact on competitive market above	Impact of competitive market above		
<b>Approach to quantification</b>	Some administrative savings from the change  Assume €10,000 savings per airport					

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
	for amendments to the tendering processes (based on judgement)  181 airports (128+53) (including wider definition) see table 9.6					
<b>Quantification</b>	+€1,810,000					
<b>Step 4: Criteria for the allocation of apron space to ground handlers defined</b>						
<b>Description</b>		Airports will need to implement the change in rules	Benefits in understanding harmonisation and approach			
<b>Approach to quantification</b>		Some administrative costs of the change  Assume €10,000 per airport (based on judgement) of costs of minor administrative changes  181 airports (128+53)	May lead to some productivity benefits from better allocation of space. (Not possible to quantify these impacts)			

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
		(including wider definition) see table 9.6				
<b>Quantification</b>		-€1,810,000				
<b>Step 5: Independent Authority for approving the centralised infrastructure and the allocation of space</b>						
<b>Description</b>	Costs of independent regulator may be recovered from the industry		Clear process for allocation and space		Use of existing independent authority (set up for Airport Charges Directive) in each Member State to oversee centralised infrastructure change and allocation of space	Expect some of the work undertaken by EC to be passed to Member States
<b>Approach to quantification</b>	Based on calculation to right				Assume 1 Full Time Equivalent (FTEs) per State Assume cost of €70,000 per FTE (full costs including accommodation and other support costs) Assume wages of €46,667 * 1.5 for benefits and accommodation	EC savings in terms of decrease in infringements numbers Assume save 2 FTES cost of €100,000 per FTE (full costs including accommodation and other support costs)

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
					costs 1*27*€70,000	Assume legal costs of €100,000 per infringement proceeding. Assume reduce proceeding by 2 per year (based on judgement and knowledge of legal costs)
<b>Quantification</b>	-€1,890,000 per annum				-€1,890,000 Per annum	+€400,000

TABLE 9.9 OPTION D3: DETAILED ANALYSIS OF MARKET LIBERALISATION ISSUES

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
<b>Step 1: Full liberalisation of the market</b>						
<b>Description</b>	Assume benefits are passed onto airlines	Change in number of handlers requiring administrative changes  Some additional infrastructure may be needed at some	Greater market access for independent ground handlers for airports  Competition	Increase in competition likely to put pressure on wage rates and working conditions	Additional costs for approvals to new handlers/for new airports	

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
		airports				
<b>Approach to quantification</b>		<p>Assume 200 airports impacted</p> <p>All bear €30,000 to accommodate changes in competitive handling for operational processes</p> <p>Additional infrastructure</p> <p>Assume 20 airports need to spend €0.5 million each (based on average of either office expansion €0.25 m and apron expansion €1 million) based on consultant's experience</p>	<p>Assume that independent groundhandlers compete on price at airports introduced to</p>	<p>Assume 60,000 groundhandlers</p> <p>Assume 10,000 workers affected by change in rules through a reduction in their wage rates.</p> <p>Assume average all in cost of employment €45,000</p> <p>Assume wage rates reduced by 10% related to reduction in prices in SH&amp;E and ARC prices some 2/3<sup>rd</sup> of the total costs of groundhandling are labour and reductions of 15-20% have been experienced)</p> <p>€4,500 (change in wage rates) * 10,000 workers</p> <p>Assume that some</p>	<p>Assume 50 new approvals (note in some Member States no new approvals will be required, in others they will).</p> <p>Assume a €20,000 per approval based on judgement</p>	

	Airlines	Airports	Ground handlers	Workers	Member States	Commission
				<p>of the growth in employment in Base Case does not happen in Option D3</p> <p>If we assume that employment grows at 50% of the growth in traffic (in the base case). With a base of 60,000 ground handling agent and an average growth rate of 3% then an additional 900 jobs would be created.</p> <p>In option D3 we estimate all the additional jobs would not be created</p> <p>Therefore 900 jobs with an all in cost of €45,000 per worker would not be created</p>		
<b>Quantification</b>	€45,000,000 Per annum	-€6,000,000 -€10,000,000	(Impact passed onto airlines)	€-45,000,000 Per annum	-€1,000,000 One off	



	Airlines	Airports	Ground handlers	Workers	Member States	Commission
	€40,500,000 Per annum	One-off		-€40,500,000 Per annum		
<b>Step 2: Independent Authority for approving centralised infrastructure definition and their charges and the allocation of space</b>						
<b>Description</b>	Costs of independent regulator may be recovered from the industry	Assume better definition of centralised infrastructure and cost reflective			Enforcement through independent Authority for approval	Infringement proceedings
<b>Approach to quantification</b>	Based on calculation to right	Assume 5% reduction in cost of centralised infrastructure			Assume 1 FTEs per State Assume cost of €70,000 per FTE (full costs including accommodation and other support costs)	Assume 2 FTEs Assume €100,000 per FTE
<b>Quantification</b>	-€1,890,000 per annum	Cost not possible to estimate due to lack of data available			-€1,890,000 Per annum	-200,000 Annual



### Impacts outside the EU Member States

- 9.80 The countries with which the EU has agreements providing for the transposition of the Groundhandling Directive are: - Norway, Lichtenstein and Iceland (EEA Agreement); Western Balkans States (ECAA Agreement-7 States) - Georgia (initialled aviation agreement); and Switzerland (EU-Switzerland aviation agreement). However, only EEA States have to follow a change in the EU legislation. In each of these countries there will be similar types of impacts as identified in the assessment for the EU 27 as identified above.
- 9.81 In addition, there will be an impact on third country carriers that operate to or from the EU, they will need to comply with the legislation and will reap the benefits of any improvements in quality. In particular, any changes to self-handling arrangements, and minimum quality and standard of service requirements will impact them. They will also be impacted through any changes in prices resulting from amendments to the Directive.
- 9.82 Under the reciprocity clause - Article 20 of the Directive, if there are different arrangements on the opening of the groundhandling market in third countries, the Member States have the right to withdraw or suspend the rights of third countries.

### Small/ Medium enterprises

- 9.83 The increase in administrative costs would have an impact on the SMEs who operate in the groundhandling market. For example, if a certification process for Groundhandlers is introduced at a European level, an SME in one country would incur similar costs to a large groundhandling company, operating in a large number of EU Member States. The cost, as a proportion of turnover would be higher in the SMEs than the larger companies. However, this is also the same position as contained in the existing implementation of the Directive.

### Key risks

- 9.84 The key risks identified with the impact assessment are:
- The analysis has been done on a semi-aggregated basis, due to a lack of data at a Member State and airport level;
  - The average index, price level assumed may be incorrect, meaning any comparison across impacts may be more difficult;
  - The size of the impacts are based on historical trends where data is available. However, there is no guarantee that these impacts provide an accurate forecast of the future impacts.
- 9.85 Moreover for the financial illustrations we have produced for Policy Options C and D2 and D3, there are key risks around the assumptions that we have produced.
- 9.86 Due to the paucity of the data, as to the precise size of the contestable market, the impact of competition on social aspects etc, we have not run a formal sensitivity analysis. However, the range of assumptions for each of the impacts would be to assess what the impact of changing the category of impact by one category from, say, an initial assessment of medium (to either low or high). In general, for each of the categories of impact this would result in a +/-5% change over the period to 2015.

## Compare the impact to the objectives

- 9.87 In Chapter 8 we describe the Commission’s key policy objectives for potentially revising the Directive. In the table below we highlight how each of the Policy Options addresses each of these objectives.
- 9.88 The table shows that all options that involve the introduction of amendments to legislation (Policy Options C, D1, D2 or D3) can equally meet the objectives of simplifying, clarifying and update the legislation and taking better account of other EU legislation.
- 9.89 However, there are significant differences on how the Policy Options address the objectives of improving the functioning the EU market and ensuring better quality of groundhandling services.
- 9.90 Policy Option B’s limited scope means it can only really address the objective of clarifying the legislation. All other objectives will be difficult to achieve with this limited change.

**TABLE 9.10 HOW THE POLICY OPTIONS ADDRESS THE COMMISSION'S OBJECTIVES**

	Policy Option B	Policy Option C	Policy Option D1	Policy Option D2	Policy Option D3
Simplify, clarify and update legislation	✓	✓✓	✓✓	✓✓	✓✓
Improve EU market (more simple competition framework, increase transparency)	X	✓	✓✓	✓✓	✓✓✓
Ensure better quality of groundhandling	X	✓✓✓	✓	✓	✓
Take better account of other EU legislation	X	✓✓	✓✓	✓✓	✓✓

Key: X = not addressed  
 ✓ = part addressed  
 ✓✓ = addressed  
 ✓✓✓ = fully addressed

## Conclusions

- 9.91 For each of the policy options we have identified their impacts by describing the likely impacts, and where possible showing the size and quantification of these impacts. In Table 9.11, we summarise the “Effectiveness”, “Efficiency” and “Coherence” of each of the Policy Options.
- Effectiveness: Is judged by how many of the Commission’s policy objectives would be met by introducing the policy change;
  - Efficiency: Is judged by the impacts on the market and the resources required to implement these policy changes;

- Coherence: Is judged by combining how effective and efficient the policy is with the practicality of its implementation.

TABLE 9.11 OVERVIEW OF POLICY OPTIONS

Classification	Effectiveness (objectives)		Efficiency (impacts and resources)		Coherence (overall)
	+	-	+	-	
Policy Option B	1 met	3 not met	Small improvement in price and quality	Admin costs	Small positive impacts Easy to implement
Policy Option C	All met	Not strong on Market improvement	Significant improvements in quality and social protection	Increase in prices and administrative costs	Positive social and quality impact Negative market impacts High admin costs Difficult to implement
Policy Option D1	All met	Not strong on improving quality	Reduction in price and improvements in quality	Administrative cost increase	Positive market impacts Negative social impacts Increase in admin costs Difficult to implement
Policy Option D2	All met	Not strong on improving quality	Reduction in price and improvements in quality	Administrative cost increase Negative social impacts	Positive market impacts Negative social impacts Increase in admin costs Difficult to implement
Policy Option D3	All met	Not strong on improving quality	Reduction in price and improvements in quality	Administrative cost increase Negative social impacts	Positive market impacts Negative social impacts Increase in admin costs Difficult to implement

- 9.92 Policy Options B and D1 have the smallest impacts and there is limited conflict between market and social impacts. They are also potentially the easiest to implement. However, D1 would need legislative changes, while option B could be implemented by the Commission without political approval.
- 9.93 Policy Options C, D2 and D3 have significant sized impacts, where there is a clear trade-off between social and market (pricing) impacts. These are likely to prove difficult to implement, would require new legislation and political approval.
- 9.94 The legislative options for refining the Directive are described in detail in Chapter 10.

**Monitoring needed**

- 9.95 In collecting data to undertake this impact assessment study it is apparent that there is a paucity of information which describe the key market, social and quality features of the groundhandling market and how they have changed over time. For example: there is no one source continuously monitoring the size of the contestable market, the average groundhandling services price, the number of workers and the number that have been subject to transfer of undertaking legislation.
- 9.96 Allied with any change in the market, we would expect there to be a more regular data collection exercise to allow for a more systematic analysis of the changes experience in the groundhandling market resulting from any revision of the Directive. Any such data collection should be undertaken so as not to breach confidentiality between airlines and their groundhandling agents. Moreover, the cost of collecting any additional data should be minimised.





## 10 Legislative options for refining the Directive

### Introduction

10.1 In this chapter we summarise here the main advantages and disadvantages of the different legal instruments available to the Commission to implement its policy objectives. A full legal description of the options is provided as Appendix A. Every piece of secondary EC legislation must be made under the provision of the TFEU Treaty. The current Directive was made under Article 84 (2) (now Article 100(2) of TFEU) concerned with transport policy, and although there were suggestions at the time and since that Article 86 (now Article 106 of TFEU) concerned with services of general economic interest might be more appropriate, Article 84 (2) (now Article 100(2) of TFEU) seems the appropriate base. The Directive also refers to article 7a of the Treaty in the first recital (now article 4g TFUE) and to articles 59 and 61 of the Treaty (see recital 2), which are now articles 58 and 60 TFUE.

### Overview of available legal instruments

- I Council Regulations:** are directly applicable - i.e. automatically part of the national legal systems, and hence confer rights that individuals can enforce in national courts.
- I Directives:** are binding as to the objectives to be achieved and they aim to harmonise the laws of the Member States in a certain sector while leaving some choice as to the form and method open to Member States. They are not immediately applicable in Member States' domestic law and must be implemented, although the Court of Justice has confirmed that they can have direct effect in some cases.
- I Commission Regulations:** requires the power from the Council (of the European Union). The Court has said that general principles must be in Council legislation, but detailed implementation may be contained in the Commission Regulation under delegated power.
- I Guidance:** The Commission has made extensive use of guidelines in some sectors, in particular in the field of competition and state aid. They normally provide guidance as to how legislative measures are to be interpreted and as to how the Commission will apply certain provisions. In some cases, more informal guidance has been provided (e.g. to National Enforcement Bodies under Regulation 261/2004).

