

**Submission by ERA – European Regions Airline Association**  
**for the Mid-term Review of**  
**the European Commission White Paper**  
**“EUROPEAN TRANSPORT POLICY FOR 2010: Time to decide”**

**Introduction**

ERA (European Regions Airline Association) fully supports the goals of the revised Lisbon agenda. This submission proposes an approach to the regulation of air transport that will enhance air transport's contribution towards achievement of the revised Lisbon agenda goals. This submission calls for actions proposed in the White Paper that support the Lisbon agenda to be accelerated, and those that hinder the achievement of the Lisbon agenda to be halted. It also includes some new proposals.

The White Paper offers an inconsistent approach towards air transport, suggesting that growth in capacity is essential while primarily focusing on "Controlling the Growth in Air Transport" – the title for the chapter on air transport.

ERA suggests that this inconsistency arises because the role of air transport is not clearly defined within the White Paper. As the role is not defined, the White Paper's author observes all the disadvantages of air transport growth while failing to specifically record the advantages it confers on European society, particularly in economic and social terms.

These economic benefits created by air transport include increased employment, productivity and competitiveness for many European businesses and are identical with the primary goals of the revised Lisbon agenda. These benefits should not be put at risk through the inconsistent strategies proposed in the White Paper.

The White Paper highlights the environmental problems of air transport, while largely ignoring those of high-speed rail, its key competitor on some intra-European routes.

With these weaknesses in the White Paper in mind, this submission explains the role and value of air transport and explains what could be achieved with regard to the goals in the revised Lisbon agenda if a consistent approach were taken. It does not address the roles of other modes of transport, except for competition with high-speed rail and complementarity with other public transport services at the European Union's airports.

## **The revised Lisbon Agenda - Impact on Employment, Productivity and Competitiveness**

### **Improving employment prospects in Europe's regions**

90% of the citizens of the European Union (EU) live outside the capital cities. Many of these live in regions that benefit from air services. Air services to the regions lead directly to additional business investment, creating opportunities for employment and allowing populations to remain stable or increase rather than requiring part of the population to move to major centres to gain employment.

### **Facilitating increased employment and competitiveness in air transport**

A long-term policy of "controlling the growth of air transport" does not encourage investment in the EU's air transport businesses. Planning for, and investing in, facilities to enable growth will strengthen Europe's air transport industry and increase its competitiveness with airlines based outside the EU. It will directly create employment in airlines, at airports, and in the local areas around airports.

### **Creating employment through environmental management**

The EU is, rightly, leading the world in its response to the environmental challenges raised by all transport modes. The challenge is to reduce the environmental impact while maintaining the economic benefits generated by good transport links and also creating additional direct employment in transport and its supporting infrastructure industries.

The European Commission should lead the way by ensuring that opportunities for employment are maximised. The funding of research and development to reduce the environmental impact of transport should create highly exportable products and services. The current policies to invest mainly in heavy construction for road and rail, which is itself environmentally damaging, and to continue to allow governments to subsidise travel on inter-city rail services, are both environmentally unsound.

Each construction project should be examined for its overall environmental impact. Overall funding may be at the right level, but a more environmentally sustainable future would be secured by transferring funds from construction to projects that have a greater potential to reduce the environmental impact of transport.

### **Improving EU's competitiveness through a more coherent transport policy**

The opportunities for employment brought by business-oriented air transport services to regions in Europe improve the ability for EU businesses in those regions to compete in international markets. Many costs associated with doing business are lower in the EU's regions than in the main centres. Businesses gaining competitive advantage through this lower cost base can only compete with non-EU businesses if they benefit from good transport links serving the regions. Generally, these links can only be supplied effectively and efficiently by air transport.



## The Revised Lisbon Agenda – Improved Governance

### Putting the consumer first by allowing consumer choice

Air transport provides the only fully comprehensive public transport links to Europe's regions that lie more than 200 kilometres from major centres. Many passengers travelling between major cities and regional towns or cities are not travelling between the two city centres. Thus, even on those routes that are served by high-speed rail (which generally only serves city centres), air travel remains a more attractive option for many passengers. Putting the consumer first requires a regulatory framework that allows air and rail businesses to compete for customers on an equal footing, taking into account infrastructure and environmental costs.

