Office for South East Europe
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The European Common Aviation Area and the Western Balkans:

Domestic Reforms and Regional Integration in Air Transport

(February 2007)

Abstract:

In June 2006 the EU and the countries of South East Europe signed an agreement on the establishment of a European Common Aviation Area (ECAA) by 2010. The ECAA will amount to a full extension of the EU-internal air transport market to the Western Balkans. It entails the complete liberalization of cross-border traffic among signatories, an adoption of the aviation-related acquis and comprehensive sector restructuring at the national level. It is expected to trigger rapid traffic growth, encourage foreign investment in the sector and act as an important catalyst for broader regional integration. To reap those benefits, however, the countries of the Western Balkans will have to implement an ambitious reform agenda in a short time-span. This note reviews the status of sector development across the region, the provisions of the ECAA and the reform implications for governments and donors. The annexes contain country-specific information on air transport and a summary of the aviation acquis.

The Air Transport Market in the Western Balkans

Across the Western Balkans, air traffic is growing rapidly from a low base. The sector was reduced to a shadow of its former self after the break-up of Yugoslavia, a series of armed conflicts and the economic turbulences of the past decade. In the early 1990s the Yugoslav airline JAT alone was carrying 5 million passengers annually. With less than 3 million passengers in 2005, the combined air traffic of the Western Balkans remains below that of a small EU country. Vienna airport alone handles 15 million passengers a year. Nonetheless, the sector resumed growth in recent years and according to the European Commission, traffic between the EU and South East Europe (including Bulgaria and Romania) rose by 121 percent between 2000 and 2005. The number of weekly departures from SEE to France, for instance, doubled from 41 to 86 between 2001 and 2005, while the number of weekly flights to Italy grew from 65 to 345.[1] This growth went hand-in-hand with an increased density of the route network. Only a few routes in the region have high traffic levels, however, and no single route accounts for more than 2 percent of regional traffic. The six 'thickest' routes between the Western Balkans and Western Europe are from Zagreb to Frankfurt, Vienna and Munich; from Belgrade to Zurich and Paris and from Tirana to Milan.

Table 1: General Air Transport Indicators (2005)							
	Flight Departures		**Passengers**		**Freight**	**Airports***	**Airlines***
	number	EU share (%)	number	domestic (%)	(mill tons)		
Albania	**5,000**	**87**	**189,000**	**0**	**<1**	**1**	**2**
Bosnia & Herzegovina	**5,000**	**69**	**73,000**	**0**	**<1**	**3**	**1**
Croatia	**44,777**	**84**	**3,946,000**	**20**	**<1**	**8**	**4**
Macedonia	**6,595**	**59**	**555,000**	**0**	**<1**	**2**	**1**
Montenegro	**n.a.**	**n.a.**	**n.a.**	**0**	**<1**	**2**	**1**
Serbia	**19,122**	**44**	**2,059,000**	**23**	**<1**	**2**	**2**
Kosovo	**2,491**	**n.a.**	**930,000**	**0**	**<1**	**1**	**1**
Total/Average	**82,985**	**69**	**7,752,000**	**6**	**<1**	**19**	**12**

Source: Own Research, Booz Allen Hamilton / European Commission.   *airports/airlines offering scheduled services

Traffic patterns reflect underlying economic and geographical structures. Most countries of the Western Balkans are too small for domestic flights and thus the vast majority of traffic in the region flows across national borders. For example, Albania and Kosovo have only one airport each while FYR Macedonia has two, which are a mere 150 km apart. The only exceptions are Croatia and Serbia, which have a fair amount of domestic traffic. This highlights the importance of cross-border liberalization. A second notable feature of regional traffic flows is that over two-thirds of air traffic in the Western Balkans is vis-à-vis Western Europe – ranging from 69 percent in Bosnia to 87 percent in Albania. This implies that the ECAA countries are natural partners for regional integration in this sector. A third general feature is the concentration of North-South traffic on a small number of EU countries that have particularly strong migration and trade linkages with the Balkans. Germany, Italy and Austria together account for 60 percent of the routes from the EU to South East Europe. This is not surprising, given that the main drivers of air transport demand are tourists (mostly EU nationals) and the large migrant community (mostly based in the EU). Business travel and air cargo remain small market segments, but could be important sources of future growth.

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[1] These total figures include Bulgaria and Romania and capture only scheduled departures. This and some of the other data in this section was taken from: Booz Allen Hamilton. 2005. *A Study of the Aviation Sector in the Eight Western Balkans Countries*. Report prepared on behalf of the European Commission.

Zagreb and Belgrade are the main airports, but the region has no central hub. While the route network in the Western Balkans has grown denser in recent years, no preeminent hub has yet emerged among the 19 commercial airports. The main airports offering connecting flights are Zagreb and Belgrade. Croatia Airlines maintains a short- to medium-distance network centered on Zagreb, which is supported by domestic feeder routes. For long-distance traffic, the Croatian flag-carrier relies on partner airlines and their respective hubs. Belgrade lost much of its previous nodal function when JAT was forced to shed its long-distance network. The airline plans to re-establish intercontinental routes to the US and Asia, while developing a system of regional feeder connections to half a dozen neighboring countries. With 2 and 1.6 million passengers in 2005, however, Belgrade and Zagreb airports remain small by European standards. In fact, Vienna, Milan and Munich currently provide some hub services to the Western Balkans – with Ljubljana and Zurich playing a lesser role. Key determinants of regional network structures are code-sharing agreements and airline alliances. Of the world's three major alliances, Star Alliance is the dominant player in the region. Its members include Austrian Airlines, Lufthansa, Croatia Airlines and Slovenia's Adria Airways. With Malev's accession to the Oneworld alliance, Budapest is likely to gain in prominence as a gateway into the Balkans.

Most of the regional airlines that emerged in recent years remain miniscule. Fifteen years ago, the main airlines in the Western Balkans were the Yugoslavian and Albanian flag carriers. The break-up of Yugoslavia led to a proliferation of 'national' airlines. While Serbia's JAT emerged as the successor of Yugoslav Airlines, Slovenia, Croatia, FYR Macedonia and Montenegro developed their own flag carriers. Bosnia and Herzegovina even had two of them (one per entity) until Air Srpska went bankrupt in 2003. Most of the new regional airlines are state-owned and loss-making. If the approximately one dozen carriers in the region offering scheduled flights were to merge, they would still be only half as big as Austrian Airlines. Air Bosna (formerly Bosnian Airlines) has only two aircraft, while Macedonian Airlines has three and Montenegro Airlines has four. The most successful regional carrier is Croatian Airline with a fleet of 11 planes and 1.6 million passengers in 2005. JAT has been reduced to a fraction of its former size, but with 16 planes and 1 million passengers it remains the second largest airline in the region and its new management plans a significant expansion. The few private airlines that have been established in the Western Balkans remain small, such as Trade Air (Croatia), Albatros Airways (Albania), Air Varda (Macedonia) and Centavia (Serbia). The establishment of the ECAA should give them a chance to grow. However, it will also attract EU carriers into the region and put pressure on smaller airlines to either seek critical size through mergers or to exit the market.

Table 2: Flag Carriers in the Western Balkans (2005)							
	Staff	**Aircraft**	**Routes**	**Passengers** (number)	**Cargo** (mill ton-km)	**Load Factor (%)** passengers	cargo
Albanian Airlines	165	3	10	175,000	0	51	n.a.
Air Bosna	90	2	6	25,000	0	66	n.a.
Croatia Airlines	1,037	11	55	1,555,000	2.4	59	50
Macedonian Airlines	n.a.	3	8	190,000	n.a.	n.a.	n.a.
Montenegro Airlines	350	4	10	450,000	0	70	n.a.
JAT	1,740	16	37	1,022,700	3.3	55	47
TOTAL	3,382	39	126	3,417,700	5.7	50	49
Austrian Airlines	8,468	105	130	10,120,000	2,965	72	74
Adria Airways	543	10	24	929,000	2.7	56	63

Source: Own research (data provided by individual airlines).

The European Common Aviation Area (ECAA)

The EU and ten neighbouring countries have agreed to establish a European Common Aviation Area (ECAA) by 2010.[2] Parties to the ECAA are all EU countries (including Bulgaria and Romania who acceded in January 2007), Iceland, Norway and all countries of the Western Balkans, including the U.N. mission in Kosovo (under UNSCR 1244). This extension of the European single market for air transport to South East Europe should give a boost to tourism, business travel and broader regional integration. The ECAA agreement was initialled in December 2005 and signed in June 2006. It commits all signatories to adopt the EU acquis for the sector (see annex 2). This includes:

- legislation that liberalizes market access, traffic rights and fares;
- regulation on airport ground handling and slot allocation;
- safety and security regulations;
- rules on competition and state aid;
- the acquis related to air traffic management and the Single European Sky; and
- environmental standards and consumer rights pertaining to aviation.

Once this package of legislation has been implemented by 2010, the Western Balkans will be part of a fully integrated aviation market with 500 million people spanning the European continent. According to the European Commission, the air transport industry in the 25 EU countries accounts for 3 million employees, an annual turnover of 120 billion euro and about 30 percent of global air traffic.

The implementation of the agreement will take place in three stages. In the first stage, 3rd and 4th freedom rights will be fully liberalized. This means all airlines licensed within the ECAA area may fly to and from their countries to any ECAA destination, without frequency or capacity restrictions. The second stage will involve a liberalization of the 5th freedom, allowing airlines to pick up passengers on a stop-over in another country before dropping them of in a third. Before a country can move to the second stage of the ECAA, however, it needs to implement a basic package of the aviation acquis, which mainly relates to safety and security rules. The third stage comprises a liberalization of remaining freedoms and full transposition of the aviation acquis. No explicit target dates for stages one and two have been set and each country can progress at its own pace, once it meets the required conditions. It should be noted that a 'pre-ECAA' step towards liberalization was already taken in May 2006, when the countries of South East Europe signed a series of *horizontal agreements* with the European Community, modifying the nationality clauses in their bilaterals with EU countries. This permits any EU airline to fly from another EU country to a destination somewhere in South East Europe on the same conditions as a domestic airline. Since these horizontal agreements do not relax restrictions on traffic rights, routes, capacity and frequencies, however, their impact remains limited.[3]

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[2] European Commission press release (*europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/582&format= HTML&aged=0&language=EN&guiLanguage=en*). The ECAA negotiations were launched in March and concluded in December 2005. The ECAA agreement itself has three components: (i) The provisions of the 'multilateral main text' will be applicable to all signatories. (ii) A series of protocols will clarify country-specific requirements and transition arrangements. (iii) An annex lists community aviation acts that have to be adopted. The ECAA is part of a broader EU strategy to extend the EU single market for air transport to neighbouring countries, which is spelled out in: *Commission Communication on a Community Aviation Policy towards its Neighbours* (COM (2004) 74 final).