TABLE 10.1 ADVANTAGES AND DISADVANTAGES OF LEGAL INSTRUMENTS

Guidance	
Advantages	<p><b>Control:</b> Can be provided by the Commission without recourse to the Council and Parliament</p> <p><b>Time to implement:</b> short compared to alternatives</p> <p><b>Cost to implement:</b> small compared to alternatives</p>
Disadvantages	<p><b>Certainty of success:</b> They are not legally binding to the Court of Justice, and are open to challenge</p> <p><b>Binding on Member States:</b> Informal guidelines (as used in Regulation 261/2004) have an unclear status</p> <p><b>Scope:</b> Formal guidelines can be used to clarify ambiguity within existing legislation but not amend the legislation</p>
Directive	
Advantages	<p><b>Scope:</b> Have been used to harmonise law across Member States. able to cover a wide range of issues from clarification to law</p> <p><b>Certainty of success:</b> Court precedent shows that Directives can have direct legal effect, but with the potential for some delay with regards to national transposition</p>
Disadvantages	<p><b>Binding on Member States:</b> Directives are not immediately applicable in Member States' domestic legal systems and must be implemented in national law</p> <p><b>Control:</b> Needs Parliament and Council approval</p> <p><b>Time to implement:</b> Normally a year at least</p> <p><b>Cost to implement:</b> Significant for both the Commission and National Governments transposing the requirements into national law within specified timelines</p>
Regulation	
Advantages	<p><b>Scope:</b> able to cover a wide range of issues from clarification to law</p> <p><b>Certainty of success:</b> Has a direct and immediate legal affect</p> <p><b>Binding on Member States:</b> Binding in its entirety and directly applicable in all Member States</p>
Disadvantages	<p><b>Control:</b> Requires Council and Parliament approval</p> <p><b>Time to implement:</b> As they are required to have specificity, and approval from Council and Parliament there is the danger of delays - could take 18 months to 2 years</p> <p><b>Cost to implement:</b> Within Commission likely to be significant, but automatically transposed into National Law</p>

## Conclusion

- 10.2 It is clear that if any substantive amendment to the current legal regime is to be made then, this will need to be done through legislation (Directive or Regulation). Guidelines can be used to provide clarification but this would severely limit the extent of change. The choice of Directive or Regulation is likely to depend on the Commission's objectives, time and costs to implement. As there should be no need to "harmonise" national legislation, and as a Regulation is more certainly directly effective, the case for a Regulation is stronger.



APPENDIX

A

STAKEHOLDER CONSULTATION COMMENTS



## A1. DETAILED COMMENTS FROM STAKEHOLDERS IN DOCUMENT REVIEW

A1.1 This section gives a detailed breakdown of the information collected from the document review.

**APPENDIX: TABLE A1.1 SUMMARY OF ISSUES RAISED WITH THE DIRECTIVE IN THE ACI INDUSTRY PARTNERS DIALOGUE, GROUNDHANDLING AMENDING COUNCIL DIRECTIVE 96/97, (2006)**

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Quality of service	Airports via ACI	Service quality level is not defined in the Directive.	Minimum level of quality of service should be defined, as well as what it applies to.
Art 14 - Approval	Airports via ACI	Adequate insurance provisions are only mentioned for operators in Member States who decide to introduce licensing.	Any groundhandling supplier should be insured to an adequate level.
Art 18 - Social protection	Airports via ACI	No mention of a minimum level of training for groundhandling staff.	A minimum level of staff training should be defined.
Art 18 - Social protection	Airports via ACI	No mention of take-over rules of employees.	The issue of take-over rules must be assessed.
Art 4 - Separation of accounts	Airports via ACI	Only airports have implemented account separation (no other suppliers have).	Legal separation should apply to any supplier Improve transparency by other tools (not described).
Subcontracting	Airports via ACI	No mention of subcontracting in the Directive.	Subcontracting rules should be the same for anyone.

**APPENDIX: TABLE A1.2 SUMMARY OF THE ISSUES RAISED WITH THE DIRECTIVE IN THE ECORYS AVIATION STUDY (2008)**

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Employment Conditions	Trade Unions	Remuneration lagging behind inflation and increase in fixed term and temporary contracts. Health and safety less positive than other professions.	None suggested.

APPENDIX: TABLE A1.3 SUMMARY OF ISSUES RAISED WITH THE DIRECTIVE IN THE AIRPORT RESEARCH CENTRE STUDY (2009)

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Contestable Markets Article 9	Independent groundhandlers	High volume handled by main carriers hampering smaller companies entering market.  Share of the market an airline operates itself is not contestable.	No suggestions, but states that over time the contestable markets are increasing.
Handling Prices Article 9	Airlines	Some markets remain limited, limiting the opportunity for further decreases in handling prices.	Increase in the minimum number of suppliers.
Handling Prices Article 9	Airport Operators	Competition on price not quality.	No explicit suggestions in this section, but could be linked to quality comments next.
Quality	Airport Operators	Quality output is variable. Competition leads to pressures on prices and decreasing quality. Insufficient training to staff in order to cut costs has decreased quality in some airports.	Airport operators to introduce a minimum quality standards defined by consultation with the AUC. There would be quality monitoring and ex-post gradual measures in case of non-fulfilment.
Quality	Airlines	Intensification of competition produces pressure on prices, insufficient capacity and quality of airport facilities and construction. However, competition and increasing requirements in SLA have raised quality in some airports.	Airlines do not agree to define the obligatory minimum quality requirements since quality levels are negotiated and implemented in SLAs.
Quality	Independent groundhandlers	Quality decreases due to insufficient capacity and quality of airport facilities, construction works and intensification of competition. However, quality is variable with increases due to competition in some airports. QMS and self-audit processes have increased quality in some areas.	Independent groundhandlers to not agree to define the obligatory minimum of quality requirements since quality levels are negotiated and implemented in SLAs.



## Directive 96/67/EC

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Quality	Unions	Increase pressure on working conditions are decreasing quality levels. Ensuring safety will have a direct impact on safety and security.	Unions propose to introduce a minimum quality standards defined by consultation with the AUC. There would be quality monitoring and ex-post gradual measures in case of non-fulfilment.
Airport Operators Participation in Groundhandling Article 4	Airport operators	Airport operators who have groundhandling services say separation of accounts unfair as other groundhandlers are able to cross subsidise across branches. They state the reduction in airport operators groundhandling as there is increasing competition and costs.	No suggestion of an alternative measure
Airport Operators Participation in Groundhandling Article 4	Airlines	<p>Directive leaves room for interpretation and enables cross synergies between the airport as an infrastructure provider and airport groundhandling subsidiary.</p> <p>There are opportunities for the airport operator to distort competition, discriminate against competitors and influence tender procedures.</p> <p>The separation of accounts is also insufficient.</p>	Airports should establish a separate legal entity and act under the same conditions as other stakeholders.
Airport Operators Participation in Groundhandling Article 4	Independent groundhandlers	<p>Directive leaves room for cross synergies between the airport as an infrastructure provider and airport groundhandling subsidiary.</p> <p>There are opportunities for the airport discriminate against competitors and influence tender procedures.</p> <p>The separation of accounts is also insufficient and there is no requirement for airports to make a profit out of groundhandling procedures.</p>	No specific suggestion of an alternative measure.
Airline participation in groundhandling Article 7	Airport Operators	Airlines can cross subsidise their handling activities within their network. Their handling licenses are not	Self handling should not be extended to alliance partners and airlines should be limited to handling their own

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
		limited.	airline's volume.
Airline participation in groundhandling Article 7	Independent groundhandlers	Airlines engagement in groundhandling can lead to market distortions since their handling licenses are not limited and many network carriers handle themselves on a reciprocal basis limiting competition and availability of the market to independent handlers.	Self handling should not be extended to alliance partners and airlines should be limited to handling their own airline's volume.
Airline participation in groundhandling Article 7	Airlines	Airlines have the right to self handle so no artificial barriers should be introduced.	Airline handlers should be free to handle any aircraft carrying shipments.
Centralised Infrastructure Article 16	Airport Operators	In order to provide other airport installations and services, the airports need to charge airport users and groundhandling providers.	The right to collect a commercial fee should be expressed more clearly but a precise definition of Centralised Infrastructure is not necessary to allow flexibility to react to airport specifics.
Centralised Infrastructure article 8 and 15	Airlines	Infrastructure costs high and not transparent. Capacity constraints can affect quality and there are issues surrounding airport operators having a conflict of interest, allowing cross subsidisation and discrimination to competitors. Poor quality of service and restrictions of some groundhandling activities to competitors.	Charges common standards should be introduced and provisions of Article 8 and 15 clarified. The definition of centralised infrastructure should be clarified and more restrictive and fees should be treated similarly to airport charges and included into regulation.
Centralised Infrastructure Article 16	Independent groundhandlers	Provisions of facilities for groundhandlers not sufficient in some airports. Causing discrimination against new entrants.	No specific suggestion of an alternative measure.
Airport Users' Committee Article 5	Airport Operators	No decisive vote and role and enforcement vary between airports. Some conflict of interest with self-handling and third party handling airlines not voting for strong competitors.	A set of guidelines at the EU level should be defined which sets minimum requirements for the internal functioning of the AUC. Airlines which are operating in groundhandling should not be entitled to select their competitors.

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Airport Users' Committee Article 5	Airlines	AUC role not strong enough and it should have a decisive role in the tender process and on the decision from which groundhandling companies will be approved and licensed.	Voting rules should be defined and a set of guidelines given.
Airport Users' Committee Article 5	Independent groundhandlers	Independent groundhandlers believe they should have a stronger role in the AUC to ensure relevance, objectivity, non-discrimination and transparency in the tender process. They also think that the AUC and AOC should have more influence over decisions in the groundhandlers at the airport.	AUC should include independent ground handler representation and have a greater influence on decision making at the airport.
Tendering Process Article 11	Airport Operators	Tendering process guidelines not clear in Directive. Need minimum standards in pre-selection and requirements on insurance cover. Length of contracts should be extended to 10 years and guidelines about whether the transfer of staff is necessary when licensees change.	Clearer guidelines and minimum standards in Directive need to be included to ensure the process is clear and objective across all airports.
Tendering Process Article 11	Airlines	A minimum of 4 suppliers at large airports and 3 at small are necessary. Airlines state they have limited or no influence on selection of groundhandlers even though they are customers and they should have the final vote. The decisions are not always transparent.	Airlines role in selection procedure for groundhandlers specified.
Tendering Process Article 11	Independent groundhandlers	Tenders in line with the Directive guidelines have not taken place. The retention of staff in new operations has a disproportionate influence over the tender procedures and is not in line with the Directive objectives. The tender procedure needs to be clarified to ensure all interpretations are consistent and the final selection is always made in a	Clearer guidelines and minimum standards in Directive need to be included to ensure the process is clear and objective across all airports.

## Directive 96/67/EC

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
		transparent and objective way. Extension of the length of licenses needed.	
Tendering Process Article 11	Unions	The max licensing periods should be increased to 10 years, there are no clear guidelines on the transfer of staff and social aspects and work councils should be included in the tender process.	Specific reference to the transfer of staff should be included in the Directive in the form of guidelines or regulation. Other parts of the tender process needs to be expanded on and clearly explained.
Subcontracting	Airports	Concerns that sub-contracting may cause capacity constraints, negative affects on safety and security and undermines selection criteria.	Sub-contracting and cascade sub-contracting should be limited.
Subcontracting	Airlines	No further regulation on sub-contracting but main contractor should guarantee safety and quality standards.	Sub-contracting guidelines improved with main contractor responsible for safety and quality. No further regulation needed.
Subcontracting	Independent Groundhandlers	Sub-contracting should not be limited and no further regulation is needed.	Sub-contracting guidelines improved with main contractor responsible for safety and quality. No further regulation needed.
Subcontracting	Staff Representatives	There should be no need to sub-contract several sub services as groundhandling suppliers are licensed as full service providers. Sub-contracting can minimise wages and increase working time.	Sub-contracting and cascade sub-contracting should be limited.
Employment conditions Article 18	Airport Operators	Negative impact on working conditions following Directive. Lack of clarity on transfer of staff.	Clarify and impose clear guidelines on Article 18 of the Directive.
Employment conditions Article 18	Independent Groundhandlers	Transfer of staff unclear so unable to guarantee unlimited contracts. Competition means that staff training, working conditions etc are important.	Clarify transfer of staff.
Employment conditions Article 18	Unions	Directive has differing impact on employment conditions depending on	Comply with common European social standards and requirements which

## Directive 96/67/EC

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
		social protection and liberalisation. In some cases it has had a negative affect on wages, jobs, social protection and working pressure. Changing licenses destroys the bonds between unions and companies.	protect wages and working conditions of employees. Inclusion of regulation on staff transfer. Workers councils ask for common standards of qualification.

