INITIAL SUBMISSION BY ERA (EUROPEAN REGIONS AIRLINE ASSOCIATION) TO EUROPEAN COMMISSION REVIEW OF TRANSPORT POLICY

ERA (European Regions Airline Association) submits this paper in preparation for the High Level Conference on 9-10 March 2009.

ERA will submit further papers as the process to develop the European Union's transport policy progresses during 2009.

This submission focuses on air transport and its interaction with other modes, in particular rail services.

1. The "greening" of transport

1.1 Environment – emissions, climate change and other physical factors

A sustainable transport policy for Europe must be based on accurate assessments of the real costs incurred by users of each transport mode and the recognition that subsidising the full costs, on any mode of transport, will generate environmentally unsustainable consumer demand. Subsidies should therefore be limited to meeting economic and social needs (for example transporting large volumes of passengers by bus and rail into and out of major conurbations, providing sea and air connections to remote islands, providing air connections to remote communities).

The present basis for charging consumers both external costs and the costs of infrastructure creates massive competitive distortions, particularly between high-speed rail services and air services. High-speed rail services generally receive large subsidies for both infrastructure costs and operating costs which are not shared by air services.

While infrastructure cost subsidies may become less of a distortion if TEN-T funding is increased for the Single European Sky (SES) and SESAR projects, they will not disappear due to much higher state funding for rail infrastructure than for air infrastructure.

Current regulatory policies also fail to recognise the full costs of energy production for high-speed rail services, as in some states much of the production is nuclear powered, and the costs of both safe waste disposal and the risk of accidental damage (which could be catastrophic) are ignored. It also appears that the assumed energy efficiency of high-speed rail compared to equivalent services by air is based on inaccurate assumptions. Such fundamental issues should be based on solid scientific grounds.

1.2 Environment – noise

Where it is determined that the regulation of noise is required either by legislative or economic means, it is essential that local conditions are taken into account. Aircraft noise is restricted to the close vicinity of airports. At many airports in Europe, this does not create any disturbance as the local population is not affected due to the distance from the airport, or due to the physical location of the airport and its aircraft approach and departure paths.

A "one-size fits all" solution is inappropriate to tackle noise disturbance unless it takes these factors into account.

The Baker Suite, Fairoaks Airport, Chobham, WOKING, Surrey, GU24 8HX, UK

Telephone: +44 (0)1276 856495 Fax: +44 (0)1276 857038

1.3 TEN-T

The TEN-T policy review is clear in its prime objective: the provision of high-quality, efficient and environmentally sustainable transport systems which are safe and secure and which meet European objectives, in particular those related to socio-economic goals and social cohesion. The environment goal places TEN-T policy within the concept of the "greening" of transport.

The two most far-reaching projects for air transport that should be included within the TEN-T programme are the Single European Sky (SES) initiative and the SESAR (European Air Traffic Management modernisation) programme.

The most important deliverable of the SES initiative is the creation and successful operation of revised Functional Airspace Blocks (FABs). Changes to existing FABs are required to provide more direct routings, and to reduce congestion and delays. Both of these will provide significant environmental improvements in addition to improving the efficiency of air transport by reducing journey times. Many cross-border FABs are required to meet this objective. Member states will need encouragement and assistance in funding such projects as otherwise, as is typical with TEN-T projects, much of the cost will fall on states which gain little benefit, leading to slow, or no, forthcoming investment and change.

The SESAR programme will go much further in facilitating safe and sustainable growth for air transport to cater for future demand, thus enabling air transport to continue to play its leading and irreplaceable role in meeting Europe's overall socio-economic and social cohesion objectives. Failing to plan and provide for this growth in an environmentally sustainable manner will inevitably lead to a centralisation of jobs in Europe and weaken the outer regions of each member state and of the EU as a whole.

1.4 Research projects

In order to make further progress on the "greening" of transport, investment in infrastructure under the TEN-T policy should continue to be supplemented by research into innovative solutions for the provision of air transport services that will increase their environmental sustainability through a reduction in emissions of potentially climate-changing gases.