[3] In line with international practice, ASAs between EU member states and third countries used to designate airlines on the basis of nationality. After the European Court of Justice ruled this to be a discriminatory practice, violating the principles of the Internal Market, a new EC regulation (Nr. 847/2004) was passed. It obliges EU member states to amend ASAs with 3rd countries, which discriminate between domestic airlines and those of other EU member states. By January 2007, ASAs between EU member states and 68 third countries had been amended accordingly. In

> **Box 1: Bilateral Air Service Agreements and Freedoms of the Air**
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> In the world of international aviation, *bilateral air service agreements* (ASAs) between governments have traditionally regulated cross-border traffic rights. ASAs are based on the notion of national sovereignty over airspace and on other principles defined by the 1944 Chicago Convention. Bilateral ASAs stipulate which routes may be served at what frequency, with what capacity (e.g. type of aircraft to be used), by which airlines ('designated' airlines) and at what price. ASAs may also contain provisions on issues such as taxation and airport charges. The traffic rights granted by ASAs are also referred to as *freedoms of the air*:
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> – The 1st freedom (overflight over the other country) and the 2nd freedom (a technical stop in the other country) do not involve cargo or passenger flows between the two countries that are party to the ASA.
> – The 3rd and 4th freedoms permit transportation of passengers/cargo to and from destinations in the two countries involved, but exclude domestic legs or linkage to a third country.
> – The 5th freedom permits an airline to take on board passengers/cargo on a stop-over in the other country before dropping them off in a third country.
> – The 6th freedom permits to carry passengers/cargo between the other country and a third country via the home country.
> – The 7th freedom permits to operate flights between the other country and a third country, without any stop in the home country.
> – The 8th freedom (cabotage) and 9th freedom (true domestic) permit domestic flights within the other country, with or without the link to a cross-border flight.
>
> Even though no two bilaterals are the same, ASAs can be categorized according to how much leeway they give to market forces. Under the traditional *predetermined ASAs*, each country designates one carrier to operate on each bilateral route. This tends to create legal duopolies on individual routes. Moreover, predetermined ASAs limit the number of routes that may be served, fix capacity and frequency ex ante, grant few, if any 5th freedom rights and require double approval of tariffs by both governments. *Bermuda-type agreements* are slightly more liberal. They allow for the designation of more than one airline, grant more 5th freedoms and leave capacity to be negotiated between airlines. *Open skies agreements* are ASAs with a minimum of regulatory constraints on capacity, frequency, tariffs, on 5th freedoms and on type of aircraft. It should be noted, however, that 'some skies are more open than others' and not all of these agreements fully live up to their name.

The EU has the most deeply integrated regional air transport market in the world. In international aviation, still governed by the Chicago Convention and the concept of national sovereignty over airspace (see text-box 1) EU rules constitute a radical innovation. All regulatory distinctions between international and domestic services have been abolished. Bilateral air traffic agreements between member countries no longer exist and with national ownership restrictions eliminated, airlines no longer have a 'nationality'.[4] Moreover, a common regulatory framework creates a level playing field for competition. In contrast, the more limited *open skies* agreements used internationally only liberalize the provisions within the framework of the bilateral system and generally do not extent to a harmonization of sector policies. Using the ECAA agreement as a vehicle for cross-border liberalization in the region thus has significant advantages over an open skies approach. First, it requires only one agreement instead of a revision of several dozen ASAs. Second, it induces Western Balkan countries to modernize their sector policies in line with international best practice. Third, it harmonizes the regulatory framework and increases the transparency for market participants. Fourth,
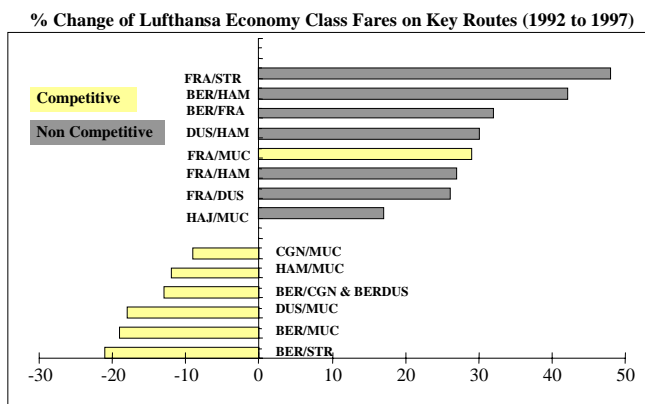
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about two thirds of those cases, EU member states modified the respective clauses in their bilateral agreements. With 24 third countries, the Commission negotiated so-called 'horizontal agreements'. This has the advantage of replacing discriminatory nationality clauses in all bilaterals between that third country concerned and the 27 EU member states through one agreement. Even though traffic rights under the ASAs continue to be respected, the horizontal agreements tend to facilitate the market entry of new airlines.

[4] Non-EU ownership is still limited to less than 50 percent but within the EU no ownership restrictions apply.

such truly regional liberalization overcomes the inherent inability of a patchwork of bilateral ASAs to accommodate the development of regional route networks.[5]

Liberalization should stimulate competition and lower prices. According to a study on regional air traffic for the European Commission, over two thirds of routes between city-pairs to and from South East Europe are served by one airline only. Most of the remaining routes are operated on a duopoly basis.[6] For instance, all of the 8 routes from the Netherlands to the Western Balkans and 48 of the 66 routes between Germany and the region are monopolistic. Real competition only seems to exist on routes to the Croatian tourism destinations, Split and Dubrovnik.[7] International experience, however, shows that competition drives down prices. In the United States, for instance, studies found that fares on routes with two competitors were on average 8 percent lower than those with only one airline.

Prices on routes with three airlines were another 8 percent cheaper. In Ireland, economy fares between London and Dublin (with three operators) were reduced by half within two years after liberalization, while those between Dublin and other European capitals (where duopolies persisted) actually increased.[8] Diagram 2 illustrates the effect of competition on airfares in Germany over a five-year period. On most domestic routes where the incumbent Lufthansa encountered competition (yellow bars), fares declined by 10 to 20 percent. On

Diagram 2: The Impact of Competition on Fares

% Change of Lufthansa Economy Class Fares on Key Routes (1992 to 1997)

Source: UK Civil Aviation Authority.

monopolistic routes, they rose by 20 to 50 percent. While less detailed information on fares is available for the Western Balkans, an important indication for the lack of competition due to market entry barriers is the fact that the region remains a blank spot on the map of Europe's low budget and charter airlines, with a few exceptions like Dubrovnik, Split and Zagreb.[9] Within the EU, these airlines have played a pivotal role in the stimulation of competition and market development.

The ECAA is likely to trigger significant growth in air traffic. International experience also shows that liberalization induces traffic growth. This effect could be particularly pronounced in the Western

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[5] To build *regional route networks* with hub-and-spoke structures, airlines must be able to obtain traffic rights to and from different countries that are complementary in terms of timing, capacity and frequency. Such coordination is extremely difficult within a patchwork of restrictive bilateral ASAs. The ECAA will considerably facilitate the seamless integration of traffic flows and the realization of network economies throughout the regional market.

[6] Booz Allen Hamilton. 2005. *A Study of the Aviation Sector in the Eight Western Balkans Countries.* Report prepared on behalf of the European Commission. The analysis also includes Bulgaria and Romania.

[7] Since tourists have a choice between many international destinations, prices on such routes are not only kept down by direct competition on a specific route, but also by indirect competition from routes to alternative destinations.

[8] The only exception was Madrid. The examples on the USA and Ireland in this paragraph are from studies quoted in: OECD. 1997. *The Future of International Air Transport Policy.*

[9] For instance, Ryanair and Air Berlin have no connections at all and Easyjet only flies to Split and Rijeka. Croatia has a number of low budget connections that mainly go to tourist destinations on the coast, such as Germany's HLX (Dubrovnik), Germanwings (Zagreb, Dubrovnik, Split), LTU (Dubrovnik, Split) and Wizz Air (Zagreb, Split, Dubrovnik). Italy's Club Air flies to Tirana and the new start-up Myair plans to serve routes between Italy (Bari) and several countries of the Western Balkans.

Balkans for two reasons. First, the main drivers of passenger traffic in the region are tourism and the migrant communities, which are both more price-sensitive than business travelers. Second, much of the passenger traffic between the EU and the Western Balkans is currently land-based. Hence, the opening of additional routes (accessibility) and lower prices (affordability) in air traffic should lead to modal substitution. All this implies a high price-elasticity of demand. An example illustrating the effects of cross-border liberalization on traffic growth are the open skies agreements between the United States and several Latin American countries. Most of these were concluded in 1997. Within one year, countries that adopted open skies experienced average traffic growth to and from the US of 21 percent, while average growth for countries that maintained restrictive policies was a mere 2 percent.[10] In addition to liberalization-induced traffic expansion, air transport in the Western Balkans is likely to be driven by GDP growth and the exponential relationship between per capita income and the propensity to fly. The base-case scenario of Eurocontrol's medium term traffic forecast (which includes overflight traffic) assumes an annual 6 percent growth for the Western Balkans between 2005 and 2011.[11] This implies cumulated growth of 50 percent within a five year period. In the high-case scenario, total traffic growth would even amount to 71 percent. A successful implementation of the ECAA would make such an optimistic scenario much more likely.

Table 3: Forecast Traffic Growth (2005-2011)

	base case		high case
	annual	total	total
Albania	6.6	56	79
Bosnia & Herzegovina	5.4	45	63
Croatia	5.9	49	71
Macedonia	6.4	54	73
Serbia & Montenegro	5.7	47	67
Regional Average	6.0	50	71

Source: Eurocontrol (Medium Term Forecast).