**APPENDIX: TABLE A1.4 SUMMARY OF ISSUES RAISED WITH THE DIRECTIVE IN THE SH&E STUDY ON THE QUALITY AND EFFICIENCY OF GROUNDHANDLING SERVICES AT EU AIRPORTS AS A RESULT OF IMPLEMENTATION OF COUNCIL DIRECTIVE 96/67/EC (2002)**

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Quality	Airport Operators and representative bodies of airlines	Control on quality has been lost and market not delivered in this respect.	Real power and control to airport operators to ensure safety and security.  A license process introduced as has occurred in some airports independently  Monitoring to ensure they comply with legal regulations and industry standards
Quality	Airlines and Independent Groundhandlers	Quality should be set between provider and customer. Airport operators should not be involved to ensure no conflict of interest with their own handling company	
Open Market	Independent groundhandlers	Directive has allowed airlines to have a stronger bargaining position with suppliers, but has not necessary caused a greater market as they have just bargained down previous suppliers.	
Areas where handling can be monopolistic	Airlines and representative bodies	Directive allows monopolistic position of some airport operators. Airports have used the	

## Directive 96/67/EC

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Article 4		Directive to secure their own handling position and hide behind narrow interpretations of the Directive when opening the market to others.	
Lack of regulator	Groundhandling companies, AUCs and airport operators	Lack of a clear institutional framework and strong and efficient regulator	Inclusion of the creation of a regulator
Number of groundhandlers Article 6	Airlines	Should be a maximum number of groundhandlers defined to find equilibrium between choice and efficiency. Also the minimum number should be raised.  Also, problem of so many groundhandlers across Europe so no strong relationships developed.	Maximum number defined in Directive and minimum increased.
Number of groundhandlers Article 6	Airport Operators	If all airlines in the airport decide they only want one provider this should be available under the Directive	Allow no market competition if agreed by all airlines.
Size of airports affected Article 6	Regulatory authority	Reduce threshold for size of airports to encourage competition at smaller airports	Change criteria for airports to fall under the Directive.
Size of airports affected Article 6	Groundhandlers	Increase threshold to only airports over 4 million passengers as below this it does not make economical sense	Change criteria for airports to be under the Directive.
Derogations Article 9	Representative Bodies of airlines	Derogations in space, capacity, safety and security mean many airports will continue to ignore the Directive	
Changes to Directive	Airport Operators	High costs to implement any part of a new Directive	No changes should be made, but Directive should be fully implemented in all countries in its current form.
Customer Service	Airport Operators and	No mention given to customer service and the	Inclusion of customer service provision in

## Directive 96/67/EC

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
	airlines	upholding of this.	Directive.
Right to appeal Article 21	Airlines	Make clear what appeals can be made by who and against what decisions.	Clarify Article 21.
Tender Processes	AUCs, representative bodies and airlines	No direct involvement of airlines in tender processes. AUCs do not have enough control. Conflicts of interest if the airport operator is involved in groundhandling and choosing their competitors. Price often used to judge handlers, not quality.	
Tender Processes Article 11	Independent groundhandlers	Third party groundhandlers not involved in selection process and complaints that they are not given enough time to submit information to the selection panel.	The Directive needs clearer guidelines and expectations of process. Guideline criteria of how tenders might be judged. Requirement for feedback for successful and unsuccessful bids.
Licenses	Independent handlers, representative bodies and airlines	Shortness of licenses discourages long term investment.	Lengthen licensing periods.
Reissuing a license	Airport Operators	Gap in the Directive where it does not provide information or guidance on what to do if a ground handler leaves the market.	Introduce a notice period for groundhandlers during which an airport operator can find a suitable alternative.
Restriction on licenses	Independent groundhandlers	There should also be conditions defined when a license can be lost.	Define conditions for a license to be lost.
License types	Airport Operators	Bundled licenses should be given to prevent cherry picking of services.	Bundled licenses guidance introduced.
Definition of groundhandling services ANNEX	Airport Operators	Annex to Directive does not match the IATA Groundhandling Manual List (AHM 810). The definitions of what is included in each category is not clearly defined.	Review Directive definitions of groundhandling categories.
Equipment Licenses	Airlines and groundhandlers	Licenses introduced by airport operator, for	

## Directive 96/67/EC

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Article 14		example on vehicle age may make it difficult for companies to be competitive in the market.	
Insurance Article 14	Airport Operators and representative bodies	The insurance liability is the same for all groundhandlers and can prevent entry into the market.	Define insurance criteria.
Airport Operators involvement in Groundhandling Article 4	Airlines and groundhandlers	Conflict of interest when an airport operator performs groundhandling tasks. Airport operators can offer extra services other providers cannot to keep business. They can also distort the market or put restrictions on access to infrastructure. Concern about cross subsidisation of activities and separation of accounts.	
Airport Charges Article 16	Airlines	No obligation of airports to have to provide transparent information about the charges it collects from airlines.	
Airport Users Committee Article 5	Airlines, groundhandlers and representative bodies	The power and influence of the AUC varies airport to airport. Also airlines that supply groundhandling are able to vote to choose their competitors.	Clearer definitions should be included in the Directive of what issues the AUC should be consulted on and who should have a right to vote and be represented within the committee. Potential for an independent institution supervising the process.
Airport Users Committee Article 5	Airlines	The Directive includes no suggestion of the voting mechanisms to be used and which organisations could be classed as an 'airport user' within the airport.	Recommendation in the Directive of the voting mechanism to be used.
Self-handling Article 7	Airlines	Self-handling only currently includes when an airline provides the service to themselves, however, other airlines argue that it should be expanded to alliance and network partners.	Expand self-handling definition to alliance and network partners.



Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Self-handling Article 7	Airlines	Definitions artificially restrictive as an airport user cannot be deemed a third part if one holds a majority holding or a single body has a majority holding in each. P.84	Reduce restriction on parties to offer groundhandling if majority owned by another airport user.
Self-handling article 7	Independent regulators	There should be an obligation for the member state to explain the compelling circumstances under which the number of self handlers is restricted and should establish timescales to lift them. The issue of VAT charges also needs to be addressed as it causes unfair competition when an airline self handles.	The Directive should ensure that any restrictions on self handling are clearly explained and any unfair practices from this clarified.
Competition	Third Party Groundhandlers	The limitation on licenses has led to consolidation of groundhandlers and in some places a reduction in competition. Also, small handlers are disadvantaged as large ones are able to offer discounts across a range of destinations.	
Self handling Article 7	Cargo Carrier	Groundhandling is part of integrated transport chain within a cargo operation, but seen by authorities as groundhandling activities that should be open to tender.	
Allocation of facilities Article 16.2	Airport Operators	There needs to be distinction between commercially important facilities and support facilities.	Recommended clearer definition of facilities and ability to limited additional access to landside operations.
Allocation of facilities Article 16.2	Groundhandlers and airlines	Unfair and legacy allocation of groundhandling infrastructure reducing competitiveness of new groundhandlers.	More transparency from airport operators on the basis of allocation of space and facilities.
Allocation of facilities Article 16	Airport Operators	The Directive should recognise the practical and legal difficulties faced by an airport when its'	Inclusion of requirement break existing property agreements should come with guidelines of where

## Directive 96/67/EC

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
		facilities are re-allocated.	any penalties of this can be recouped from.
Access Charges Article 16	Airport Operators	Directive needs to make clear the airport's right to charge access fees and define for which services this can occur.	Clearly define an airports right to impose a fee to third party handlers and self handlers.
Access Charges Article 16	Airlines	Airlines question whether an airline should have to pay an access fee as they already do this in their other charges for using the airport.	Clarify what airports should be able to charge for.
Access Charges Article 16	Representative Bodies	Charges need to be cost related to reduce double counting to users.	Suggested wording: ' <i>Any access fees and central infrastructure fees at the airport shall be cost-related and shall be determined according to relevant, objective, transparent and non-discriminatory criteria</i> '.
Access Charges Article 16	Third Party Groundhandlers	Charges are an unnecessary financial burden on an industry in which margins are very low across the board and are unfair in their non application to some self-handlers even though there is supposed to be accounting separation.	Clarify what airports should be able to charge for.
Centralised Infrastructure Article 8	Groundhandlers	Need to have guidelines of whether a consultation is needed to establish what CI at an airport is needed.	Process of defining CI included in Directive.
Centralised Infrastructure Article 8	Groundhandlers	Need transparency in pricing schemes. Need to define whether or not CI is cost related. Also need to ensure airports do not give their own handling customers a discount.	
Employment Transfer Article 18	Representative bodies and Third Party groundhandlers	Some member states adopting rules of employee transfer that distort the market. However, in cases where taking over employees is not necessary some airports increase	Clarification on the obligation to take over employees from previous groundhandling operations.

**Directive 96/67/EC**

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
		charges also distorting competition.	
Employment Skills Article 17	Unions and representative bodies	Try to establish minimum skill levels for employees as new groundhandlers have increased untrained workers in workplace.	Define the skill level needed for groundhandling employees.
Employment Conditions Article 17	Worker Councils	Protection of employees not focussed on in Directive.	Protection of employees should be made stronger in any revision.
Sub-contracting Article 2	Airlines and Aviation Regulators	Unclear whether sub-contracting can occur under self handling contracts.	Define the situations in which sub-contracting can occur.
Sub-contracting Article 2	Airport Operator	Directive needs clarification on whether sub-contracting is allowed and the rules that should govern it.	Inclusion of sub-contracting guidelines.
Disabled Handling	Representative Bodies and airlines	There should be a minimum standard for disabled handling in the Directive that is applicable to all airports and the cost shared between passengers and airlines.	Inclusion of standards of disabled handling.

**APPENDIX: TABLE A1.5 SUMMARY OF ISSUES RAISED WITH THE DIRECTIVE IN THE BOOZ & COMPANY REPORT - EFFECTS OF EU LIBERALISATION ON AIR TRANSPORT EMPLOYMENT AND WORKING CONDITIONS FOR THE EUROPEAN COMMISSION DIRECTORATE JUNE 2009**

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Social and Environmental Protection Article 18	Employee representatives of groundhandling organisations	The Community framework regulation and national implementation, as well as national legislation, should ensure tenure, seniority and re-employment of workers even if franchises to perform groundhandling are short.	Directive needs to encourage retentions of known, experienced and well-qualified workers whilst allowing employers to work efficiently and flexibly.
Social and Environmental	Employee Representative	Concern for job stability with short term contract offered to employees and	High standards and formal qualifications for all safety-related professions

## Directive 96/67/EC

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Protection Article 18	Bodies	training and qualifications at a minimum.	introduced/monitored.
Social and Environmental Protection Article 18	Independent Bodies	Lack of information on this industry and its employment structure to inform policy makers. (Not groundhandling specific).	A periodic and standardised reporting system needed
Social and Environmental Protection Article 18	Employee representatives of groundhandling organisations	Directive encourages new entrants to put in low cost or less experienced labour in order to win contracts.	Establish a Community-wide requirement that, in instances where groundhandling companies at an airport get replaced wholly, or in part, that the existing employees must be taken over by new management. However, this needs to be sensitive to the need to promote competition in the interests of the user and consumers.
Social and Environmental Protection Article 18	Employee representatives of groundhandling organisations	Difficult to see the clear impact of the Directive on groundhandling due to differing regulatory frameworks in the Member States.	
Social and Environmental Protection Article 18	Employee representatives of groundhandling organisations	Certain groundhandling services require community standards to be introduced.	Community rather than national standards must be applied to all safety-related rules.