*Figures from the UK Civil Aviation Authority show that, prior to the commencement of Eurostar high-speed rail services between London & Paris and London & Brussels in 1994, only 25% and 45% of passengers were travelling between the city centres respectively. Many of the remaining passengers were either making air to air connections or were travelling from or to locations that were better served by airports. On a typical weekday in January 2006, there are 14 high-speed trains and 37 flights each way between London and Paris, and 9 trains and 23 flights each way between London and Brussels.*

*The opening of the French TGV line between Paris & Lyon was forecast to eliminate market demand for flights between Paris and Lyon. However, flights continue on average every hour, with 14 flights scheduled for a typical weekday in January.*

### Improving air transport competitiveness through better regulation

A more positive regulatory environment is essential to place the EU's air transport industry on a competitive footing with competitors outside the EU. The regulatory disadvantages for Europe's airlines, compared to competing rail systems, reduces air transport's competitiveness on a global scale.

*EU Regulation 261/2004 adds a cost burden of €1.5 billion per year to Europe's airlines (ERA estimate, supported by post-facto data from EU airlines). The majority of this added cost arises from the need to provide care when problems arise which are outside an airline's control, for example due to weather or through strikes or operational difficulties at airports or within air navigation service providers. This has led directly to increased fares for air passengers as no government subsidies are available to cover these added costs. While similar burdens are now under consideration for rail services, virtually all the EU's rail operators operate with subsidies from national governments. Thus, for rail, these added costs will be borne by Europe's taxpayers rather than directly by rail passengers. This regulatory imbalance directly causes Europe's airlines to achieve lower profits in their home markets than are available to their competitors in North America and the Far East, thus making Europe's airlines less competitive on the world stage.*

### Basing future legislation on a truly integrated transport policy

The White Paper is unclear about its expectations for air transport. Clarity is required to create a clear legislative policy. The policy should not distort competition between competing modes of transport but should facilitate complementarity to allow ease of journeys throughout the EU for citizens.



### **Basing future legislation on the principles of better governance**

Better governance will be achieved through improving the definition and quantification of the problems that need to be resolved, before progressing to a legislative proposal. The European Commission should develop its priorities for action in consultation with industry and other stakeholders. In some cases, much of the improvement may be reached by working towards a binding agreement with industry rather than legislation. When problems have been identified and quantified, and legislative action is deemed necessary, all proposals for future transport legislation should be accompanied by a full impact assessment. This assessment should include the overall impact on European employment and competitiveness.

### **Focusing future legislation on key goals**

The European Commission should state clear overall goals to be achieved through its legislative programme. Priorities should include external relations, and delivering real benefits from both the Single European Sky initiative and the creation of the European Aviation Safety Agency.

### **The Questions in the Public Consultation Document**

#### **Questions 1-3:**

No comment.

#### **Question 4:**

*Are there any developments in congestion and pollution on the main axes, in air transport, in the cities, in particularly sensitive areas?*

ERA fully supports the European Commission action on the Single European Sky taken since the publication of the White Paper. It is a project of enormous magnitude and therefore expensive. Forward funding of the entire project is thus impossible. Some of the financing must be generated from profits that will arise from improved efficiency after implementation. ERA supports the SESAR project and notes that much of its value results from the fact that it is a joint activity. However, the airspace users that are funding SESAR must have 50% of the voting rights within the project to reduce the risk associated with the investment.

#### **Question 5:**

No comment.

#### **Question 6:**

*What is the financial situation of companies within the various modes, including infrastructure managers?*

Most European airlines are operating at a loss or at a profit margin that is far lower than is normal in other industries, including many other businesses that are essential for airline operation. Companies providing infrastructure are generally operating on a sounder financial basis. A competitive European airline business requires protection from unfair competition and from competitors who are receiving state aid – this requires application of existing competition laws and rules.