The broader economic benefits of the ECAA should be substantial. While air traffic growth is desirable in its own right, it also generates important spillover effects. Since air transport is important for business travel and people-to-people contacts, it will facilitate regional integration and make the Western Balkans more attractive for investors. This is particularly important for mountainous and landlocked parts of the region, such as Bosnia and Herzegovina (BiH), Macedonia or Kosovo. Efficient air transport is also critical for tourism – an important sector for the areas along the Adriatic coast. Moreover, air transport is an integral part of the multimodal system and thus the ECAA has repercussions for other transport modes.[12] Importantly, all these economic benefits can be generated at little cost to government budgets. With the right policy framework and a privatization of state-owned airlines and airports, the private sector should be able to stem most of the investment needs for fleet renewal and infrastructure expansion. EU state aid rules, which are part of the ECAA package, will put a lid on subsidies to loss-making flag-carriers while a division of labor between regional airports would reduce infrastructure costs. The upgrading of air traffic control infrastructure, on the other hand, can be recovered through charges levied on airlines for the use of airspace. After possible initial costs associated with sector restructuring, the net effects of air traffic growth are thus likely to increase the fiscal space of governments, rather than reduce it.

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[10] Even the flag carriers of those countries that liberalized registered higher growth in turnover than those in countries with more protected markets, even though they were exposed to greater competition.

[11] Eurocontrol. 2005. *Medium-Term Forecast: Flight Movements 2005-2011.* This is largely in line with IATA projections that foresee average growth of 6 to 7 percent for most Western Balkan countries between 2004 and 2008.

[12] At the same time, air transport needs to be integrated properly into the broader multimodal system. Key in that regard will be the improvement of hinterland connectivity by linking the main airports to the road network.

The Outstanding Reform Agenda in the Western Balkans

The legal and regulatory framework needs to be aligned with the EU acquis. As part of their ECAA obligations, Western Balkan countries have to adopt about two dozen EU regulations and directives that are outlined in annex 2. In some cases, this will require governments to discontinue restrictive practices related to traffic rights and price controls. In other cases, EU rules only apply beyond certain thresholds that most countries in the region do not yet cross. This holds in particular for airport noise (above a certain number of departures), competition in ground-handling (above a certain number of passengers/cargo) and rules on slot allocation (in the case of capacity limitations). More generally, however, the alignment of national legislation with ECAA requirements entails substantial legal reforms. As discussed in detail in annex 1, most countries have started to make adjustments to their national aviation codes and associated by-laws. This process still has a long way to go, as the table 4 illustrates, but it could be accelerated considerably by introducing clauses in aviation codes permitting the introduction of new by-laws by direct reference to international legislation. In addition to the adjustment of domestic laws, bilateral agreements between the Western Balkan countries will have to be gradually liberalized, but governments may accelerate the process bilaterally if they wish.

The institutional framework of the sector requires further adjustment. According to international best practice, aviation policy is the responsibility of transport ministries, while autonomous Civil Aviation Authorities (CAA) are in charge of safety and economic regulation. Like any regulatory agency, CAAs should be given full political and institutional independence. Air traffic control would normally be handled by a separate entity and in fact, this is a requirement of the EU acquis. All other operational functions – such as airline, airport and ground-handling services – should be separated from both the line ministry and the regulator. They would normally be corporatized, commercialized and, where possible, privatized. While most Western Balkan countries are converging towards such best practice structures, substantial work remains to be done. Macedonia is currently establishing an independent CAA and Albania considers doing so. BiH, with separate Civil Aviation Directorates at the central government level and in both entities, would be well advised to streamline its institutional structure. Both in BiH and in Serbia independent service providers for air traffic management are yet to be established. In virtually all countries of the region, transport ministries and civil aviation authorities will require technical assistance to ensure effective implementation EU rules.

Table 4: Compliance with Selected Elements of the Aviation Acquis

	Albania	BiH	Croatia	Macedonia	S. & M.
licensing	no	no	yes	no	n.a.
fares	no	no	no	partial	n.a.
market access	no	no	partial	no	n.a.
safety	no	no	partial	partial	partial
environment	no	no	partial	partial	partial
consumer protection	no	patial	no	no	partial
ground-handling	no	no	no	no	no
slot allocation	no	no	no	no	no
air traffic control	no	no	partial	partial	no
state aid	no	no	partial	no	no

Source: Based on analysis of European Commission/Booz Allen Hamilton.

Airport privatization can help mobilize much needed investments. The Western Balkans currently has 19 commercial airports with scheduled traffic. A decade of conflict and under-investment have left airport infrastructure across the region in disrepair. Expected traffic growth will also require capacity expansions in the medium term. A significant share of the resulting investment needs could be mobilized from private sources, as some precedents illustrate: With EBRD assistance, Tirana airport was concessioned to an international consortium in late 2004. For a period of 20 years, the investors

will pay €21 million in concession fees to the government, while keeping all airport charges. The consortium will also invest €82 million in the construction of a new terminal, a new cargo center, a 7-km access road and the modernization of existing facilities. The Macedonian government considers a similar approach for privatizing the two national airports. State-owned Belgrade airport pursues a different model; it established a joint venture with a US investor for the construction and operation of a new cargo center and leased all shops and restaurants to a Swiss company. It is important, however, that airport privatizations are carried out in a transparent and competitive manner. They should also be complemented by a regulation of ground-handling and airport charges. Most major airports in the EU are already privately owned, including London, Brussels, Athens, Vienna and Rome.[13] The trend towards airport privatization is now spreading further East. In late 2005, the Hungarian government sold Budapest airport to Britain's BAA through competitive bidding. Slovakia agreed to sell its two largest airports to Vienna Airport, before a new government revoked that agreement. International investor interest in the sector should facilitate privatization efforts in the Western Balkans.

Airport development should be coordinated across the region. Many airports in the Western Balkans are close enough to national borders to serve parts of neighboring countries. Both the Macedonian airport of Skopje and the new Albanian airport of Kukes, for instance, are less than 20 km from the Kosovo border and their hinterlands overlap with that of Pristina airport. In recent years, the small airport of Mostar (in Bosnia) has lost much of its traffic to nearby Split and Dubrovnik (in Croatia). Dubrovnik can also serve parts of Montenegro. Sarajevo in Bosnia and Osijek in Croatia are both close to the Serbian border. The small size of national aviation markets in most Western Balkan countries and the geographical location of many airports have implications for airport development. On the one hand, investment costs can be minimized if airport development is coordinated at the regional level. For that, however, some projects for the construction or expansion of secondary airports would have to be reconsidered. On the other hand, competition between airports with overlapping hinterlands can be fostered, if road and rail links are improved and border-crossing procedures are streamlined. To reap such synergies, however, some degree of regional coordination will be needed.[14] The MoU for the South East Europe Core Regional Transport Network, signed by national transport ministers and the European Commission in mid-2004, identified eleven priority airports, but modalities to coordinate airport development have not yet been established.[15]

Airport-related regulations need to be brought into line with EU requirements. The main items of economic regulation for airports relate to ground handling, airport charges and slot allocation. The EU directive on *ground-handling* requires the liberalization of a range of services, including passenger and baggage handling, ramp-handling, aircraft maintenance and catering. Half a dozen airports in the region are above or close to the size threshold of one million passengers, beyond which they would have to permit self handling by airlines. Belgrade and soon Zagreb are also large enough to require a liberalization of third-party handling under EU rules.[16] So far, however, most Western Balkan

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[13] The EU acquis does not include any provisions regarding the privatization of airports and airlines. However, strict competition and state aid rules, the liberalized sector framework and the general trend towards reducing the role of governments in commercial activities have encouraged EU member states to privatize airports and airlines.

[14] The two main airports with regional hub potential are Belgrade and Zagreb. Most other airports are either capital airports of smaller countries, airports in remoter areas or airports near important tourist destinations. The experience in the EU suggests that the market entry of low budget airlines – which provide point-to-point services and often use secondary airports – could generate additional traffic for some of the smaller airports in the region.

[15] (*www.seerecon.org/infrastructure/sectors/transport/documents/REBIS/*) Priority airports include all the capital airports of countries and entities (Zaghreb, Sarajevo, Banja Luka, Belgrade, Podgorica, Pristina, Tirana and Skopje) as well as two coastal tourism airports in Croatia (Split and Dubrovnik) and a secondary airport in Serbia (Nis).

[16] The *EC ground-handing directive* stipulates that a minimum of two providers have to be licensed per airport for most services. At least one of the third-party handlers should be fully independent from the body in charge of airport

countries have not yet introduced the necessary legislation. As far as the *allocation of airport slots* is concerned, the EU also has rules that ECAA members would need to adopt. Since airport congestion is currently not an issue in most Western Balkan countries, however, the transposition of those rules is not the most urgent priority.[17] As far as *airport charges* are concerned, EU legislation that would enhance their transparency, fairness and cost-relatedness has been proposed by the Commission, but was rejected by member states. Nonetheless, the governments in the Western Balkan would be well advised to include provisions along the lines of that proposal in their aviation codes in order to prevent the abuse of monopoly powers by airport operators.[18]

Box 2:   The Consolidation of Flag Carriers in Central America

Similar to the Western Balkans, Central America is a region with seven small countries, whose flag carriers were too small to compete on their own. Over the past two decades, the private El Salvadorian airline Taca took strategic stakes in the flag carriers of Guatemala (Aviateca), Costa Rica (Lacsa) and Nicaragua (Nica) and integrated their operations. In 2001 it also established a subsidiary in Peru. The Taca group now serves 35 cities across the Americas, has the newest fleet in the Americas (with 32 aircraft), operates three hubs in El Salvador, Costa Rica and Peru and plans expansion to additional countries in the region. With 3.5 million passengers a year, Grupo Taca is as large as all Western Balkan flag carriers taken together. And there is another analogy – 40 percent of its passengers are migrants (Latin Americans living in the US).[19]

Most regional airlines remain small and consolidation is to be expected. After the breakup of Yugoslavia, all Western Balkan countries established their own flag carriers, although the overall market contracted sharply. Bosnia even had two flag carriers, until Air Srpska went bankrupt in 2003. Many other airlines that emerged in the process are too small to survive on their own in the European market. With less than 5 million passengers flown in 2005 and with about 50 mostly small aircraft, all flag carriers in the region combined account for less than half the size of Austrian Airlines (see table 2). Relatively low load factors indicate a lack of efficiency and scale. While some of these airlines are likely to disappear or merge as the regional market consolidates, others should thrive in an open market. An interesting precedent in this regard is Slovakia, which was left without a flag carrier after the separation from the Czech Republic and adopted liberal sector policies: Sky Europe, a private airline based in the capital Bratislava subsequently became Central Europe's leading budget carrier. In September 2005, the airline was quoted on the Vienna stock exchange and the IPO receipts will be used to triple the fleet size from 15 to 47 planes by 2009, while increasing the number of passengers from one to six million annually. Thriving in an open skies environment, the stock market value of Sky Europe is almost as high as that of Austrian Airlines.[20]

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administration and the dominant airline. In each airport, an Airport Users' Committee, open to all users, has to be created. The size thresholds of the ground-handling directive are 1 million passengers or 25,000 tons of freight per year for the introduction of competition in self-handling and 2 million passengers or 50,000 tons in the case of third-party handling. Traffic growth should take additional airports above these thresholds in due course. Given the lower price of labor and less wide-spread use of modern equipment in the region, the minimum efficient scale for most ground-handling services tends to be lower than in the EU. This would justify the application of lower thresholds.