APPENDIX: TABLE A1.6 SUMMARY OF ISSUES RAISED WITH THE DIRECTIVE IN THE EC DIALOGUE - AIR TRANSPORT INDUSTRY ON GROUNDHANDLING/AIRPORT CHARGES AND CAPACITY - 'GROUNDHANDLING - TIME TO EVALUATE' APRIL 2006

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Scope Article 1	Association of European Airlines	Ensure the Directive is implemented fully in all member states.	
Scope Article 1	Association of European Airlines	The scope needs to include airports >1million passengers.	Redefine Directive.
Number of Groundhandlers Article 7	Association of European Airlines	The market should determine the number of groundhandlers at an airport.	Redefine Directive.
Consultation Article 13	Association of European Airlines	Key Performance Indicators should be implemented locally in a consultation process.	Redefine Directive.
Implementation Article 23 and ANNEX	Association of European Airlines	Increase transparency and clarify definitions of processes within the Directive.	Redefine Directive.
Selection of Suppliers Article 11	Association of European Airlines	Ensure a rigid and fair bidding process. With the opportunity for the users e.g. airlines to play a key role.	Redefine Directive.
Centralised Infrastructure Article 8	Association of European Airlines	Ensure equal access to central infrastructure.	Redefine Directive.
Airport Operators involvement in Groundhandling Article 4	Association of European Airlines	Ensure that separate legal entities are created if airports carry out groundhandling.	Redefine Directive.
Sub-contracting Article 2	Association of European Airlines	Ensure that groundhandling service providers should be entitled to subcontract.	Redefine Directive.

APPENDIX: TABLE A1.7 SUMMARY OF THE ISSUES RAISED WITH THE DIRECTIVE IN THE INTERNATIONAL AVIATION HANDLERS' ASSOCIATION - EC DIALOGUE ON GROUNDHANDLING APRIL 2006

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Self handling Article 7	International Aviation Handlers' Association	A restricted definition of self handling is required.	Clarify self handling definition.
Legal separation of accounts Article 4	International Aviation Handlers' Association	Airports and airlines engages in third party handling must provide legal separation and unbundling of operations.	Evidence of legal separation and unbundling of operations a requirement of airlines and airport operators.
Number of groundhandlers Article 7	International Aviation Handlers' Association	Doubts over the number of entrants allowed in the market and dominance that remains of airport and airline handlers.	Re-evaluate how the number of groundhandlers is decided.
Period of public tenders Article 11	International Aviation Handlers' Association	Tender period should be 10 years.	Change tender period to ten years.
Transfer of staff Article 18	International Aviation Handlers' Association	Need for a social response with regards to the transfer of staff.	Clarification on the situation regarding the transfer of staff between providers.
Quality and training of staff Article 18	International Aviation Handlers' Association	Should be a service level agreement between carriers and handlers and sectoral social dialogue.	Clarification on the requirements for staff transfer between groundhandling organisations.

**APPENDIX: TABLE A1.8 SUMMARY OF ISSUES RAISED WITH THE DIRECTIVE IN THE FINAL  
REPORT OF THE JOINT SURVEY ON BEST PRACTICES ON TRAINING AND  
QUALIFICATION IN THE GROUNDHANDLING SECTOR SEPTEMBER 2008**

Directive reference	Which stakeholder(s) have raised the issue	Describe the problem	Describe any suggested solutions
Social and Environmental Protection Article 18	Social Partners	There has been recognition by employers that the workers skill levels need to be improved.	Include a recommended approach to training for employers and trade unions.
Social and Environmental Protection Article 18	Social Partners	No commitment is currently needed between employers and trade unions to work together to provide training.	Introduce commitment for trade unions and employers to work together.
Social and Environmental Protection Article 18	Social Partners	Very few ground handler workers said there were special arrangements for women and disabled workers.	Include need to have special arrangements in place for women and disabled workers.
Social and Environmental Protection Article 18	Social Partners	Greater clarity needed on basic training needs and good practice.	Include information on the basic training requirements and good practice.





**APPENDIX**

**B**

**SUMMARY OF DATA PROVIDED**



**B1. SUMMARY OF DATA PROVIDED**

B1.1 The following table includes the data collected from the previous studies that could be used to inform our impact assessment study.

**APPENDIX: TABLE B1.1 DATA COLLECTED FOR THE IMPACT ASSESSMENT FROM PREVIOUS STUDIES**

Study reference	Data description	Year and coverage
ARC, p.60 4.2 onwards	Average growth in each of the groundhandling sectors	
ARC, p. 63-64	Number of handlers for baggage handling (partial data set)	2007, EU-27 airports
ARC, p.67- 69	Number of handlers for freight and mail handling (partial data set)	2007, EU-27 airports
ARC, p.71- 73	Number of handlers for ramp handling (partial data set)	2007, EU-27 airports
ARC, p.75- 76	Number of handlers for fuel and oil handling (partial data set)	2007, EU-27 airports
ARC, p.78	Market shares (partial data set)	EU-15, 2002-2007
ARC, p.79	Market shares (partial data set)	New Member States, 2004-2007
ARC, p.83- 85	Size of contestable market	2007, EU-27
ARC, p.88- 90	Changes in handling prices (partial data set)	2007, EU
ARC, p.94- 96	Changes in quality (partial data set)	2007, EU
ARC, p.103-104	Participation of airport operator	2007, EU
ARC, p.113-116	Centralised infrastructure list	2008, EU-27
ARC, p.120-122	UAC's views	2008, EU-27
ARC, p.141-144	Income level of loaders and ramp agents (partial data set)	2007, EU-27
ARC,	Benchmark on working conditions (partial	2007, EU-27

Study reference	Data description	Year and coverage
p.146-147	data set)	
ARC, p.148-150	Benchmark on type of contract (partial data set)	2007, EU-27
ARC, p.155-157	Benchmark of safety issues (partial data set)	2007, EU-27
ARC, p.113-114	For each of the airports visited for the study the defined Centralised Infrastructure is presented.	2008, EU-15
EASA p.55	Estimated number of groundhandlers at different sized airports.	2007, EU-27
EASA p.56	Number of groundhandlers due to the Directive in the EU 15	2002, EU-15
EASA p.76	Examples of equipment required for groundhandling	Not applicable
SH&E p.12 table 2.1	Summary of exemptions since the Directive was introduced	2002, EU-15
SH&E p.21	Summary of handling price developments by airport from the airport, airline, AUC, AOC and handler viewpoints.	2001, EU-15
SH&E p.23	Summary of quality developments by airport from the airport, airline, AUC, AOC and handler viewpoints.	2002, EU-15
SH&E p.25	Summary of conditions of the tender processes by airport.	2002, EU-15
SH&E p.27	Estimation of the size of the contestable market by airport from the airport operator, airline, independent handler and SH&E point of view.	2002, EU-15
SH&E p.29	Summary of the characteristics of the Airport Users' Committee at each airport.	2002, EU-15
SH&E p.30	Summary of Self handling applicants at each airport.	2002, EU-15
SH&E p.31	Summary of Sub contracting that occurs at each airport.	2002, EU-15
SH&E p.32	Summary of Access charges enforced at each airport.	2002, EU-15

Study reference	Data description	Year and coverage
SH&E p.35	Summary of Access charge levels enforced at each airport.	2002, EU-15
SH&E p.38	Summary of centralised infrastructure at each airport.	2002, EU-15
Booz&co p.52	Overview of Developments in the Number of Handlers (Selected sectors) in the EU-15 and new member states.	2008, sample of EU-15 and new Member States
Booz&co p.55	Number of Independent Groundhandling Organisations Providing Services at Airports by country and year.	2007, sample of 12 European countries
Booz&co p.56	Number of Independent Groundhandling Organisations Providing Services at Airports by country.	2008, EU-27
Booz&co p.57	Number of Independent Ground-handling Employees by country.	2008, sample of 11 European countries



APPENDIX  
C  
CONSULTATION DOCUMENT





**Public consultation on a possible revision of Council Directive 96/67/EC**

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**EUROPA website**

**AIRPORTS**

Public consultations

**Impact assessment for a possible revision of the directive 96/67/EC**

Consultation period: 03/12/2009 – 11/02/2010

Fill out the [Questionnaire \(link\)](#)

**Objectives of the consultation**

Groundhandling encompasses a wide range of activities at airports, such as baggage handling and delivery, passenger check-in, aircraft refuelling, catering, etc., and can be considered as a key part of aviation services.

The 1996 Directive on access to the groundhandling market at Community airports (Directive 96/67/EC) introduced minimum requirements for transparency of information, and market access competition for provision of these services depending on the size of the airport. The aim of the Directive was to introduce competition to reduce costs to airlines and improve the quality of services.

The Commission is considering a revision of the Directive 96/97 and is therefore now undertaking an impact assessment of a possible revision to the Directive.

This consultation aims to collect your views on the current implementation of the Directive and possible options for revision.

The Directive, its main objectives and measures are presented on this website at the following address: [http://ec.europa.eu/transport/air/airports/ground\\_handling\\_market\\_en.htm](http://ec.europa.eu/transport/air/airports/ground_handling_market_en.htm)

**Practical information**

The consultation is being launched only in electronic form via the interactive policy-making tool. Interested parties are invited to send their comments, suggestions and replies to the questionnaire to the Commission by **11.02.2010 at the latest**.

All stakeholders and organisations involved in air passenger transport and groundhandling are invited to respond to the public consultation. The Commission is equally interested in getting the views of citizens, national administrations and parliaments, the European Parliament and the Council, the Social and Economic Committee and the Committee of the Regions. If there is any further issue on groundhandling on which you would like to comment please do so at the end of the consultation.

Contributions received in reply to the consultation will be handled by a consultant and used by the Commission services; the summary of the consultation's results will be published on the Commission's website.

If you do not wish your contribution to be made public, please indicate this in your reply. In that case, your reply will also not be mentioned in future documents that may refer to this consultation.

If you are replying on behalf of an organisation, please state your name, address and official title in your reply. Any reply on behalf of an organisation which does not state the interests which it represents or the extent to which it is representative of the sector (number of members, size of organisation in relation to the sector to which its members belong) will be regarded as an individual reply and not a collective reply.

Please note that this document has been drafted for information and consultation purposes only. It has not been adopted or in any way approved by the European Commission and should not be regarded as representative of the views of Commission staff. It does not in any way prejudge, or constitute the announcement of, any position on the part of the Commission on the issues covered.

The European Commission does not guarantee the accuracy of the information provided, nor does it accept responsibility for any use made thereof.

**WARNING: important advices for filling-in the questionnaire:**

The online questionnaire is structured as follows:

- RESPONDENT INFORMATION
- ADDITIONS to the Directive
- CLARIFICATIONS to the Directive
- SIMPLIFICATION of the Directive
- DEFINITIONS requiring clarification
- OTHER ISSUES to which you would like to draw our attention
- ASSESSMENT OF IMPACTS

The questionnaire contains 33 questions, most of which being open-ended questions. **Please be informed that if interrupted or left 90 minutes inactive, your contribution will not be saved.** Consequently you are strongly advised to prepare in advance your contribution before filling-in the questionnaire online. For this purpose the full content of the questionnaire is available in PDF format here: [FILE](#).

Please note that it is not useful to submit the same answers many times because what will be taken into account are the arguments, facts and figures that are submitted, not the number of times they are submitted.

Even if the consultation is open during 10 weeks, we would encourage stakeholders to respond as soon as possible in order to help inform the impact assessment.

Proposed practical steps for filling-in the questionnaire:

- For technical reasons, the European Commission can only consider your contribution in good time if it is submitted via the online questionnaire. The online questionnaire is available at the top of this page.
- We recommend you download the PDF file of the questionnaire. That will allow you to draft your answers to the open text questions carefully and check whether you have kept to the maximum number of characters (4 000 characters, which is about 50 lines for each open text field or roughly 1.5 pages of A4).
- After preparing all your answers, please open the online questionnaire and fill it in. It is useful to begin with the closed questions and then copy and paste the answers you have drafted into the open text fields of the electronic questionnaire. You will have 90 minutes to fill in the complete electronic questionnaire and to submit it (after 90 minutes, the system will automatically close and you may lose any answers that have not yet been submitted).
- Questions are either compulsory or optional. If any of the compulsory fields have not been filled in, the system will not allow you to submit the questionnaire but will redirect you to the incomplete answer and give you an opportunity to correct it. An error message will appear in a purple/red colour under the question in which a problem occurred.
- Please note that you should not use the 'Back' button in the upper left-hand corner of the screen to navigate the online questionnaire, because this will lead to a loss of all the data that you have already inserted. For navigation, you should use the buttons 'Next' and 'Previous' at the bottom of the questionnaire page instead.
- When you successfully submit the questionnaire, a confirmation message will appear on your screen and you can print your answers.

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## ONLINE QUESTIONNAIRE

**1. RESPONDENT INFORMATION****1.1. Identification**

**(1) I speak on behalf of: (Compulsory - one answer only)**

- (a) Myself (as a citizen)
- (b) An organisation

**(1a and 1b) (Respondent only answers this question if he/she has ticked "organisation" in the question above. Compulsory question) Please can you identify which organisation you represent, and a contact email address?**

- Answer for organisation name: **(Open-ended box)**
- Answer for email address: **(Open-ended box)**

**(1c) (Respondent only answers this question if he/she has ticked "organisation" in question 1. Compulsory question) Please can you select the organisation type?**

- (c) Airport or airports' association
- (d) Airline or airlines' association
- (e) Handling company or handling companies' association
- (f) Freight integrator
- (g) National government
- (h) Regional government
- (i) Local government
- (j) Trade Union/Worker's organisation
- (k) Association/non-governmental organisation
- (l) Academic institution,
- (m) Other private company
- (n) Other



## 1.2. Views of the respondent

(2) **(Compulsory question)** Please can you confirm your agreement to having your views made public and/or attributed to your organisation when we summarise the results of the consultation.