The investment programme for aerospace being undertaken in the Seventh Framework Programme for research and technological development must therefore be continued in future research budgets.

2. "Putting passengers first"

The two most fundamental rights for passengers, and also for mobile staff, are the right to a safe and secure journey. Other benefits for passengers enacted through legislation should not jeopardise these fundamental rights. Both safety and security initiatives must follow best regulatory practice and be subject to a scrupulous safety benefit case which has not been influenced by political pressures.

2.1 Safety – the establishment of a single EU air accident investigation bureau

The industry believes that air accident investigation would be performed more efficiently through a single EU body. However, this would need to be structured using existing people and expertise in member states, and should not be set up with its own newly recruited staff. The ability to pull experts together from across the EU to address an accident would achieve not only efficiency

gains, but, more importantly, potentially lead to faster safety recommendations thus improving air safety.

2.2 Security - rationalisation of air transport security legislation

European air transport security is governed by legislation, rules, policies and recommendations by ICAO, ECAC, EU, EASA, Eurocontrol and National Aviation Authorities. The industry seeks a single source for the security legislation by which it is bound.

In addition, the implementation of one-stop security would make further checks of transfer passengers and their luggage redundant. The revised EU Regulation 300/2008 even demands the acceptance of security standards of non-EU countries; either the European Commission decides that the measures taken by the third country correspond to EU standards or security standards are part of the respective air transport agreement. The current problems of the second-stage negotiations between the USA and the EU illustrate that the European Commission should take action and start investigations on the security standards of non-EU countries. Those actions could relieve passengers and reduce costs.

2.3 Other rights for all passengers, including passengers with reduced mobility

Following assurance of a safe and secure journey, passengers who have a choice between commercial operators over how they make their journey are less in need of substantial rights. More protection may be needed in the face of a monopoly supplier although, for many journeys, passengers not only have a choice of operator between an identical pair of points (stations or airports), but can also choose to use a competitor's services from a nearby airport or city.

If passengers are given a choice, then there is no need to impose penalising passenger rights' legislation in order to improve an operator's performance, unless that operator receives such large subsidies that its economic future is protected irrespective of its performance standards for customers.

It is arguable that the cost of looking after passengers when things go wrong is a reasonable if costly right, but it must be recognised that, even though the cost initially falls on the operator, it is ultimately shared amongst all users of that operator's services through higher fares. This puts up the cost of doing business in Europe, and is therefore one factor acting against Europe's worldwide competitiveness.

Legislating to provide additional financial compensation to passengers (including full or partial refunds to passengers who continue with their journeys) when things that are outside an operator's control go wrong, is also a way of increasing the cost for all other passengers. Regulators should be aware that this philosophy will further weaken Europe's worldwide competitiveness.

3. Regulatory costs

ERA, together with AEA and IACA (the two other leading European air transport associations) jointly submitted 30 proposals to for reducing administrative costs in response to the initiative of the Commission's High Level Group on Reducing Administrative Burdens. These were presented to the Commission at the meeting held under the auspices of the High Level Group on 16 February 2009.

Many of the proposals require changes to legislation, and, if accepted, will form part of the Commission's legislative workload for several years to come. For this reason, it is essential that the

revised transport policy takes account of the work of the High Level Group and the submissions made which are relevant to the administrative burdens currently imposed on transport operators.

While it is not appropriate to repeat the air transport submission to the High Level Group in this paper, some key issues are covered in this section.

3.1 EASA (European Aviation Safety Agency)

Overall charges to industry have increased since the formation of EASA due to duplication of activity. The establishment of EASA should have led to efficiencies which should be reflected in an overall reduction of charges.