[17] According to the *EC regulation on slot allocation*, all member states have to designate congested airports (to which the slot allocation rules apply), a neutral coordinator (who allocates scarce slots) and a coordination committee of concerned parties (to consider complaints). Airlines can keep assigned slots as long as they sufficiently use them ('grandfathering'). Half of all new or returned slots are given to new entrants in order to stimulate competition.

[18] Other than ground-handling, the core services of airports constitute a natural monopoly and should be regulated. The *Commission draft directive on airport charges* required cost-relatedness, non-discrimination and transparency.

[19] Information in this text-box taken from Frankfurter Allgemeine Zeitung (26 October 2006) and the Taca website.

[20] Financial Times Deutschland (13 September 2005) and Economist (15 May 2005). A similar example comes from Lebanon, where the government adopted an open skies policy in 2001. Within a year, tourism grew by 14 percent in a stagnant world market. Flag carrier MEA also benefited and recorded its first profit in 16 years.

The notion of national flag carriers is obsolete in a regional market. Governments around the world have long considered state-owned flag carriers as symbols of national sovereignty. This, however, is an outdated concept. In regions like Latin America or Europe, most countries no longer have a 'national' airline. The British, German, Spanish and Dutch carriers, for instance, have all been privatized. Belgium's Sabena went bankrupt in 2001, Switzerland's Swiss was bought by Lufthansa in 2005 and Holland's KLM was taken over by Air France in 2004. Interesting examples for the Western Balkans could be Central America's Grupo Taca (see text-box 2) or the Scandinavian countries Denmark, Norway and Sweden, who established a tri-national 'flag-carrier' decades ago: the Scandinavian Airlines System (SAS). The ECAA renders the notion of flag carriers obsolete for a number of reasons. First, national ownership restrictions for airlines will be abolished.[21] Second, strict competition and state aid rules will prohibit governments from subsidizing airlines.[22] Third, new private carriers will emerge, once a level playing field for competition has been established. In Central Europe, budget airlines have already become major players, including Wizz Air (Hungary) and Sky Europe (Slovakia). The CEO of Ryanair, Europe's leading low cost airline, announced at the EBRD 2005 annual meeting in Belgrade that his airline was ready to expand its services towards the Balkans once traffic between the EU and the region were to be liberalized.

State-owned airlines should be restructured and privatized. Western Balkan governments would be well advised to redouble their efforts to prepare flag carriers for the opportunities and competitive rigors of the European Civil Aviation Area. Albanian Airlines was privatized in 1997 whereas JAT and Bosnian Airlines have recently seen some restructuring. Similar efforts will be needed to increase the competitiveness of regional airlines and to give them access to private capital. In addition, mergers and strategic alliances can help them gain critical mass. Without such measures, many regional airlines risk bankruptcy. An example for that danger is Bulgaria's Balkan Air, which went into receivership in 2002 and subsequently continued as Bulgaria Air with scaled down operations. The process for its privatization was launched in March 2006. But not only state-owned airlines in the region will need the attention of policy makers. Private airlines such as Croatia's Trade Air complain about market access barriers to EU markets in the form of restrictive safety and security controls applied by national CAAs within the EU. It will be important to ensure that these rules are always applied in a fair and transparent manner.

Table 5: Airline Ownership and Finances (2005)			
	(mio. €)	Profit	Owned
Albanian Airlines	40	n.a.	0
Air Bosna	6	-0.4	51
Croatia Airlines	190	4.5	95
Macedonian Airlines	n.a.	n.a.	0
Montenegro Airlines	50	0	99
JAT	150	15	100
TOTAL	436	19.1	49
Austrian Airlines	2,485	-100	40
Adria Airways	133	3.8	76

Source: Own research (data provided by airlines).

Air traffic management systems need to be modernized. In 2001, the EIB published an Air Traffic Infrastructure Regional Study (ATIRIS) for South-Eastern Europe, which served as an important basis for subsequent investment projects in the sector.[23] With the accession of Serbia and Montenegro to

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[21] Nationals of all ECAA countries will be able to own airlines in any other ECAA country.

[22] As part of the 'third package of measures' for air transport liberalization *EU competition and state aid rules* became applicable to the sector in the early 1990s. In 1994, the Commission adopted more specific guidelines, requiring that subsidies must be part of a restructuring program, must abide by the 'one time, last time' principle and must include capacity reductions. Since 1991, seven EU airlines have received state aid. EU competition and state aid rules are cross-sectoral and thus addressed through the Stabilization and Association process, instead of the ECAA.

[23] For information on ATIRIS see: (*www.bankwatch.org/project.shtml?apc=--153970a--1&x=184798&d=o*).

Eurocontrol in 2005, all Western Balkans countries are now members of this pan-European institution in charge of technical harmonization for air traffic management (ATM). Eurocontrol also manages the ongoing Aviation Safety and Air Traffic Control Phase II project (ASATC II), which is funded by the EU.[24] The project provides assistance to Western Balkan countries for the alignment of their national ATM systems with European standards. An assessment of its impact would be useful before additional assistance is being mobilized. As far as physical ATM infrastructure is concerned, the EBRD and EIB have extended a number of investment loans to the region – drawing on the results of the ATIRIS study. These will mostly be financed through air navigation charges levied on airlines. Both institutions co-financed the modernization of Croatia's air traffic control center in 2002 (€55 million) as well as the modernization of Serbia and Montenegro's ATC infrastructure in 2004 (€112 million). In BiH, the EBRD is currently preparing a loan (€14 million) for the establishment of a new Air Navigation Services Provider. Since the war, Bosnia's airspace has been managed by Croatia and Serbia. Even more critical will be the re-opening of Kosovo's airspace to over-flight traffic. Kosovo lies in the middle of the region and the re-routing costs of airlines (not only regional ones) associated with the closure are estimated to amount to €300 million a year.[25]

An ambitious initiative for regional ATM integration has been launched. Given the fragmentation of airspace above the Western Balkans, regional ATM cooperation needs to complement reforms at the national level. On some regional routes, airplanes fly across five different countries in the course of an hour. A plane traveling at 900 km/h needs less than 10 minutes to cross the Macedonian and under 20 minutes to cross the Bosnian airspace. To overcome such fragmentation, the Commission and the Stability Pact, in cooperation with Eurocontrol, have proposed the creation of a Functional Airspace Block for South East Europe (SEE-FAB), in which airspace would be organized regardless of national boundaries. There is a serious risk, however, that the large-scale investments in national ATM infrastructure could render these efforts more difficult. In early 2006, the Western Balkans countries, together with Bulgaria and Romania, agreed to establish a working group to review options for an SEE-FAB. In contrast to the Central European Air Traffic Services scheme (an FAB initiative for Central Europe) the SEE-FAB would not only include the upper, but also the lower airspace.[26] Its establishment would entail cooperation between national air traffic managers, such as a sharing of ground facilities, technical infrastructure, staff and training facilities.[27] Before this can happen, however, a political decision will have to be taken. It would be useful to advance the SEE-FAB negotiations before all national ATM projects have been completed. The extension of the Single European Sky regime to the region will eventually facilitate the establishment of an SEE-FAB.[28]

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[24] For project details see: (*www.eurocontrol.int/asatc/public/standard_page/overview.html*). Eurocontrol cooperates with the Joint Aviation Authorities (JAA) in the implementation of the ASATC II project. The project budget of €5 million comes from the EU assistance program to the Western Balkans, called CARDS.

[25] Flight International (3 January 2006).

[26] CEATS includes Croatia and Bosnia & Herzegovina (which would also be SEE-FAB members) and is to be managed by a joint control center in Vienna. Progress, however, has been very slow and the Vienna center is not expected to come on stream before 2009. The model for CEATS is the Maastricht Upper Area Control Center, which controls the upper airspace of North-West Europe, with lower airspace managed by national control centers.

[27] European Commission, DG TREN, March 2005. Information Paper for the Infrastructure Steering Group on the "Extension of the Single European Sky to the South East of Europe."

[28] The *Single European Sky* initiative was launched to deepen ATM cooperation between EU countries beyond the technical work of Eurocontrol. Its legal framework are four Single European Sky regulations adopted in 2004. They oblige governments to restructure upper airspace on the basis of traffic flows, instead of national borders through the establishment of functional airspace blocks. They permit the provision of ATM services across national borders and allow governments to designate a foreign provider to assume ATM responsibility over their territory. Supporting services (e.g. communication, meteorological) are opened to competition, while costs for core ATM services (navigational) have to be transparent and non-discriminatory. All member states are obliged to set up regulators to

Box 3: European Institutions for Air Traffic Control and Aviation Safety

Four European institutions with complementary mandates address cross-border issues in air traffic control, safety and security. They have overlapping membership and most of them are open to non-EU countries:[29]

Eurocontrol: Eurocontrol is based in Brussels and has 36 member states, including all countries of the Western Balkans. Its mandate is to seamlessly integrate air traffic control across the European continent in order to ensure the efficient and safe use of the common airspace. Eurocontrol defines technical standards for interoperability between national ATM systems and it helps spread best practice through training, seminars and manuals. It also maintains a Central Flow Management Unit to provide end-to-end routings across Europe and it maintains regional centers for the joint management of the upper airspace, namely the Maastricht Center (already operational) and the Vienna Center (under preparation).