Yes

No

## 1.3. Role and interest of the respondent

(3) **(Compulsory question)** Please can you identify your role and interest in the potential revision of the Groundhandling Directive? **(Open-ended box)**

If you are speaking on behalf of an organization:

As part of the European Transparency Initiative, organizations are invited to use the Register of interest representatives to provide the European Commission and the public at large with information about their objectives, funding and structures.

If you are not registered yet in this register, please visit: <https://webgate.ec.europa.eu/transparency/regrin/welcome.do?locale=en>.

This online questionnaire has been built out of possible improvements identified by stakeholders in previous consultations and studies. It is structured as follows:

- ADDITIONS to the Directive
- CLARIFICATIONS to the Directive
- SIMPLIFICATION of the Directive
- DEFINITIONS requiring clarification
- OTHER ISSUES to which you would like to draw our attention
- ASSESSMENT OF IMPACTS

## 2. ADDITIONS TO THE DIRECTIVE

The following items have been raised by stakeholders as needing to be added to the current Directive:

- **Subcontracting governing rules:**

No framework or regulation for subcontracting is provided in the Directive and stakeholders reported that it is unclear in which circumstances it is allowed.

The need for keeping clear responsibilities is a key issue, as pointed out by all stakeholders. In that perspective, some stakeholders have suggested a limitation to one level of subcontracting. Other proposals include imposing full liability to the contractor or prohibiting subcontracting for sensitive or central groundhandling tasks.

It was also raised that subcontracting would need to be transparent, notably to allow appropriate reservation of space and to ensure that the subcontractor is duly authorised to operate at the airport (i.e., where appropriate, approved and/or selected through tender).

(4) Do you think specific rules regarding subcontracting would need to be introduced, for part or all groundhandling activities? If so, what should these rules contain? Please specify the advantages and disadvantages of your suggestions, as well as their economic, social and environmental impacts. (Open-ended box)

- **Quality measures:**

There are currently no minimum requirements in the Directive in terms of quality of services (in terms of training of staff, quality controls, environment protection, respect of safety and security rules, etc.).

If quality measures were to be introduced, possible solutions would include:

- minimum training requirements,
- quality standards in the selection process,
- key performance indicators to be defined locally (by the airport or an independent authority),
- individual staff qualification (licensing),
- company licensing.

(5) What would be the advantages and disadvantages of these solutions (or a combination of these) or any other tools that you might propose? Please specify the economic, environmental and social impacts of your suggestions. (Open-ended box)

- **Working conditions and staff transfer:**

The Directive allows Member States to take measures to ensure the protection of the rights of workers. The measures for the protection of workers may therefore be different from one Member State to another, depending on the national systems in place regarding protection of workers.

The issue of transfer of staff is a particular issue in this context. Directive 2001/23/EC safeguarding the rights of employees in the event of transfers of undertakings is applicable (notably) to the groundhandling sector. However, there have been cases where "transfers" in the groundhandling sectors were considered as being beyond the scope of protection already safeguarded by this Directive.

- (6) What would be the advantages and disadvantages of introducing specific measures regarding transfer of staff in the groundhandling Directive for the cases which could fall beyond Directive 2001/23? Please specify economic, social and environmental impacts. (Open-ended box)
- (7) What other measures would you suggest to improve working conditions in the groundhandling sector? Please specify the advantages and disadvantages of your suggestions, as well as their economic, social and environmental impacts. (Open-ended box)

- Representation of airlines

Under the current directive, airport users have no obligation to be represented physically at European airports they serve. Most of the time, an airline, if it is not present at the airport, contracts with a groundhandling agent (presumably groundhandlers in charge of ground administration and supervision – groundhandling category 1) in order for this groundhandler to coordinate between the various groundhandling activities, and to represent the airline at the airport. However, such representative, when it exists, is often not known by the passengers, which results in passengers having sometimes difficulties to find the relevant interlocutor (for instance in case of mishandled baggage or any other setback at an airport involving an airline or its groundhandling agents). The same kind of issue is apparently encountered by some Member States which reported that they could not always find a representative of the airline legally accountable for the airline (in particular for financial commitments, slots...) or legally accountable in front of the Courts and the airport authority.

- (8) What would be the advantages and disadvantages of obliging airport users to be present or to be represented by a groundhandler? Please specify the economic, social and environmental impacts. (Open-ended box)

- Safety/security

On several occasions since the entry into force of the Directive and in particular in a recent study (available at [http://ec.europa.eu/transport/air/studies/doc/airports/2009\\_02\\_ground\\_handling.pdf](http://ec.europa.eu/transport/air/studies/doc/airports/2009_02_ground_handling.pdf)), the Commission investigated the safety and security implications of the Directive 96/67. However, even in this last study which included meetings with all stakeholders, no firm conclusions could be drawn on safety and security issues, in particular for security where no data was provided. The Commission would therefore be interested in having a factual description of situations/case studies where the implementation of the Directive could have lead to safety/security problems.

(9) Have you encountered safety/security problems which could be linked to the implementation of the Directive? If yes, could you precisely describe such problems and their link to the Directive? (Open-ended box)

### 3. CLARIFICATIONS TO THE DIRECTIVE

The following have been identified by stakeholders as areas which require clarification to improve the Directive:

- Tender process

In the case where the number of groundhandling providers is limited, the selection of suppliers shall take place according to a tender procedure. The main issues which were identified by stakeholders as requiring clarification include: the length of period for a contract when tendered and the evaluation of tenders, in particular regarding the role of the Airport User Committee (AUC).

- Length of period of a contract when tendered

The directive currently sets to maximum 7 years the length of period of a contract when tendered. This period is considered by some stakeholders as too short for big investments in personnel and equipment. However, there is a trend in the industry to rely more and more on rents for expensive equipments.

(10) What would be for you the advantages and disadvantages of extending tender contracts to a different period of time such as 10 years? Please specify the economic, social and environmental impacts. (Open-ended box)

- Evaluation of tender and Airport User Committee (AUC)

The Airport User Committee (AUC) has a consultative role with respect to the tender process in the current Directive. It shall be consulted for technical specifications and standards in the tender, and for the selection of suppliers. However, at present, there is no obligation to justify why the Committee's recommendation is not followed, even in those cases where this recommendation is unanimous.

At the same time, with the current composition of the AUC, some members may have a conflict of interests, as they can be at the same time groundhandling suppliers and airport users.

(11) What would you suggest to ensure that airport users' preference is better taken into account in the selection process, which at the same time would not result in conflicts of interest? Please specify the economic, social and environmental impacts. (Open-ended box)

- Selection of self-handling providers

The number of self-handling providers for airside services can be limited pursuant to article 7 of the Directive. However, no mechanism is proposed in the Directive to select



the self-handling providers authorised to carry-out self-handling, in contrast to third-party handling providers who have to be selected through tender. Such mechanism could rely on criteria to be defined.

(12) In the cases where the number of self-handling groundhandlers is limited, what would be the advantages and disadvantages of introducing a mechanism to select self-handling providers, such as the definition of criteria? Please specify the economic, social and environmental impacts. (Open-ended box)

- Charges to access/use airport installations:

The Directive does not rule out the possibility that access to airport installations may be subject to a fee. Case C363/01 clarified that the fee to access installations can be of an amount "which takes account of the interest [of the managing body of the installations] in making profit". However, there is no agreement on what can be charged including a reasonable "profit margin" and to what level.

(13) What would be the advantages and disadvantages of defining more precisely elements to be taken into account for assessing a fee and its "reasonable profit margin" part for the access to airports installations? (Open-ended box)

(14) What would be the advantages and disadvantages of an independent authority being in charge of monitoring airport installations' fees/charges (including for centralized infrastructures' fees and charges), similarly to what exists for airport charges in Directive 2009/12? Please specify the economic, social and environmental impacts. (Open-ended box)

- Separation of accounts for undertakings in the groundhandling market

The implementation of the separation of accounts obligation was raised by stakeholders as needing clarification. The methods to ensure the effective implementation of accounting separation are indeed not specified in the Directive. In the current Directive, separation of accounts between their groundhandling activity and their other activities is required of all groundhandling providers, whether they are airports, airport users or groundhandling suppliers.

The issue also exists of who is the "independent examiner" in charge of checking that this separation of account is effectively carried out for all groundhandling providers. This independent examiner shall also check that airports do not cross-subsidise between their activities as groundhandler and as managing body. The question arises as to what transparency requirements shall be expected regarding these verifications.

(15) Should more precision on the separation of accounts be given? If so, which stakeholders should be covered by this requirement, what should be the rules and which methods should be used to ensure effective implementation of the accounting separation requirement? Please specify the economic, social and environmental impacts (Open-ended box)

(16) What would you suggest to introduce more precisions about the independent examiner's checks? Should there be a compulsory and regular publication of the effective auditing of the accounts? Should the independent examiner's reports (or part of them) be available publicly? Please specify the economic, social and environmental impacts (Open-ended box)

- **Airport groundhandlers and selection procedure**

Airports have the right with the Directive to provide groundhandling services without having to be selected through tender. This features is also valid for the undertakings controlled by the airport (or controlling the airport) such as airport's subsidiaries, and a trend could be observed in the recent years for airports to set up subsidiaries specialized in groundhandling. Such subsidiaries can compete today on the groundhandling markets at several airports.

A number of stakeholders raised that this situation leads to competition distortion, as it gives a clear advantage to the "airport groundhandler" when compared to its competitors.

Airports on the other hand raised that the right for airports to keep a groundhandling activity can be motivated by public service interest reasons.

Apart from this debate, it could be questioned whether the current criterion of "control" by the airport (or control of the airport) is still relevant nowadays in view of the privatisation of airports. Airports could indeed today "control" (or could be "controlled" by) other groundhandling suppliers (such as major airlines at "hubs"); this could lead to situations where several suppliers are exempt from the selection procedure.

(17) What would be for you the advantages and disadvantages of making it compulsory for airports and/or for the airports subsidiaries to pass a tender procedure? Please specify economic, social and environmental impacts (Open-ended box)

- **Space constraints and their impact on the constraint on competition:**

Competition can be influenced depending on how the use of apron space for groundhandling activities is managed. There is also no framework to manage allocation of space when physically limited, in particular when the market is fully open.

Airports have indeed limited ground coverage so that even if the market is fully open, a time can come when a new groundhandler cannot be accommodated. Groundhandling operators need space for equipment storage and staff. Even where ground equipment is rented, it has to be present at the airport, and the level of equipment is determined by the level necessary to service the airport at peak periods. In addition, space allocated to a groundhandling company might be more or less advantageous when compared to the location of operations.

For airports with a limited number of operators, the number of authorised handlers can in theory be fixed at the "appropriate" number of handlers. However, even in the ideal case

where the number of handlers perfectly fits the space allocated, the "value" of the premises allocated may differ from a handler to another.

For airports with no limitation in number (fully opened market for airside activities), the issue arises of what happens when the market is saturated and when they would be more groundhandling undertakings interested in operating at the airport than there would be premises readily available. Due to the limited space of airports, building new premises may indeed not be possible (or may only be possible on a long-term period when compared to the market timescale). Possible solutions proposed so far for this situation include:

- Auctioning of airport premises ;
- "first arrived, first served" option (new entrants have to wait that a premise is made available);
- Definitions of minimum criteria which have to be met by a new entrant to obtain premises (expected market share, number of staff or equipment).

- (18) What should be the best way to manage space for groundhandling activities at airports and ensure fair competition? **(Open-ended box)**
- (19) In the case of fully opened markets for airside activities, what would be the advantages and disadvantages of the solutions proposed (or any other solution you might propose)? Please specify the economic, social and environmental impacts **(Open-ended box)**

#### 4. SIMPLIFICATION OF THE DIRECTIVE

The following areas have been raised by stakeholders as potential areas where complexity in the current drafting of the Directive could be simplified:

- Groundhandling market regulation

With the Directive, access to groundhandling services was open to competition; such a liberalization was introduced at airports considered big enough to accommodate in a sustainable manner at least 2 competitors (i.e. airports over the threshold of 2 millions passengers or 50 000 tons of freight). However, in contrast to landside groundhandling services, the Directive left for airside groundhandling services the possibility (chosen by certain Member States) to limit the number of suppliers and self-handlers to a number to be defined by Member States (in the national measures of transpositions of the Directive) and/or by the airport or an independent authority. This possibility conducted to introduce compulsory tender procedure to ensure transparency and non-discrimination in the selection of the providers.