The basic EASA regulation in its revised version, EC Regulation No. 216/2008, defines, in Article 2 Para 2 c), as an additional objective of the regulation, "to promote cost efficiency in the regulatory and certification processes and to avoid duplication at national and European level". This aspect was also part of the basic EASA regulation in its initial version in EC Regulation 1592/2002. Actually, this was and is one of the main reasons for the establishment of EASA. If EASA assumes responsibilities in EU air transport safety regulation and oversight - a move that is fully supported by the European air transport industry - NAAs must be adjusted accordingly, i. e. they must be downsized. Otherwise, the objective of cost-efficiency cannot be achieved.

So far, and six years after adoption of EC Regulation 1592/2002, improved cost-efficiency in the regulatory and certification processes is not visible. The EU should investigate and take action to safeguard progress in cost-efficiency in the air transport safety administration. Ultimately, national aviation authorities should be completely integrated in a decentralized EASA structure.

EASA should develop a ‘road map’ that improves EASA’s overall efficiency without degrading safety oversight by defining clearly:

- the respective roles, responsibilities and resource requirements of EASA and NAAs
- a requirement to examine all possible opportunities to achieve reduction in the aggregate cost of safety regulation, including economies of scale, use of best practice and integration of NAAs’ systems and services across national boundaries, for example, by the delegation of tasks from EASA to specific NAAs
- performance and efficiency targets
- measures to ensure that safety requirements are interpreted and implemented on a consistent basis throughout EASA member states, and measures to apply sanctions against NAAs that fail to meet this requirement.

3.2 Harmonisation of European certification, rules and guidelines

In particular, the industry calls for the elimination of national variations for aircraft certification imposed by NAAs, and hence the elimination of additional administrative costs. Any aircraft considered safe by one EU NAA should be deemed safe for operation in any other EU member state.

This could be achieved by one simple remedy: the introduction of an EU aircraft register. As EU legislation permits any airline based in a member state to fly its aircraft, registered in its home state, on commercial services in any other member state, there should be no barrier to creating a single register for all aircraft registered in EU states. Consequently, any EU operator would be able to fly any EU registered aircraft in any EU member state without the need for additional approvals and, in many cases, changes to aircraft or operating manuals.

4. Other policy issues

4.1 Infrastructure capacity

In addition to the Single European Sky (SES) and SESAR programmes covered in Section 1 above, there should be additional efforts to remove traffic bottlenecks. In particular, airport development should be undertaken to improve capacity at congested airports. In some cases, the application of best practices used at other European airports which could be implemented at no, or relatively low, cost would provide quick benefits.

4.2 Industry susceptibility to external factors

Some air transport legislation has proved to be too inflexible to allow Europe's air transport industry the promise of future stability when reacting to a sudden downturn in expected demand. This situation arose following the terrorist attacks on 9/11, during the SARS epidemic in 2002/3, and is now arising again in the current global financial climate.

Legislation such as the existing slot allocation rules penalise airlines when they cut capacity to match demand. These cuts are essential both on economic grounds and also on environmental grounds. This has led to emergency changes of legislation which has required the goodwill of the Commission, Parliament and Council.

Future legislation, and changes to existing legislation, should be developed to take account of the impact of these external factors to ensure a stable European air transport industry.

4.3 Social and labour policy

The revised transport policy must recognise any implications for social policy and labour conditions. However, the role of determining social policy should remain with DGEMPL, as policy for workers should remain matched to those in other sectors, taking account of the different employment issues for non-operational ground staff, operational ground staff and mobile workers. The air transport industry and its employees continue to engage in the Civil Aviation Sectoral Social Dialogue with the objective of recommending changes to social legislation and formulating social agreements.

5. "Better regulation"

Every initiative undertaken under the theme of a European transport policy must be subject to the principles of "better regulation". These principles are defined in the report of the High Level Group for the future of European Aviation Regulatory Framework published in July 2007 and should apply to initiatives across all modes of transport.

In addition, all those who play a role in developing Europe's transport regulatory framework should remain aware at all times of the likely impacts of their positions on Europe's competitiveness in world markets. It is surely not acceptable to continue with the status quo where the impact of the final form of most transport legislation is unknown at the time it is approved by Parliament and Council.

March 2009