Joint Aviation Authorities (JAA): The members of the Joint Aviation Authorities are civil aviation regulators from 40 European countries. JAA's main function is to set common certification standards for the operation, maintenance, licensing and design for aircraft. Since national authorities remain responsible for enforcement, the central JAA office has only about 40 staff. With the exception of Croatia, which is a 'full member', the Western Balkan countries are only 'candidate members'.[30] The functions of the JAA are gradually being transferred to EASA, which will eventually take over all activities currently performed by the JAA.

European Aviation Safety Agency (EASA): Established in 2003 and located in Cologne, EASA is an EU institution based on EU law. EASA develops common safety and environmental standards, grants EU-wide licenses for aircraft and technical personnel and it inspects and trains national regulators in charge of enforcement. In November 2005, the Commission called on member states to extend EASA's mandate to the monitoring of and compliance with EU safety rules by non-EU airlines. The JAA developed a framework for its relationship with EASA to ensure that its non-EU members are roped into a pan-European safety regime.

European Civil Aviation Conference (ECAC): Founded as an intergovernmental organization in 1955, ECAC currently has 42 member states, including all of the Western Balkan countries. It acts as discussions forum for civil aviation matters and issues resolutions, recommendations and policy statements. The JAA is associated with ECAC and JAA membership is open to all ECAC members.

Of these four organizations only EASA is an EU institution, while the others have pan-European membership. Another player in European aviation is the *Association of European Airlines (AEA)*. Of its 30 member airlines, three come from the Western Balkans (Slovenia's Adria Airways, Croatia Airlines and JAT Airways).

Improvements in safety and security are a core element of the ECAA initiative. Common rules on safety and security help ensure the integrity of the regional aviation system and create a level playing field for competition. This includes rules on airport security, airworthiness controls for aircraft and minimum qualifications of personnel. Several overlapping mechanisms ensure conformity with global and European rules. The International Civil Aviation Organization (ICAO) and the European Civil Aviation Conference (ECAC) define safety and security standards for their members, audit compliance and provide training. Both institutions have conducted security audits for several airports in the region. In addition, civil aviation authorities from the Western Balkans acceding to the Joint Aviation Authorities (JAA) are subject to a rigorous screening process to make sure they have the capacity to enforce JAA standards. The International Air Transport Association (IATA) advises member airlines on safety and security issues and can issue certificates on the basis of voluntary audits. For example, Slovenia's Adria Airways received the IATA Operational Safety Audit (IOSA)

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supervise ATM service providers. (Eurocontrol. "The Single European Sky." Skyways Magazine, Spring 2004. and "Restructuring European Airspace – Functional Airspace Blocks". Skyways Magazine, Autumn 2005.)

[29] Eurocontrol (*www.eurocontrol.int*), JAA (*www.jaa.nl*), EASA (*www.easa.eu.int*), ECAC (www.ecac-ceac.org).

[30] Candidate members have access to internal documents and can participate in meetings, but have no voting rights. Before a country can progress to full member status, the JAA sends a fact-finding team to the candidate authority, which issues a detailed report. If necessary, additional missions by standardization teams are organized.

certificate in 2004. Before Western Balkan airlines may fly to EU countries, their safety and security procedures are also scrutinized by the respective authorities. Meanwhile, foreign airlines tend to screen Western Balkan airports before including them into their route networks. For instance, British Airways and the UK-CAA both conducted an airport security audit in Tirana before BA launched services to Albania in 2006. Another important layer are the EU rules on safety and security that are part of the ECAA agreement. EASA will gradually take over the role of ensuring compliance with EU safety and security standards and by the end of the ECAA implementation process, the Western Balkan countries will become full members of the EASA. All these mechanisms should help them to gradually modernize their safety and security regimes over the coming years.

Donor Assistance in the Air Transport Sector

Significant technical assistance is needed to help implement the ECAA. Traditionally, air transport has not featured prominently in donor assistance programs, but a number of technical assistance and investment loans are being provided to the sector:

- In mid 2005, the Commission sent missions to the eight Western Balkan partners to assess the status of compliance with EU rules and outstanding reform needs in a series of Assessment Visit Reports (AVR). The second series of assessment visits took place in October 2006 and also scoped technical assistance needs in individual countries. Further missions will take place in the coming years. In addition, the Commission is organizing a series of workshops, study tours and advisory missions for aviation officials through its short-term technical assistance unit for accession candidates (TAIEX).[31] It also plans to include ECAA-related support into the country programs for 2007-9, but the challenge will be for governments to actually request and identify concrete assistance projects. One of the few EC-sponsored national aviation projects already underway involves a twinning project between Serbia and Germany.

- EBRD assistance in the sector, in some cases co-financed by the EIB, has been focused on half a dozen investment projects for the upgrading of air traffic control and airport infrastructure. In most cases, complementary technical assistance was funded by other donors and managed by the EBRD. The EBRD also helped privatize Albania's capital airport through a concession and hopes to replicate that model throughout the region. The EIB is providing a € 13 million investment loan to state-owned Belgrade airport for the modernization of its facilities.

- Another player is Eurocontrol, which implements the ASATC II project that is financed through the EU's CARDS program. The project provided assistance for regulatory reforms and capacity building in air traffic control, but it is not quite clear how big its impact has been. In addition, the rigorous, two-stage accession procedure to the JAA involves institutional screening and advice to the civil aviation authorities regarding licensing, operation and maintenance of aircraft.

The challenge will be to ensure coherence between these ongoing and possible future donor initiatives. An important area where additional assistance might be needed is capacity building for Transport Ministries and Civil Aviation Authorities. Further help would also be useful with regard to the restructuring and privatizations of state-owned airports and airlines. Once a political decision on the establishment of a functional airspace block for South East Europe has been taken, donor support would be needed for implementation. Finally, donors should factor ECAA-related developments into assistance projects for tourism development or broader transport sector reform programs.

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[31] The Technical Assistance and Information Exchange Instrument (*TAIEX*) of DG Enlargement provides short-term technical assistance on the approximation, application and enforcement of EU legislation (*http://taiex.cec.eu.int/*).

Annex 1: Country Fact-Sheets

Albania: *Air traffic is growing rapidly from a low base. The country has only two small airlines and one international airport, but it is a regional pioneer with respect to airport privatization.*

- *Airports*: Mother Teresa (formerly Rinas) Airport near Tirana is Albania's only international airport. In October 2004 the government signed a BOT concession with the consortium Tirana Airport Partners, which will operate the airport for a period of 20 years. The consortium, led by Germany's Hochtief, will collect all airport revenues and pay €21 million in concession fees.[32] It will also invest €82 million to build a new terminal, a cargo center, a 7 km access road to the Tirana-Durres highway and for the upgrading of existing facilities. This is part of a broader airport development plan, which also includes improvements in air traffic control and airport security. The number of passengers rose from 560,000 (2003) to 900,000 (2006). It is forecast to increase to 1.5 million in 2009 and 3 million by 2016. The EBRD helped prepare and finance the Tirana airport concession and regards it as a model for other countries in the region. Some observers, however, criticized the lack of transparency in the privatization process. Moreover, Albania does not regulate airport charges and has not yet liberalized ground-handling. Such rules, however, should be introduced as important flanking measures for airport privatization.

- The Air Traffic Master Plan of the Directorate of Civil Aviation foresees the construction of new airports in the north (Kukes) and in the south of the country (Vlore and Sarande). Given the small size of the market and Albania's compact geography, however, such secondary airports might not be viable. Tirana is located in the middle of the country and thus well situated to serve most of Albania (the entire country is inside a 200 km radius). Even though the Tirana concession contract stipulates that no new airports shall be constructed during the concession period, a new airport in Kukes has just been constructed with €12 million of funding from the United Arab Emirates. Located close to the Kosovo border, it has a capacity of 100,000 passengers per year and was supposed to be opened in 2006. It is not yet clear if it will be publicly or privately operated. The government will need to negotiate the timetables and destinations with Tirana Airport Partners. The €21 million construction of a third international airport in Sarande is to start in 2006. The government hopes it will help attract tourist to Albania's southern coastline. In addition, there is a large military airfield in Kucova, which was used during the Kosovo conflict.

- *Airlines and Routes*: Albanian Airlines was privatized in 1997 and is now owned by Kharafi Group of Kuwait. With a headcount of 165 and a fleet of three mid-sized planes, it is one of the smallest flag carriers in the region. It operates routes to ten European destinations and accounts for a third of all scheduled departures from the country. Albania also has two small private airlines, Albatros Airways and Belle Air, which operate routes to Italy. A total of 14 airlines are serving Tirana Airport. Besides the three domestic airlines and nine foreign flag carriers offering routes to their respective hubs, Italian budget carrier Club Air operates flights to Tirana. Together with Albatros Airways and Belle Air, it offers connections to a dozen airports in Italy, which has many Albanian migrants and is Albania's main trading partner. Almost 80 percent of Albania's air cargo traffic is with Italy. In 2006 the budget carrier Germanwings also opened a route from Cologne to Tirana. Given Albania's diaspora of over a million people, rapid GDP growth and tourism potential along the coast, the forecast tripling of air traffic over the next decade seems feasible.

- *Regulatory and Institutional Framework*: Albania's civil aviation law of 1994 is outdated and a new air code is being prepared. The Commission's ECAA Assessment Visit Report (AVR) of

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[32] Consortium members are Hochtief (47 %), Deutsche Investitions- und Entwicklungsgesellschaft DEG (32 %) and Albanian American Enterprise Fund (21 %). There is an option to extend the concession period by another ten years.

October 2006, however, found the draft not to be in full conformity with EU rules on a number of issues. Albania has not yet adopted key provisions on licensing, market access and fares. The same holds for most of the acquis on ATM, ground-handling, safety and security. The Directorate General of Civil Aviation (DGCA) has 22 staff and acts as the safety regulator, issues licenses, grants traffic rights and airport slots and it is the supervisory authority for the National Air Traffic Agency (NATA). The new aviation law is meant to convert the DGCA into an independent civil aviation authority, but the exact delineation of responsibilities between the CAA and the Transport Ministry is yet to be determined. Albania has 12 bilateral air service agreements with EU countries. Most of them permit for multiple designation of airlines, but tend to be limited to 3rd or 4th freedom rights and include capacity restrictions.