As a result, EU groundhandling market is today a mosaic of different national markets, with different numbers of minimum suppliers (some Member States limiting the number of airside providers to 2 for all airside categories while others chose 2, 3 or 4 depending



on the categories, sometimes at the same airport), different conditions to access the market (free access/tender procedure or existence/absence of national approval procedure). Some stakeholders therefore raised the issue that the EU groundhandling market is complex and that disparities between national markets make it difficult for new comers to enter a new market. It could thus be questioned if, in the framework of a possible revision of the directive, simplification and enhanced harmonization would not be desirable.

Two levels of harmonization could be contemplated:

- Further harmonization of the market keeping the current system (without full opening): minimum numbers for airside groundhandlers are kept but are further harmonized throughout Europe, with an enhanced harmonization of the selection procedures, approval systems, centralized infrastructures...
- Full harmonization via a full opening of the market (for airports at which competition is sustainable): in this case all airports above the traffic threshold are fully liberalized, for all groundhandling activities, which implies that there is no tender procedure any more. Approvals can be used to regulate the access to the market.

- (20) What would be for you the advantages and disadvantages of harmonizing the European groundhandling market keeping the current system (without full opening)? Please specify economic, social and environmental impacts. (Open-ended box)
- (21) What would be for you the advantages and disadvantages of harmonizing the European groundhandling market via a full opening of the market (for airports above a given threshold)? Please specify economic, social and environmental impacts. (Open-ended box)

- Threshold level for application of the Directive:

Some stakeholders reported that annual fixed levels cause problems for airports oscillating around that threshold. To avoid that problem, a mechanism could be envisaged whereby the airport has to fall above the threshold for 3 consecutive years in order to be subject to the relevant provisions of the Directive.

In addition, in the case where the system of a minimum number of groundhandling providers for airside services would be kept, the question of introducing additional thresholds was raised. Indeed, even if the minimum number of groundhandling providers sustainable at an airport depends in fact on many factors (such as the type of traffic of the airport, the fact that the airport is a hub or not, etc.), the Directive makes it possible at the moment that, all else being equal, an airport with 3 millions passengers has to accommodate the same number of minimum providers as an airport with more than 50 millions passengers (Member States can indeed limit to 2 the number of suppliers for these airports). Some stakeholders therefore proposed, in order to avoid that the number of groundhandling providers could be underestimated at very big airports, to increase the number of minimum suppliers for these very big airports to at least 3 or 4, depending on the airport's size. This would be possible by

introducing additional thresholds such as (threshold levels are only illustrative): minimum 3 groundhandling providers for each airside category at airports with a traffic over 30 millions passengers or 100 000 tons of freight; minimum 4 providers at airports with a traffic over 60 millions passengers or 250 000 tons of freight.

- (22) What would be for you the advantages and disadvantages of the proposed mechanism (or any other mechanism that you might propose) to avoid airports oscillating around the threshold? Please specify the economic, social and environment impacts. (Open-ended box)
- (23) What would be the advantages and disadvantages of introducing additional thresholds for the minimum number of groundhandlers for very big airports? What threshold(s) would you suggest? Please specify economic, social and environment impacts. (Open-ended box)

- **Member State approval procedure:**

Approvals (article 14 of the Directive) are not compulsory but have been widely introduced by Member States. However they differ across Member States (some deliver approvals per category of ground handling activity, others per airports of operations etc.).

A refinement of the criteria to obtain an approval could be introduced to limit the divergence of what is required to perform a groundhandling activity. But the criteria could also be changed, and additional criteria, not mentioned in the current directive, introduced. They could include for instance training provisions or quality measures.

- (24) What would be the advantages and disadvantages to refine the conditions to obtain an approval? Please specify economic, social and environment impacts. (Open-ended box)
- (25) What would be the advantages and disadvantages to change the criteria taken into account for approval? How about including training provisions or quality measures? Please specify economic, social and environment impacts. (Open-ended box)

## 5. DEFINITIONS REQUIRING CLARIFICATION:

The following items have been raised by stakeholders of requiring further definition:

- **Self-handling**

The principle that carriers have the right to handle their aircraft, referred to as self-handling, is generally acknowledged. However, it has been raised by some stakeholders that the scope of what should be considered as self-handling could be clarified or amended, in particular with respect to industry practices such as wet lease, dry-lease, code-sharing, alliance arrangements.

(26) What would be the advantages and disadvantages to refine the boundaries of self-handling? Please specify economic, social and environmental impacts. (open-ended box)

- Freight handling

Freight handling definition has been raised by stakeholders as causing problems: the handling of certain types of air freight (coffins, art work, etc.) usually involves specific actors, which may not be selected freight handlers in the meaning of the Directive as they only operate punctually at the airport. Integrators face similar problems: few handlers are capable to play a part in the specialised process of handling express cargo, and not all handlers are capable of operating at the time integrators require their services, mainly at night. As a consequence, these companies have little choice than to organise their own on-loading or off-loading.

(27) What would you suggest to improve the handling of freight? Please specify the advantages and disadvantages of your suggestions, and their economic, social and environmental impacts. (open-ended box)

- Groundhandling category 1

Groundhandling category 1 (ground administration and supervision) is described in the Annex of the Directive and comprises a wide range of activities. It indeed encompasses administrative tasks as well as "telecommunications", "handling and storage of unit load devices" and "any other supervision". Some Member States mentioned that this definition could be clarified, in particular when it comes to delivering approvals to undertakings falling under this category.

(28) What would you suggest in order to clarify or amend the definition of "ground administration and supervision"? Please specify the advantages and disadvantages of your suggestions, as well as their economic, social and environmental impacts. (open-ended box)

- Centralized Infrastructures

Centralized infrastructures are not defined explicitly in the Directive, but refer to infrastructures used for the supply of groundhandling services whose complexity, cost or environmental impact does not allow of division or duplication. Usage of these infrastructures can be made compulsory by Member States. It has to be recognized that centralized infrastructures across Europe are of different nature, depending on the airport's location in the European Union. This has significant impacts as the introduction of these infrastructures at an airport reduces the contestable market.

In addition, the way in which the managing body of these infrastructures (which can be the airport or "another body") is designated is not clear, as the Directive only states that "Member States may reserve [for this body] the management of the centralized infrastructures". In particular, when it comes to the "reservation" of an installation as "centralized infrastructure", clarifications could be made on the role of the "managing body of the centralized infrastructures", whether it is the airport or not. And in the specific case where the "managing body of the centralized

infrastructures" is not the airport, the respective roles of this body and the airport could also be addressed.

(29) What would you suggest in order to clarify the concept of Centralized Infrastructures and improve the way these infrastructures are managed? Please specify the advantages and disadvantages of your suggestions, as well as their economic, social and environmental impact. (open-ended box)

## 6. OTHER ISSUES TO WHICH YOU WOULD LIKE TO DRAW OUR ATTENTION

We would welcome receiving any other issues that your experience of the application of the Directive raises.

(30) What are the other issues with the Directive you would like to draw to our attention? (Open-ended box)

## 7. ASSESSMENT OF IMPACTS

The study will assess these potential changes using the Commission's impact assessment framework, in particular identifying:

- Social impacts;
- Economic impacts;
- Environmental impacts;
- Administrative impacts;
- Quality impacts;

The study will also establish if any of these impacts disproportionately affect the Small Medium Enterprises operating in the sector.

(31) Could you suggest sources of data and information which might be used by the study team to estimate the impacts of options for changes to the Directive?

We would be particularly interested in data and facts covering the impact of the Directive on:

- Changes in profitability of ground handling providers;
- Staff wages, levels and contract types;





**APPENDIX  
D  
DETAILS OF THE IMPACT ASSESSMENT**



## D1. DETAILS OF THE IMPACT ASSESSMENT

### D1.1 Introduction

D1.2 Using the data we have collected throughout the study and the qualitative description of the expected impacts, described in Chapter 9, we have produced a quantitative measure of the impacts. This appendix describes our detailed methodology and displays the results of our analysis.

### D1.3 Approach to impact assessment

D1.4 Our approach to impact assessment is based on the Commission's guidelines on impact assessments. More precisely, we have followed the key steps to:

- Establish the objectives of amendments to the Directive with the Commission (Chapter 6) and define scenarios of study;
- Establish the Base Case and the associated economic, social and environmental impacts of expected growth in the industry across Europe (Chapter 4);
- Establish the changes incremental to the Base Case from each of the policy options;
- Model and record the economic, social and environmental impacts of the Base Case and policy options B through D3;
- Model and record the administrative impacts of the Base Case and each of the policy options, in terms of implementing the changes to the legislation and the impacts in Member States; and
- Analyse the outputs expected from the changes results in the policy options and compare them to the objectives and criteria for the assessment of the policy change.

### D1.5 Modelling of impact assessment

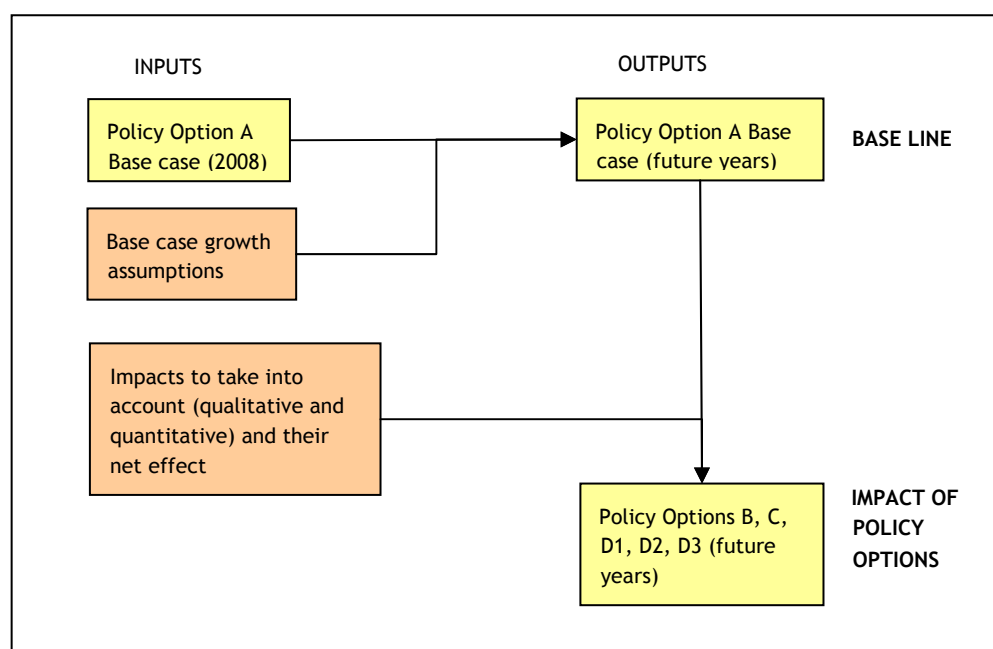
#### *Technical approach*

D1.6 We have built a simple spreadsheet tool to facilitate the conversion of qualitative information on the impact of each measure to a quantitative output. The spreadsheet has been designed using the principles of best practice, with separation of inputs, calculations and outputs and a single timeline across worksheets.

#### *Structure*

D1.7 The overall structure of the spreadsheet is summarised in the diagram below. Each Policy Option is considered in terms of its incremental value to Policy Option A (base case).

## APPENDIX: FIGURE D1.1 STRUCTURE OF THE IMPACT MODEL



**D1.8** For each impact category (as listed in the table below) and for each policy option we derive an annual change. Our timeline considers the period from 2009 to 2015, changes from the base do not take effect until 2011, the earliest it is assumed that revision of the Directive could be introduced.

## APPENDIX: TABLE D1.1 CLASSIFICATION OF QUANTITATIVE IMPACTS

Impact	Measure
Economic and Social	Number of airports in scope of Directive
	Size of contestable market (% of total)
	Average Price Index
	Average Quality Index
	Social Index
Environment	Value of CO <sub>2</sub> emissions Index 2009=100
Administrative	Administrative costs to EC Index
	Administrative costs to Member States Index
	Aviation industry costs of compliance Index
	Administrative Transparency Index

D1.9 We expect that policy options will have different impacts according to airport size, principal use and member state category. We have therefore segmented airports as follows:

- **Airport size (Large, medium or small):** For passenger traffic small is between 2 and 5 mppa, medium between 5 and 15 mppa, and large above 15 mppa. For freight, small is between 50 and 200.000 annual tonnes, medium between 200 and 500.000 and large above 500.000 annual tonnes.
- **Principal use: (Passenger airports or freight airports):** Where an airport qualifies for the application of the Directive from both passengers and freight traffic numbers, we have classed them in passenger
- **Member state: (EU-15 and New Member States):** since both groups are at different stages of the effect of the implementation of the Directive.