*How is the industrial structure evolving?*

No comment.

**Question 7:**

*How are infrastructure investments developing, in particular on the corridors of the trans-European network?*

The EU should re-examine the application of funds to infrastructure projects, as faster and better returns will be available from including more air transport projects, possible at the expense of some investment in surface corridors with lower value.

*What are the financing perspectives of public budgets and charging?*

No comment.

*Will these perspectives allow the completion of the priority corridors by 2020?*

No comment.

**Question 8:**

*What actions of the White Paper need to be reinforced?*

The White Paper states that all transport modes should cover their external costs. To achieve this, the European Commission must seek to ensure that all passengers, on all modes of transport, pay for the full cost of operation, infrastructure, and environmental impact. This requires a transparent and identical approach across all modes to taxes, charges and subsidies. The only exceptions, applicable to all modes of transport, should be restricted to local commuter services and a very small number of regional routes operated under “public service obligations”.

The White Paper is supportive of increasing public transport links to airports and encourages an improvement in the ability for passengers to transfer between different transport networks. ERA supports action in this area with two safeguards – passengers on all modes should pay their full costs, and consumer choice should not be restricted through regulatory action.

*What are the new actions to be added, in which fields?*

To achieve the goal of “the user pays”, the European Commission will have to assert its authority on state subsidies to modes of transport other than air. The European Commission cannot achieve this goal if it continues to ignore the massive state aid and other subsidies granted to the EU’s inter-city rail systems.

**Question 9:**

*Which should the priority actions between now and 2010 (congestion limitation, new technologies, trans-European network, charging, focus on the corridors, new actions on urban transport)?*

Ensuring that the benefits of the Single European Sky initiative are achieved as quickly as possible and that cost reductions are delivered.



Ensuring that EASA is equipped to take on the additional tasks already identified, that it becomes highly cost-effective, and that when it is cost-effective that it is adequately funded for its expanding role.

**Question 10:**

*What new additional actions between now and 2010 on safety issues (maritime, aviation, road)?*

ERA supports an assessment of creating an independent European Transport Safety Board (ETSB) which could be given similar functions to those of the USA National Transportation Safety Board (NTSB). The ETSB would be most effective if were to function across all modes of public transport, investigating accidents and incidents and making recommendations to improve the safety regulation of, and safe operation of, public transport.

However, a European TSB could start with air transport - probably the most advanced of all modes in respect of accident investigation, incident reporting and safety management systems. Such a multi-national body would need a staffing establishment based on the best industry expertise and experience and not the allocation of appointments in proportion to EU membership. It could provide objective accident/incident investigation, employing best practices and knowledge and would ensure the objectivity of conclusions and recommendations (devoid of any need to protect national interests).

*From the NTSB web-site:*

*The National Transportation Safety Board is an independent Federal agency charged by Congress with investigating every civil aviation accident in the United States and significant accidents in the other modes of transportation -- railroad, highway, marine and pipeline -- and issuing safety recommendations aimed at preventing future accidents. The Safety Board determines the probable cause of:*

- *all U.S. civil aviation accidents and certain public-use aircraft accidents;*
- *selected highway accidents;*
- *railroad accidents involving passenger trains or any train accident that results in at least one fatality or major property damage;*
- *major marine accidents and any marine accident involving a public and a nonpublic vessel;*
- *pipeline accidents involving a fatality or substantial property damage;*
- *releases of hazardous materials in all forms of transportation; and*
- *selected transportation accidents that involve problems of a recurring nature.*

**Conclusion**

This contribution by ERA to the mid-term review of the White Paper seeks a major revision of the section of air transport. The revision should include

- recognition of the economic and social benefits of air transport to the European Union's citizens and businesses,
- confirmation of air transport's role in achieving the employment, productivity and competitiveness goals of the Lisbon agenda for all European citizens and businesses,
- a clearly defined role for air transport within an integrated European transport policy, and
- strategies for ensuring that all the principles of "better governance" are applied to regulatory action for all modes of transport to ensure the global competitiveness of Europe's air transport industry.