- *Air Traffic Control*: Eurocontrol, with funding from the European Commission, helped Albania prepare a Master Air Traffic Management Plan (MATMP) for 2001-2010. It covers operational, technical, regulatory and human resources issues. Albania joined Eurocontrol in April 2002 and its two beneficiary institutions for the ASATC II project are the DGCA and the NATA. In 2003, the government awarded Lockheed Martin a $ 32 million contract to modernize the national air traffic management system. The integrated system, to be installed over a four year period, comprises new radar, navigation and communications equipment and will link Albania's ATM system to that of neighboring countries. Also included is the construction of a new airport tower, an air traffic control center and the training of local staff. The costs of the project will be financed by over-flight charges collected from airlines for the use of national airspace. According to the AVR, the state-owned NATA has sufficient capacity and equipment for current traffic levels, but is preparing a development plan to cope with expected future growth.

- *Safety and Security*: Through its CARDS program, the European Commission will provide €1.5 million to help upgrade airport security at Tirana airport. The technical assistance will include equipment (computers, scanners, personal identification devices) as well as staff training and will be provided as part of a more comprehensive border management project. According to the AVR, the enforcement capacity for safety and security remains weak, but the government has adopted a program to improve matters. Albania does not have an independent accident investigation bureau.

Bosnia and Herzegovina: *Airport infrastructure has been reconstructed and the country is getting ready to again manage its own airspace. The sector continues to suffer from the fragmentation of the small domestic market and a weak national airline.*

- *Airports*: Bosnia and Herzegovina has four commercial airports in Banja Luka, Mostar, Sarajevo and Tuzla. The leading airport is Sarajevo, with 0.4 million passengers in 2005 and 77 weekly departures (during high season). Within the Balkan region, however, Sarajevo remains a second-tier airport with only a quarter of the traffic of Zagreb or Belgrade. Mostar used to benefit from its proximity to the Catholic pilgrimage site of Medugorje, but has lost much of its traffic to Split and Dubrovnik. The airport was destroyed during the war and rebuilt with EU support. Given the poor weather conditions in Sarajevo during winter, there have been considerations to expand Mostar as an alternative airport. Tuzla airport was used as a base of the US Air Force and closed to civilian traffic between 2001 and 2003. It is very small, but might have potential as a cargo airport. Banja Luka was opened in 1997 as the airport of Republica Srpska. Its traffic levels, however, remained small and the bankruptcy of the entity 'flag carrier' Air Srpska brought operations to a virtual standstill. There are now only three weekly departures, operated by JAT. All airports are fully state-owned and privatizations are not yet planned. Airport charges are set by airport operators and not subject to regulation. All ground-handling services are provided by airports on a monopolistic basis and even if the relevant EU directive were transposed, Bosnia's

airports are well below the 1 million passenger threshold, above which they apply. Even though there is no problem with airport capacity, slot allocation already takes place.

- *Airlines and Routes*: The flag-carrier Air Bosnia went bankrupt in September 2003. After an injection of new funds from the government, it was re-launched in 2005 as BH Airlines. For several years, BiH was in the unusual situation of having two 'flag-carriers': Air Bosnia in the Federation and Air Srpska in the Republica Srpska. The latter was established by the entity government and Serbia's JAT in 1999. Air Srpska, however, proved unsustainable and when JAT withdrew in 2003, it ceased operations. Of the 12 airlines servicing Sarajevo airport, nine are foreign flag carriers offering routes to their respective hubs. The private airlines ScandJet and FlyBosnia operate two routes to Sweden and the UK respectively and help meet the transport demand of a large migrant community. Even by regional standards, BH Airlines is a small carrier, serving only six international and two domestic destinations (Mostar and Banja Luka). Even though mountainous terrain might justify some domestic links in this small country (it takes 5 hours to drive from Sarajevo to Banja Luka), traffic volumes on those routes remain small.

- *Regulatory and Institutional Framework*: The government adopted a modern national aviation law in 2003, which was drafted with EU funding and ICAO assistance. The law is well structured and covers all areas of sector regulation, but does not yet incorporate a number of provisions that are part of the ECAA package and will therefore have to be revised. For example, it does not comply with EU rules on licensing, fares, safety, air traffic management and ground-handling. The Directorate of Civil Aviation of Bosnia and Herzegovina (BHDCA) in the Ministry of Communication and Transport is in charge of licensing, the regulation of ATM services, slot allocation and the investigation of accidents. It also represents the country in international organizations, namely ICAO, ECAC, Eurocontrol, JAA and CEATS. It delegates certain activities, such as inspections and testing, to the two Civil Aviation Directorates at the entity level (FED CAD and RS CAD). The latter also provide approach and tower services for the airports on their respective territories. This awkward division of labor will have to be reconsidered when adopting the ECAA package. BHDCA has a total of 31 staff, but as with several of its peers in the region, public salary rules make it difficult to retain qualified staff. Bosnia and Herzegovina currently has bilateral air service agreements with six EU countries. All of them permit for multiple designation, but most restrict weekly frequencies and are limited to 3rd and 4th freedoms.

- *Air Traffic Control*: The country joined Eurocontrol in March 2002 and its beneficiary institution under the ASATC II project is the BHDCA. Since the civil war, the country's airspace has been managed by Serbia and Croatia, but the government has adopted an ATM strategy with the aim of reclaiming these functions by 2009.[33] In mid-2006, the EBRD approved a €14 million project for the establishment of a new Air Navigation Services Provider (BHANSP). It will be regulated by the BHDCA, in accordance with Single European Sky principles. The BHDCA would shed its operational functions regarding ATM to focus on its regulatory role. The EBRD project will fund the rehabilitation of existing infrastructure, new equipment and staff training. Some of the required technical assistance will be provided through the Commission's CARDS program. The head of the BHDCA estimates that Bosnia will be able to collect air traffic fees of between €15-18 million per year, which should make service provision self-sustaining.

- *Safety and Security*: Certification procedures for air operators, personnel and maintenance as well as security rules are generally in line with international standards (ICAO, ECAC), but not yet with the slightly stricter EU regulations. The supervisory capacity of BHDCA with regard to safety and security matters seems broadly adequate.

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[33] BHDCA website (*www.bhdca.gov.ba/eng/content/blogsection/15/77/*).

Croatia: *Thanks to a thriving tourism industry and liberal sector policies, Croatia enjoys dynamic air transport competition, an efficient flag carrier and three airports with a million passengers or more.*

- *Airports and Routes*: With 1.6 million passengers in 2005, Zagreb is the hub of Croatia Airlines and the country's largest airport. It handles 228 international and 85 national scheduled departures per week (in July 2005). The capital is also being served by a dozen foreign flag carriers as well as the low cost airlines Wizz Air (to London) and Germanwings (to four cities in Germany). The routes from Zagreb to Frankfurt, Munich and Vienna are among those with the highest traffic levels in the region. Croatia's capital airport is being operated on a commercial basis and is co-owned by the central government and regional authorities. The management wants to position the airport as a regional hub and plans the construction of a new terminal as well as a comprehensive modernization of existing facilities. It is not yet clear, however, how this will be financed. There are no privatization plans, even though the airport would probably be attractive for foreign investors.

- With tourism accounting for a fifth of GDP and a significant share of air traffic in Croatia, the country has two important secondary airports along the coast: Dubrovnik with 1.1 million passengers and Split with 0.9 million passengers (in 2005). Both are served by low cost and charter airlines from the EU, including LTU, Germanwings, HXL, SkyEurope and Wizz Air. Easyjet, Europe's second largest budget carrier started services to Croatia in summer 2006. Thanks to the rebound of Croatia's tourism industry both airports continue to experience double digit growth rates, but their traffic levels exhibit significant seasonal fluctuations with a peak in the summer months. Croatia also has three other regional airports with over 50,000 passengers a year (Pula, Zadar, Rijeka) and a dedicated cargo airport at Osijek. The latter used to be Yugoslavia's main hub for air freight, was reopened in 2001 and handled around 4,000 tons in 2005. All airports in Croatia are publicly owned and airport charges are not yet regulated. Ground-handling remains a monopolistic activity conducted by airport operators, even though three of Croatia's airports are above or close to the threshold where the EU directive would apply.

- *Airlines and Routes*: The flag carrier Croatia Airlines was established in 1989 and remains state-owned. In 2005 it registered 1.6 million passengers, had 1040 employees, a fleet of 11 aircraft and a turnover of €190 million. It maintains code-sharing agreements with a dozen European carriers, became a member of Star Alliance in 2004 and has a strategic partnership with Lufthansa. The success of Croatia Airlines also stems from its professional management and a coherent regional strategy: It has built a network of short to medium-distance routes throughout Europe, while counting on its partners for long-distance and intercontinental connections. It derives 40 percent of its revenues from traffic with Germany (a main source country for tourists and home to about half a million Croats) and it even concluded an arrangement with Deutsche Bahn for through-ticketing on the German rail network. At the same time, it operates a number of domestic routes that feed traffic to the Zagreb hub. Due to its competitiveness and attractive home market, Croatia Airlines is one of the few airlines in the region that would be a promising candidate for privatization. Croatia also has three private airlines: Trade Air (cargo and charter), Dubrovnik Airline (charter from Split and Dubrovnik) and Air Adriatic (charter from Rijeka).

- Air transport in Croatia is characterized by two features that distinguish it from other countries in the region. The first is a high level of domestic traffic. On the Zagreb-Dubrovnik and Zagreb-Split routes, Croatia Airlines offers a weekly seat capacity of around 4,000 passengers in each direction and these routes are among the five 'thickest' in South East Europe. This is the result of Croatia Airline's hub-and-spoke system (with feeder traffic to Zagreb), the country's peculiar geography (with a very long coastline) and the popularity of Split and Dubrovnik as tourist destinations. A second unusual feature is the high percentage of low cost and charter traffic. More than half a dozen budget carriers from the EU fly to Split and Dubrovnik. The reason for

this is the fact that Croatia has traditionally maintained a more liberal air traffic regime than most of its neighbors, as a means to facilitate tourism.