D1.10 This segmentation provides 12 airport categories, removal and consolidation of categories with none or very few airports leaves the following 6 segments:

- Passenger - Large - EU-15
- Passenger - Medium - EU-15
- Passenger - Medium - New Member States
- Passenger - Small - EU-15
- Passenger - Small - New Member States
- Freight

D1.11 For each of these market segments, the categories of impacts described in APPENDIX: TABLE D1.1 are evaluated. For the environmental and administrative impacts, we do not provide a geographical breakdown, but rather present them at a global European Union level.

***Data constraints***

D1.12 Where possible we have tried to use actual data in the calculation of the impact of each policy option. The following measures are calculated based on actual data for 2009 and forecast data for subsequent years:

- Number of airports in scope of directive
- Size of contestable market
- Value of CO<sub>2</sub> emissions

D1.13 Despite an extensive data gathering and stakeholder engagement exercise we have been unable to gather sufficient data with which to accurately quantify the present position of the industry across all measures. The following measures are therefore calculated from a base index of 100 against which annual percentage changes are then applied:

- Average price
- Average quality
- Social Index

- Administrative costs
- Administrative transparency

#### D1.14 Establishing the impact of Policy Option A (Base case)

D1.15 The aim of the Policy Option A (Base case) is to explain how the implementation of current Directive would evolve over the period to 2015. A number of impacts are likely to change even without revision of the Directive. These measures are:

- **Number of airports in scope:** Based on projections of passenger and freight traffic across Europe over the period to 2015 (source: Eurocontrol ATM forecasts and Steer Davies Gleave load factor and capacity assumptions);
- **Contestable market estimation:** As infringement proceedings are resolved in the New Member States then the size of the contestable market is likely to increase in these States;

D1.16 A number of measures change in the first two years of Policy Option A as a result of the legacy effect of existing ground handling legislation on New Member States. We have based these changes on the observed impact of Directive 96/67/EC on EU15 Member States describe in Chapter 6. These measures are as follows:

- Evolution of prices for each of the market segments;
- Evolution of the social conditions for each of the market segments; and
- Changes in administrative costs and cost of compliance.

D1.17 We have used Eurocontrol Cost Benefit Analyses values to estimate the environmental impact of the EU ground handling industry. These impacts we have adjusted with projected growth in Air Traffic Movements (from Eurostat).

D1.18 For Policy Option A where there are no planned changes in the Directive, the incremental administrative costs and costs of compliance have been assumed to be null. We have also assumed no substantial change in the average quality of groundhandling services or in administrative transparency

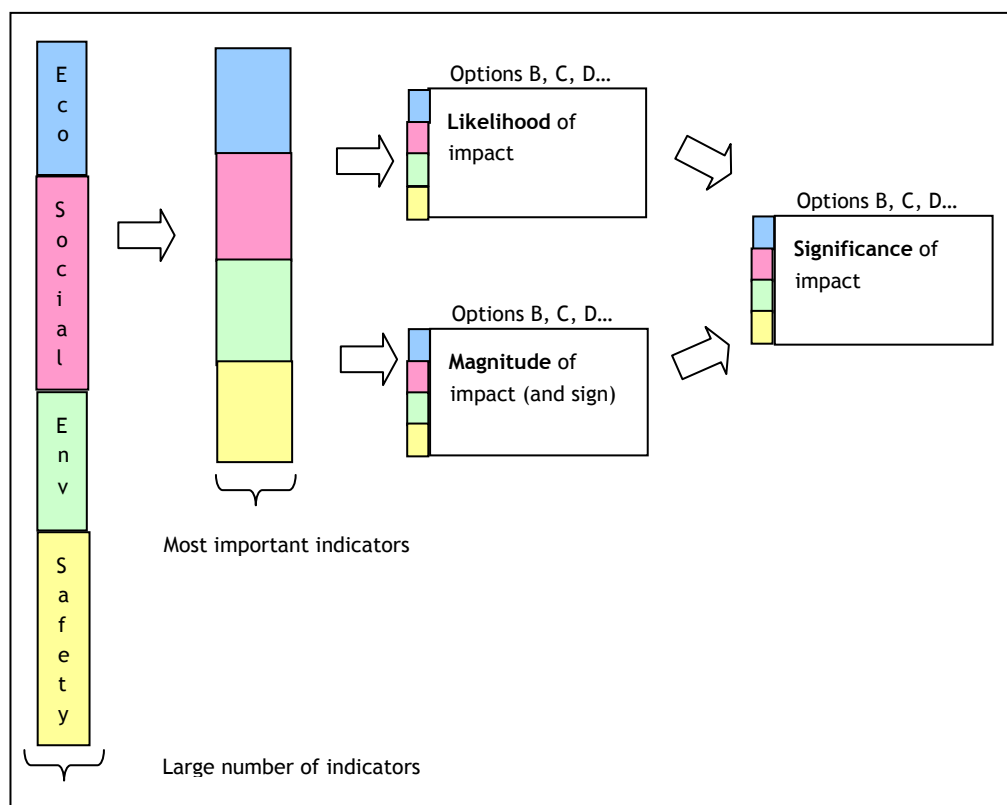
#### D1.19 Establishing policy options B, C, D1, D2 and D3

##### *The economic, social, environmental and administrative impacts*

D1.20 In order to quantify the impact of each policy option we have drawn up a list of qualitative questions based on the impact assessment guidelines. The response to each of these questions is then converted to a quantitative value and applied to an index where 2008 = 100.

D1.21 This approach is detailed in **APPENDIX: FIGURE D1.1** and in further detail below:

APPENDIX: FIGURE D1.1 APPROACH TO IMPACTS



D1.22 We have followed the Impact Assessment guidelines in order to define a list of possible impacts on the groundhandling industry in the event of a change to the Directive, each impact has been translated into a specific question appropriate to the groundhandling market. These questions, together with the measure to which each refers, are displayed below:

APPENDIX: TABLE D1.1 QUESTIONS USED TO ASSESS THE POLICY OPTION IMPACT

Type	Specific Questions	Measure
Economic	Does the option have an impact on the number of airports in scope?	Number of airports in scope
Economic	Does the option have an impact on the average price of GH services?	Base average price
Economic	Does the option have an impact on the transparency of tenders?	Administrative transparency
Economic	Does the option have an impact on the competitiveness of tenders?	Average quality

Type	Specific Questions	Measure
Economic	Does the option have an impact on the size of the contestable market?	Contestable market estimation
Economic	Does the option have an effect on the cost and availability of essential inputs including space, machinery, labour etc?	Base average price
Economic	Does the option provide greater clarity on centralised infrastructure and what their charges should be?	Base average price
Economic	Does the option create any further obligation on groundhandling reporting for the businesses?	Administrative costs for companies
Economic	Does the option create any further obligation on government reporting?	Administrative costs for EC and MS
Economic	Does the option create any further obligation on EU reporting?	Administrative costs for EC
Economic	Does the option have an effect on the quality of services?	Average quality
Social	Does the option have specific negative consequences for particular professions, group of workers?	Social index
Social	Does the option have an impact on job quality?	Social index
Social	Does the option provide conditions of staff transfer between old and new GH?	Social index
Social	Does the option impact the access of workers to vocational or continuous training?	Social index
Social	Does the option have an impact on workers' health, safety and dignity?	Social index
Environmental	Does the option have an impact on air quality patterns?	Value of CO2 emissions



Type	Specific Questions	Measure
Safety	Does the option have an impact on safety at airports?	Average quality

- D1.23 For each question we assess the likelihood of the event taking place (ranked low, medium and high). We then estimate the magnitude of each event, again ranked as a low, medium or high). We also document if the impact would be positive, negative or neutral. The principle used being that if benefits increase in size the impact is “positive”, if they reduce it is “negative”. Conversely, if cost increases in size it is “negative”, and if the reduce it is “positive”
- D1.24 On the basis of the estimated likelihood and magnitude, we derive the significance of each event (again ranked as low, medium or high). This process is straightforward: for example, an event with a high likelihood of occurring which will have a high magnitude of impact is given a high significance ranking. The full range of impact question responses and the significance output is shown in **APPENDIX: TABLE D1.2**.
- D1.25 To quantify the impact of each event we apply an annual percentage change according to significance, again, the output is shown in **APPENDIX: TABLE D1.2**.

**APPENDIX: TABLE D1.2 SIGNIFICANCE OF IMPACTS**

Defined in response to policy impact questions		Output	
Likelihood	Magnitude	Significance	Annual change
High	High	High	3%
High	Medium	Medium	2%
High	Low	Low	1%
Medium	High	High	3%
Medium	Medium	Medium	2%
Medium	Low	Low	1%
Low	High	Medium	2%
Low	Medium	Low	1%
Low	Low	Low	1%

***Impact matrix***

- D1.26 Our assessment for each policy option, (Likelihood, Magnitude and Significance) is presented in **APPENDIX: TABLE D1.1**, **APPENDIX: TABLE D1.2** and **APPENDIX: TABLE D1.3**.

APPENDIX: TABLE D1.1 LIKELIHOOD OF IMPACT ON POLICY OPTIONS - IMPACT ASSESSMENT MATRIX

Type	Specific Questions	LIKELIHOOD OF IMPACT					
		Option A	Option B	Option C	Option D1	Option D2	Option D3
Economic	Does the option have an impact on the number of airports in scope?		No	No	No	Low	Low
Economic	Does the option have an impact on the average price of GH services?		Medium	Medium	Medium	Medium	Medium
Economic	Does the option have an impact on the transparency of tenders?		Medium	High	Medium	Medium	Medium
Economic	Does the option have an impact on the competitiveness of tenders?		Medium	Low	High	High	High
Economic	Does the option have an impact on the size of the contestable market?		Medium	Low	High	High	High
Economic	Does the option have an effect on the cost and availability of essential inputs including space, machinery, labour etc?		No	No	No	No	No
Economic	Does the option provide greater clarity on centralised infrastructure and what their charges should be?		No	No	Medium	Medium	Medium
Economic	Does the option create any further obligation on groundhandling reporting for the businesses?		High	High	Medium	Medium	Medium
Economic	Does the option create any further obligation on government reporting?		Medium	High	Medium	Medium	Medium
Economic	Does the option create any further obligation on EU reporting?		Medium	High	Medium	Medium	Medium
Economic	Does the option have an effect on the quality of services?		Medium	High	Medium	Medium	Medium
Social	Does the option have specific negative consequences for particular professions, group of workers?		No	High	No	Medium	Medium
Social	Does the option have an impact on job quality?		Low	High	No	Medium	Medium
Social	Does the option provide conditions of staff transfer between old and new GH?		No	High	No	Medium	Medium
Social	Does the option impact the access of workers to vocational or continuous training?		No	High	No	Medium	Medium
Social	Does the option have an impact on workers' health, safety and dignity?		Low	High	No	Medium	Medium
Environmental	Does the option have an impact on air quality patterns?		No	No	No	No	No
Safety	Does the option have an impact on safety at airports?		Low	High	Medium	Medium	Medium

APPENDIX: TABLE D1.2 MAGNITUDE OF IMPACT ON POLICY OPTIONS - IMPACT ASSESSMENT MATRIX

Type	Specific Questions	MAGNITUDE OF IMPACT					
		Option A	Option B	Option C	Option D1	Option D2	Option D3
Economic	Does the option have an impact on the number of airports in scope?		No	No	No	High	High
Economic	Does the option have an impact on the average price of GH services?		Low	High	Low	Medium	High
Economic	Does the option have an impact on the transparency of tenders?		Low	Medium	Low	Low	Low
Economic	Does the option have an impact on the competitiveness of tenders?		Low	Medium	Low	Low	Low
Economic	Does the option have an impact on the size of the contestable market?		Low	Low	Low	Medium	Medium
Economic	Does the option have an effect on the cost and availability of essential inputs including space, machinery, labour etc?		No	No	No	No	No
Economic	Does the option provide greater clarity on centralised infrastructure and what their charges should be?		No	No	Medium	Medium	Medium
Economic	Does the option create any further obligation on groundhandling reporting for the businesses?		Low	High	Medium	Medium	Medium
Economic	Does the option create any further obligation on government reporting?		Low	High	Medium	Medium	Medium
Economic	Does the option create any further obligation on EU reporting?		Low	High	Medium	Medium	Medium
Economic	Does the option have an effect on the quality of services?		Low	High	Medium	Medium	Medium
Social	Does the option have specific negative consequences for particular professions, group of workers?		No	High	No	Low	Medium
Social	Does the option have an impact on job quality?		Low	High	No	Low	Medium
Social	Does the option provide conditions of staff transfer between old and new GH?		No	High	No	Low	Medium
Social	Does the option impact the access of workers to vocational or continuous training?		No	High	No	Low	Medium
Social	Does the option have an impact on workers' health, safety and dignity?		Low	High	No	Low	Medium
Environmental	Does the option have an impact on air quality patterns?		No	No	No	No	No
Safety	Does the option have an impact on safety at airports?		Low	High	Medium	Medium	Medium

APPENDIX: TABLE D1.3 OUTCOME OF IMPACT ON POLICY OPTIONS - IMPACT ASSESSMENT MATRIX

Type	Specific Questions	SIGN OF IMPACT					
		Option A	Option B	Option C	Option D1	Option D2	Option D3
Economic	Does the option have an impact on the number of airports in scope?		Neutral	Positive	Positive	Positive	Positive
Economic	Does the option have an impact on the average price of GH services?		Negative	Positive	Negative	Negative	Negative
Economic	Does the option have an impact on the transparency of tenders?		Positive	Positive	Positive	Positive	Positive
Economic	Does the option have an impact on the competitiveness of tenders?		Positive	Positive	Positive	Positive	Positive
Economic	Does the option have an impact on the size of the contestable market?		Neutral	Positive	Positive	Positive	Positive
Economic	Does the option have an effect on the cost and availability of essential inputs including space, machinery, labour etc?		Neutral	Neutral	Neutral	Neutral	Neutral
Economic	Does the option provide greater clarity on centralised infrastructure and what their charges should be?		Negative	Neutral	Negative	Negative	Negative
Economic	Does the option create any further obligation on groundhandling reporting for the businesses?		Positive	Positive	Positive	Positive	Positive
Economic	Does the option create any further obligation on government reporting?		Positive	Positive	Positive	Positive	Positive
Economic	Does the option create any further obligation on EU reporting?		Positive	Positive	Positive	Positive	Positive
Economic	Does the option have an effect on the quality of services?		Neutral	Positive	Positive	Positive	Positive
Social	Does the option have specific negative consequences for particular professions, group of workers?		Neutral	Positive	Negative	Negative	Negative
Social	Does the option have an impact on job quality?		Neutral	Positive	Negative	Negative	Negative
Social	Does the option provide conditions of staff transfer between old and new GH?		Positive	Positive	Neutral	Negative	Negative
Social	Does the option impact the access of workers to vocational or continuous training?		Neutral	Positive	Neutral	Negative	Negative
Social	Does the option have an impact on workers' health, safety and dignity?		Neutral	Positive	Neutral	Negative	Negative
Environmental	Does the option have an impact on air quality patterns?		Neutral	Neutral	Neutral	Neutral	Neutral
Safety	Does the option have an impact on safety at airports?		Neutral	Positive	Negative	Negative	Negative

**D1.27 Results**

D1.28 For ease of illustration results for each geography and airport size group are consolidated into one table based on a weighted average of passenger numbers or (for freight airports) of freight tonnes carried.

D1.29 The following results were derived from the application of percentage changes on base values of 100 (note that the number of airports in scope and the contestable market estimation is based on actual numbers rather than an indexed base):

**APPENDIX: TABLE D1.1 QUANTITATIVE OUTPUT OF POLICY OPTION A**

<b>Economic and social</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Number of airports in scope	109	109	110	116	121	124	128
Contestable market estimation	44.90%	44.90%	44.90%	44.90%	44.89%	44.89%	44.89%
Base average price	100.12%	100.06%	100.00%	100.00%	100.00%	100.00%	100.00%
Average quality	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Social index	100.08%	100.04%	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Environment</b>							
Use of emitting equipment	100.00%	102.00%	105.67%	110.74%	114.84%	118.86%	122.90%
<b>Administrative</b>							
Administrative costs for EC	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Administrative costs for EU-15	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Administrative costs for NMS	104.00%	102.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Administrative costs for companies	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Administrative transparency	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

APPENDIX: TABLE D1.2 QUANTITATIVE OUTPUT OF POLICY OPTION B

<b>Economic and social</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Number of airports in scope	109	109	110	116	121	124	128
Contestable market estimation	44.90%	44.90%	44.90%	44.90%	44.89%	44.89%	44.89%
Base average price	100.12%	100.06%	99.67%	99.33%	99.00%	98.67%	98.33%
Average quality	100.00%	100.00%	100.50%	101.00%	101.50%	102.00%	102.50%
Social index	100.08%	100.04%	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Environment</b>							
Use of emitting equipment	100.00%	102.00%	105.67%	110.74%	114.84%	118.86%	122.90%
<b>Administrative</b>							
Administrative costs for EC	100.00%	100.00%	101.00%	102.00%	103.00%	104.00%	105.00%
Administrative costs for EU-15	100.00%	100.00%	101.00%	102.00%	103.00%	104.00%	105.00%
Administrative costs for NMS	104.00%	102.00%	101.00%	102.00%	103.00%	104.00%	105.00%
Administrative costs for companies	100.00%	100.00%	101.00%	102.00%	103.00%	104.00%	105.00%
Administrative transparency	100.00%	100.00%	101.00%	102.00%	103.00%	104.00%	105.00%

APPENDIX: TABLE D1.3 QUANTITATIVE OUTPUT OF POLICY OPTION C

<b>Economic and social</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Number of airports in scope	109	109	110	116	121	124	128
Contestable market estimation	44.90%	44.90%	45.35%	45.80%	46.25%	46.71%	47.18%
Base average price	100.12%	100.06%	101.00%	102.00%	103.00%	104.00%	105.00%
Average quality	100.00%	100.00%	102.00%	104.00%	106.00%	108.00%	110.00%
Social index	100.08%	100.04%	103.00%	106.00%	109.00%	112.00%	115.00%
<b>Environment</b>							
Use of emitting equipment	100.00%	102.00%	105.67%	110.74%	114.84%	118.86%	122.90%
<b>Administrative</b>							
Administrative costs for EC	100.00%	100.00%	103.00%	106.00%	109.00%	112.00%	115.00%
Administrative costs for EU-15	100.00%	100.00%	103.00%	106.00%	109.00%	112.00%	115.00%
Administrative costs for NMS	104.00%	102.00%	103.00%	106.00%	109.00%	112.00%	115.00%
Administrative costs for companies	100.00%	100.00%	103.00%	106.00%	109.00%	112.00%	115.00%
Administrative transparency	100.00%	100.00%	102.00%	104.00%	106.00%	108.00%	110.00%

APPENDIX: TABLE D1.4 QUANTITATIVE OUTPUT OF POLICY OPTION D1

<b>Economic and social</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Number of airports in scope	109	109	110	116	121	124	128
Contestable market estimation	44.90%	44.90%	45.35%	45.80%	46.25%	46.71%	47.18%
Base average price	100.12%	100.06%	99.00%	98.00%	97.00%	96.00%	95.00%
Average quality	100.00%	100.00%	101.50%	103.00%	104.50%	106.00%	107.50%
Social index	100.08%	100.04%	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Environment</b>							
Use of emitting equipment	100.00%	102.00%	105.67%	110.74%	114.84%	118.86%	122.90%
<b>Administrative</b>							
Administrative costs for EC	100.00%	100.00%	102.00%	104.00%	106.00%	108.00%	110.00%
Administrative costs for EU-15	100.00%	100.00%	102.00%	104.00%	106.00%	108.00%	110.00%
Administrative costs for NMS	104.00%	102.00%	102.00%	104.00%	106.00%	108.00%	110.00%
Administrative costs for companies	100.00%	100.00%	102.00%	104.00%	106.00%	108.00%	110.00%
Administrative transparency	100.00%	100.00%	101.00%	102.00%	103.00%	104.00%	105.00%



APPENDIX: TABLE D1.5 QUANTITATIVE OUTPUT OF POLICY OPTION D2

<b>Economic and social</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Number of airports in scope	109	109	124	145	177	178	181
Contestable market estimation	44.90%	44.90%	45.80%	46.71%	47.64%	48.59%	49.56%
Base average price	100.12%	100.06%	98.67%	97.33%	96.00%	94.67%	93.33%
Average quality	100.00%	100.00%	101.50%	103.00%	104.50%	106.00%	107.50%
Social index	100.08%	100.04%	99.00%	98.00%	97.00%	96.00%	95.00%
<b>Environment</b>							
Use of emitting equipment	100.00%	102.00%	105.67%	110.74%	114.84%	118.86%	122.90%
<b>Administrative</b>							
Administrative costs for EC	100.00%	100.00%	102.00%	104.00%	106.00%	108.00%	110.00%
Administrative costs for EU-15	100.00%	100.00%	102.00%	104.00%	106.00%	108.00%	110.00%
Administrative costs for NMS	104.00%	102.00%	102.00%	104.00%	106.00%	108.00%	110.00%
Administrative costs for companies	100.00%	100.00%	102.00%	104.00%	106.00%	108.00%	110.00%
Administrative transparency	100.00%	100.00%	101.00%	102.00%	103.00%	104.00%	105.00%

APPENDIX: TABLE D1.6 QUANTITATIVE OUTPUT OF POLICY OPTION D3

Economic and social	2009	2010	2011	2012	2013	2014	2015
Number of airports in scope	109	109	138	192	438	438	439
Contestable market estimation	44.90%	44.90%	45.80%	46.71%	47.64%	48.59%	49.56%
Base average price	100.12 %	100.06 %	98.33%	96.67%	95.00%	93.33%	91.67%
Average quality	100.00 %	100.00 %	101.50 %	103.00 %	104.50 %	106.00 %	107.50 %
Social index	100.08 %	100.04 %	98.00%	96.00%	94.00%	92.00%	90.00%
<b>Environment</b>							
Use of emitting equipment	100.00 %	102.00 %	105.67 %	110.74 %	114.84 %	118.86 %	122.90 %
<b>Administrative</b>							
Administrative costs for EC	100.00 %	100.00 %	102.00 %	104.00 %	106.00 %	108.00 %	110.00 %
Administrative costs for EU-15	100.00 %	100.00 %	102.00 %	104.00 %	106.00 %	108.00 %	110.00 %
Administrative costs for NMS	104.00 %	102.00 %	102.00 %	104.00 %	106.00 %	108.00 %	110.00 %
Administrative costs for companies	100.00 %	100.00 %	102.00 %	104.00 %	106.00 %	108.00 %	110.00 %
Administrative transparency	100.00 %	100.00 %	101.00 %	102.00 %	103.00 %	104.00 %	105.00 %

D1.30 The output of each policy option has been calibrated and checked against the qualitative review of policy options describe in Chapter 9 of this report. The incremental changes between each Policy option and Policy Option A is presented in the table below

APPENDIX: TABLE D1.7 POLICY OPTIONS: SIZE OF QUANTITATIVE IMPACTS (2015)

Measure	B	C	D1	D2	D3
Number of airports in scope of Directive	0	0	0	+53	+211
Size of contestable market	0	+2.3%	+2.3%	+4.7%	+4.7%
Average Price	-1.7%	+5.0%	-5.0%	-6.7%	-8.3%
Average Quality	+2.5%	+10%	+7.5%	+7.5%	+7.5%
Social Index	0	+15%	0	-5%	-10%
Value of CO <sub>2</sub> emissions	0	0	0	0	0
Administrative costs to EC	+5%	+15%	+10%	+10%	+10%
Administrative costs to Member States index	+5%	+15%	+10%	+10%	+10%
Aviation industry costs of compliance	+5%	+15%	+10%	+10%	+10%
Administrative transparency	+5%	+10%	+5%	+5%	+5%

<b>CONTROL SHEET</b>
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<b>Project/Proposal Name</b>	Possible revision of Directive 96/67/EC on access to the groundhandling market at Community airports
<b>Document Title</b>	Final Report
<b>Client Contract/Project No.</b>	22178201
<b>SDG Project/Proposal No.</b>	221782P1

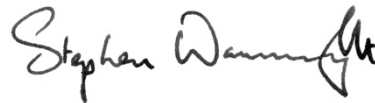
<b>ISSUE HISTORY</b>
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Issue No.	Date	Details
1	15 05 2010	Final Report
2	22 05 2010	Final Report with Spreadsheets
3	16 06 2010	Final Report with all spreadsheets

<b>REVIEW</b>
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<b>Originator</b>	Stephen Wainwright, Clémence Routaboul	
<b>Other Contributors</b>	Neil Slaven, Simon Smith	
<b>Review by</b>	Print	Stephen Wainwright

Sign



<b>DISTRIBUTION</b>
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