- *Regulatory and Institutional Framework*: The sector is governed by the national Air Traffic Law of 1998 and a series of by-laws. Current legislation is in compliance with some EU rules but not with others (e.g. on fares, operating licenses, ground-handling, ATM). The new aviation law that is to be drafted provides an opportunity to align the regulatory framework with ECAA requirements. The Civil Aviation Authority (CAA) is part of the transport ministry, but acts as the sector regulator for airlines, airports and the ATM service provider Croatian Control Limited (CCL). It is in charge of economic, safety and environmental regulation. As it is not independent and subject to public wage scales, it has difficulties to retain qualified staff and almost half of its 50 posts remain vacant. Croatian Airlines receives a subsidy for the operation of domestic routes and the government should adopt transparent rules on public service obligations to avoid violating EU state aid rules. Croatia has bilaterals with 23 EU countries. Most of them permit for multiple designation, but contain frequency limitations and are confined to 3rd and 4th freedoms.

- *Air Traffic Control*: Croatia joined Eurocontrol as the first Western Balkan country in 1997 and its beneficiary institutions under the ASATC II project are the CAA and the CCL. In 2002 the EBRD and the EIB approved a joint project of €55 million to upgrade Croatia's main air traffic control center in Zagreb. This was successfully completed in 2006 and involved the construction of a new building and installation of new equipment. The ultimate aim of the project, which is part of a broader of Croatia's air traffic control system, has been to improve the operational performance of CCL and to facilitate Croatia's integration into pan-European ATM structures.

- *Safety and Security*: A peer group review recently concluded that the Croatian CAA would benefit from further institutional capacity building with regard to safety oversight. Croatia has set up an independent accident investigation bureau, in compliance with EU rules.

FYR Macedonia: *The country's miniscule air transport sector with its two airports and one airline has resumed growth after a period of turbulences. The government is overhauling the institutional framework of the sector and might concession airports to private operators.*

- *Airports*: The Former Yugoslav Republic of Macedonia (FYROM or FYR Macedonia) is a mountainous and land-locked country for which air transport represents an important mode. There are two commercial airports in the capital Skopje and at the lakeside town of Ohrid (a popular tourist destination). The latter accounts for less than 10 percent of total traffic and mainly handles charter flights. Prior to Macedonia's independence, both airports used to be regional airfields with little traffic. With Skopje and Ohrid only 150 km apart, Macedonia has virtually no domestic flights. The airports belong to the Directorate General for Civil Aviation (DGCA), which also conducts air-side services. Land-side services are managed by the Public Enterprise for Airport Services (PEAS). Self-handling by airlines is not permitted. In early 2003, the national auditor revealed problems of mismanagement at PEAS and the company was making losses of € 2 million. Since then, however, a new management was put in place. The government estimates that €60 million are needed to upgrade airport infrastructure and at current growth rates, Skopje airport will require expansion in the coming years. The authorities are considering to concession both airports to private operators. The Turkish transport and tourism group Celebi Holding and Germany's Hochtief (which already operates Tirana and Athens airports) have expressed interest.

- *Airlines and Routes*: Air traffic in Macedonia benefited from additional demand during the wars in neighboring Bosnia (1992-95) and Kosovo (1998-99) but experienced a downturn in the wake of domestic civil strife (2000-01). The number of passengers doubled from 580,000 in 1998 to 1.1 million a year later, but fell back to 520,000 in 2004. With a return of peace and economic

growth, this figure has again increased to around 700,000 annually. MAT Macedonian Airlines is privately owned but was granted the status as flag carrier by the government in 2000. It has a fleet of three planes, serves seven European destinations and maintains code-sharing agreements with Austrian Airlines and Swiss, through which it can offer its customers access to a broader international route network. The private startup Avioimpex used to operate successfully as Macedonia's second airline, but was unwound in 2002, following the civil conflict in the country. Air Varda Macedonia, a joint-venture between a domestic travel agency and foreign investors was supposed to start operations in 2003, but failed to obtain a license. MAT retains a veto right on the issuing of new licenses, even though the competition authority has ruled this to be illegal.

- *Regulatory and Institutional Framework*: FYR Macedonia adopted a new aviation act in 2006. This provides for the establishment of an independent CAA, acting as the sector regulator and to be funded by navigation, license and inspection charges. This will entail the transformation of the Directorate of Civil Aviation (DGCA) and a transfer of operational functions regarding airports and air traffic management to separate entities. The new aviation act is not fully aligned with ECAA requirements and will require several modifications. Moreover, key sector issues are meant to be regulated by separate by-laws that have not yet been adopted. Macedonia has bilateral air service agreements with 15 EU member states that severely restrict competition.

- *Air Traffic Control*: FYR Macedonia joined Eurocontrol in 1998 and its beneficiary institution under the ASATC II project is the DGCA. In mid-2002 the EBRD approved an €11 million Civil Aviation Upgrading Project. It supports the renewal of selected parts of the aviation sector, such as air traffic control facilities and the physical infrastructure of Ohrid airport. DGCA still conducts operational activities regarding air traffic control, but the new aviation act foresees the establishment of an ATM service provider as a state-owned, joint-stock company (ANSP).

Montenegro: *The newly independent country with its two small airports and a minute flag carrier will rely on air transport to fully tap the tourist potential along its coastline.*

- *Airports*: Montenegro has two small airports in its capital Podgorica and in the coastal town of Tivat, with each handling about 400,000 passengers per year. A joint EBRD/EIB project has been funding the modernization of the Podgorica and Tivat airports, including the construction of new terminal buildings, through a €23 million loan. It came with technical assistance from USAID and the European Agency for Reconstruction to improve the operations of Airports of Montengro (APM), a public company that runs both airports without government subsidies.

- *Airlines and Routes*: Montenegro Airlines started operations in 1994 as an independent 'flag carrier' for the small republic. It was temporarily banned from flying to the EU for safety reasons, but it is now operating a fleet of four aircraft from its base in Podgorica. The government has expressed its intention to privatize the airline in the near future.

- *Regulatory and Institutional Framework*: Following Montenegro's independence in mid-2006, the country will have to develop its own regulatory and institutional framework of its aviation sector, become a full member of various international bodies and negotiate its own bilateral air service agreements. A new aviation code is being drafted, but for the time being, Serbia's Civil Aviation Directorate (which used to be a joint authority) continues to act as the sector regulator (with some Montenegrin staff) until both countries have established independent CAAs.

- *Air Traffic Control*: ATM services continue to be provided by Serbia's SMATSA. With new ATM equipment in Podgorica coming on stream, the country will soon take charge of its lower airspace. It remains questionable, however, whether it makes economic sense for this small country with its limited air traffic to develop its own fully-fletched ATM system.

Serbia (including Kosovo under UNSCR 1244): *Belgrade is the largest airport in the region and has ambitious expansion plans with some private involvement, but both the flag carrier and the sector at large are still struggling to recover from the downturn of the past decade.*

- *Airports*: Excluding Pristina airport in Kosovo, Serbia proper has only two commercial airports at Belgrade and Nis.[34] Belgrade Nikola Tesla Airport is the largest airport in the Western Balkans and handled 2 million passengers in 2005. It is state-owned, operates on a commercial basis and appears to be one of Serbia's more profitable public companies. It has successfully attracted private partners and is using a € 13 million loan from the EIB to upgrade its facilities. The refurbished Terminal 2 for international departures was opened in May 2006 and has increased airport capacity to 5 million passengers a year. In February 2006, the airport management signed an agreement with the Swiss retail company Dufry, which will take over all retail and restaurant facilities in the airport. In late 2005, it announced a public private partnership with the US transport and logistics firm DynCorp to build and operate a cargo and logistics center. The joint venture plans to develop Belgrade as a regional cargo hub and will offer a range of logistics services. The initial investment of $ 60 million is supposed to generate up to 2,000 jobs. Ground-handling is provided by the airport and for some services also by JAT. This runs counter to EU rules, since accounts are not separated, competition has not yet been introduced and third-party handling is not permitted. Airport charges are discriminatory and favor national carriers.

- *Airlines and Routes*: JAT is the successor of former Yugoslavian Airlines. In 2005 the carrier had 1,700 staff, 16 aircraft, 37 routes and 214 weekly departures (during high season). The carrier is still burdened by an ageing fleet, overstaffing as well as the aftermath of two interruptions of its operations during the 1992-95 sanctions and during the Kosovo conflict. JAT had to shed most of its intercontinental route network and the number of passengers carried dropped from 5 million to around 1.1 million per year. The airline is fully owned by the Serbian government and has an estimated debt of around $ 300 million. After JAT was forced into administration in early 2005, a restructuring program was launched. It reduced its headcount by almost half and it is shedding non-core activities, such as agricultural aviation, hotels, a flight academy and the catering division. JAT has code-sharing agreements with Austrian Airlines, Lufthansa and Czech Airlines. In contrast to other airlines in the region, JAT plans to develop an intercontinental route network, starting with Asia and the US (where an estimated 1 million people of Serb origin live). As part of its strategy to re-build its Belgrade hub and to feed long-distance routes, JAT plans to establish a low-cost subsidiary to serve destinations in neighboring countries.[35] These new linkages, however, do not include the Belgrade-Zagreb route, which is not being served by any airline yet. Air Maxi, a new Serbian budget carrier was supposed to be launched in summer 2005, but due to the withdrawal of a key investor the plans never came to fruition. Aviogenex is a private Serbian airline with three aircraft that operates services for travel agency Yugotours. Centavia, a newly established budget airline run by a former JAT manager, took delivery of its first aircraft in June 2006 and plans to open routes to several European destinations.

- *Regulatory and Institutional Framework*: The policy framework is currently in flux, as Serbia is preparing a new aviation law that is supposed to be adopted in the course of 2007. The old law does not comply with EU standards on several counts, but many of the existing discrepancies should be removed by the new law. The Civil Aviation Directorate (CAD) acts as a sector

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[34] Since Podgorica (Montenegro), Pristina (Kosovo) and Nis (Serbia) are combined civilian and military airports they were severely damaged during the NATO campaign of 1999.

[35] Initial destinations are supposed to be Ljubljana (Slovenia), Sarajevo and Banja Luka (BiH), Skopje and Ohrid (Macedonia), Tirana (Albania), Podgorica (Montenegro), Sofia (Bulgaria), Trieste (Italy) and Thessaloniki (Greece). (Association of European Airlines. AEA Yearbook 2005. Other information on JAT from BAH (2005).)

regulator but is in need for some capacity building to properly fulfill its functions. It remains unclear, how the functions it continues to fulfill for Montenegro will be transferred. Prior to Montengro's independence, Serbia and Montenegro had bilateral agreements with 19 EU countries.

- *Air Traffic Control*: Serbia and Montenegro joined Eurocontrol in July 2005 as the last Western Balkan country and the two beneficiary institutions under the ongoing ASATC II project are the CAD and the Serbia and Montenegro Air Traffic Services Agency (SMATSA). In November 2004, the EBRD and EIB approved a project with a total volume of €112 million to upgrade air traffic control across Serbia and Montenegro. Besides capital investments, the project helps with capacity building at the newly established SMATSA and the CAD (as an aviation supervisor), while ensuring full cost recovery for ATM services. Technical assistance associated with the project comes from a Swedish EBRD trust fund and from the US Trade Development Agency.

- **UNMIK-Kosovo:** The only airport of the land-locked territory is Pristina International Airport, with about one million passengers per year. Since 1999 the airport has been transformed from a military to a civilian operation with substantial donor support. In early 2006, UNMIK appointed an experienced US manager and a proposed €50 million project, co-financed by EBRD and EIB, will fund further development of the airport. The private airline Hamburg International started services in 2003 and offers flights to 10 destinations. It enjoys exclusivity rights, granted by UNMIK, that will have to be revoked under the obligations of the ECAA agreement. The sector is regulated by the Civil Aviation Regulatory Office for Kosovo (CARO), which was established in 2003. ATM services are provided by the Icelandic CAA, as a contractor to CARO.

Annex 2: The Air Transport Acquis

This annex provides an overview of key EU legislation for the aviation sector, which are included in Annex 1 of the ECAA agreement. EU 'laws' come in the form of *regulations* (legally binding for all member states upon entry into force) and *directives* (general principles to be transposed into national law). While the full *acquis communautaire* (the body of EU law) also includes case law, the following regulations and directives constitute the core of the EU policy framework.[36]

Market Access and Ancillary Issues

No. 2407/92
Council Regulation 2407/92 of 23 July 1992 on licensing of air carriers: This regulation permits free market entry for all carriers, subject to technical and financial standards that Community carriers must fulfil in order to receive and maintain an operating license. This and the following two regulations were part of the 'third package of measures' for air transport liberalization in the EU.

No. 2408/92
Council Regulation 2408/92 of 23 July 1992 on access for Community air carriers to intra-Community air routes: This regulation grants free market access to all routes within the EU for any carrier holding a Community license and effectively terminates the exchange of traffic rights through bilateral air service agreements.

No. 2409/92
Council Regulation 2409/92 of 23 July 1992 on fares and rates for air services: This regulation liberalizes tariffs and forbids member states to subject airfares to the requirement of prior authorization or consultation between airlines.

No. 95/93
Council Regulation 95/93 of 18 January 1993 on common rules for the allocation of slots at Community airports: Airlines not only need a license and traffic rights to fly a route, but also airport slots to take off and land. This regulation sets out transparent and non-discriminatory rules for slot allocation.

No. 96/67
Council Directive 96/67 of 15 October 1996 on access to the ground handling market at Community airports: This directive covers a wide range of ground-handling services and liberalizes market access for self-handling (by airlines) and third-party handling, subject to specified traffic thresholds.

No. 785/2004
Regulation (EC) No 785/2004 of the European Parliament and of the Council of 21 April 2004 on insurance requirements for air carriers and aircraft operators

Air Traffic Management

No. 549/2004
Regulation No. 549/2004 of 10 March 2004 laying down the framework for the creation of the single European sky: This 'framework regulation' is one of four regulations on the Single European Sky that entered into force in 2004. It obliges member states to establish national supervisory bodies, independent of ATM service providers and includes arrangements for performance monitoring. It also defines the general objectives and procedures for the establishment of the Single European Sky.

No. 550/2004

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[36] Full EU aviation acquis: (*http://ec.europa.eu/transport/air/international/ doc/2006_06_guide_community_en.pdf*).

Regulation No. 550/2004 of 10 March 2004 on the provision of air navigation services in the single European sky: This 'service provision regulation' defines common ATM standards, rules on the certification of ATM service providers and principles for a fair and transparent charging system.

No. 551/2004
Regulation No. 550/2004 of 10 March 2004 on the organization and use of the airspace in the single European sky: This 'airspace regulation' sets out common procedures for ATM planning and management and calls for the reconfiguration of the upper airspace, regardless of national boundaries.

No. 552/2004
Regulation No. 550/2004 of 10 March 2004 on the interoperability of the European air traffic management network: This 'interoperability regulation' defines technical standards and procedures.

No 2096/2005
Commission Regulation (EC) No. 2096/2005 of 20 December 2005 laying down common requirements for the provision of air navigation services.

No 2150/2005
Commission Regulation (EC) No 2150/2005 of 23 December 2005 laying down common rules for the flexible use of airspace

Safety

No 3922/91
Council Regulation (EEC) No 3922/91 of 16 December 1991 on the harmonization of technical requirements and administrative procedures in the field of civil aviation

No 94/56
Council Directive 94/56/EC of 21 November 1994 establishing the fundamental principles governing the investigations of civil aviation accidents and incidents

No 1592/2002
Regulation (EC) No 1592/2002 of the European Parliament and of the Council of 15 July 2002 on common rules in the field of civil aviation and establishing a European Aviation Safety Agency

No 2003/42
Directive 2003/42/EC of the European Parliament and the Council of 13 June 2003 on occurrence reporting in civil aviation

No 1702/2003
Commission Regulation (EC) No 1702/2003 of 24 September 2003 laying down implementing rules for the airworthiness and environmental certification of aircraft and related products, parts and appliances, as well as for the certification of design and production organizations

No 2042/2003
Commission Regulation (EC) No 2042/2003 of 20 November 2003 on the continuing airworthiness of aircraft and aeronautical products, parts and appliances, and on the approval of organizations and personnel involved in these tasks

No 104/2004
Commission Regulation (EC) No 104/2004 of 22 January 2004 laying down rules on the organization and composition of the Board of Appeal of the European Aviation Safety Agency

No 488/2005
Commission Regulation (EC) No 488/2005 of 21 March 2005 on the fees and charges levied by the European Aviation Safety Agency

No 2111/2005
Regulation (EC) No 2111/2005 of the European Parliament and of the Council of 14 December 2005 on the establishment of a Community list of air carriers subject to an operating ban within the Community and on informing air transport passengers of the identity of the operating air carrier, and repealing Article 9 of Directive 2004/36/EC

Security

No 2320/2002
Regulation (EC) No 2320/2002 of the European Parliament and of the Council of 16 December 2002 establishing common rules in the field of civil aviation security

No 622/2003
Commission Regulation (EC) No 622/2003 of 4 April 2003 laying down measures for the implementation of the common basic standards on aviation security

No 1217/2003
Commission Regulation (EC) No 1217/2003 of 4 July 2003 laying down common specifications for national civil aviation security quality control programmes

No 1486/2003
Commission Regulation (EC) No 1486/2003 of 22 August 2003 laying down procedures for conducting Commission inspections in the field of civil aviation security

No 1138/2004
Commission Regulation (EC) No 1138/2004 of 21 June 2004 establishing a common definition of critical parts of security restricted areas at airports

Environment

No. 89/629
Council Directive No. 89/629 of 4 December 1989 on the limitation of noise emission from civil subsonic jet aeroplanes

No. 92/14
Council Directive No. 92/14 of 2 March 1992 on the limitation of the operation of aeroplanes covered by Part II, Chapter 2, Volume 1 of Annex 16 of the Convention of International Civil Aviation, second edition (1988)

No. 2002/30
Directive 2002/30/EC of the European Parliament and of the Council of 26 March 2002 on the establishment of rules and procedures with regard to the introduction of noise-related operating restrictions at Community airports

No. 2002/49
Directive 2002/49/EC of the European Parliament and of the Council of 25 June 2002 relating to the assessment and management of environmental noise

Social Aspects

No. 89/391
Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work

No. 2003/88

Directive 2003/88/EC of the European Parliament and of the Council of 4 November 2003 concerning certain aspects of the organization of working time

No. 2000/79
Council Directive 2000/79 of 27 November 2000 concerning the European agreement on the Organisation of working time of mobile workers in civil aviation

Consumer Protection

No. 90/314
Council Directive 90/314 of 13 June 1990 on package travel, package holidays and package tours

No. 92/59
Council Directive 92/59 of 29 June 1992 on general product safety

No. 93/13
Council Directive 93/13 of 5 April 1993 on unfair terms in consumer contracts

No. 95/46
Directive 95/46 of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data

No. 2027/97
Council Regulation 2027/97 of 9 October 1997 on air carrier liability in the event of accidents

No. 261/2004
Regulation (EC) No 261/2004 of the European Parliament and of the Council of 11 February 2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights, and repealing Regulation (EEC) No 295/91

Other Legislation

No. 2299/89
Council Regulation No. 2299/89 of 24 July 1989 introducing a code of conduct for computer reservation systems

No. 91/670
Council Directive No. 670/91 of 16 December 1991 on mutual acceptance of personnel licences for the exercise of functions in civil aviation

No. 3925/91
Council Regulation (EEC) No. 3925/91 of 19 December 1991 concerning the elimination of controls and formalities applicable to the cabin and hold baggage of persons taking an intra-Community flight and the baggage of persons making an intra-Community sea crossing

No. 437/2003
Regulation (EC) No. 437/2003 of the European Parliament and of the Council of 27 February 2003 on statistical returns in respect of the carriage of passengers, freight and mail by air

No. 1358/2003
Commission Regulation No. 1358/2003 of 31 July 2003 implementing Regulation (EC) No 437/2003 of the European Parliament and of the Council on statistical returns in respect of the carriage of passengers, freight and mail by air and amending Annexes I and II thereto

No. 2003/96
Council Directive No. 2003/96 of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity