

ERA RESPONSE TO THE EUROPEAN COMMISSION PROPOSAL FOR DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON AIRPORT CHARGES

ERA welcomes the opportunity to comment on the proposed Directive produced by the Commission. In compiling the following comments, ERA has consulted with its members, but the positions stated in no way take precedence over individual comments submitted by our members to the Commission. ERA's response is divided into the sections defined in the EC proposed Directive and also includes some general comments.

GENERAL COMMENTS

'Single till' principle

The proposal does not require that airports adopt the 'single till' principle where aeronautical and non-aeronautical revenues are combined by an airport to offset the airport's costs. ERA strongly believes that when calculating aeronautical charges, non-aeronautical income should be taken into account in offsetting both aeronautical and non-aeronautical costs. Such income only exists because of aeronautical operations and it is therefore logical (and a well-established principle) to combine both.

Cost effectiveness & Monopoly behaviour

ERA believes that the proposal does not go far enough towards ensuring that true cost effectiveness will be employed by the airports levying airport charges. ERA's major concerns with airport cost effectiveness lies with airports that are operating in a monopoly environment eg major hubs or seasonal airports. In these cases demand generally exceeds supply either seasonally or continuously often irrespective of service quality. In other examples there may be limited alternative airports for carriers to operate to within a particular catchment area. Consequently the effect of price on demand is low and these airports can (as any monopoly can) abuse their position through pricing.

Transparency & Consultation

ERA supports full transparency between the airport managing bodies and the airport users during the consultation process to establish the airport's charges. However ERA believes that the provision of the information required in the proposal to be impractical. ERA does not support the provision of information that effectively asks individual airport users to disclose sensitive commercial data to the airport managing bodies. The provision of any information on future traffic should be a collective estimate of the majority of users.

SPECIFIC COMMENTS

Article 1 – Subject Matter

ERA fully supports that there are common principles to be followed when airport charges are levied.

Article 3 – Non-discrimination

ERA welcomes the requirement of non-discrimination when levying airport charges.

Article 4 – Consultation and remedy

ERA welcomes the compulsory consultation provisions in the proposal as this will improve communication between airports and their users notwithstanding the general comments above that overall the Directive will not drive greater cost effectiveness in the case of monopoly service providers.



Article 5 – Transparency

ERA supports full transparency between the airport managing bodies and the airport users during the charges levying process. However ERA believes that the provisions of the information required in the proposal to be impractical. ERA does not support the provision of information that effectively asks the airport users to disclose sensitive commercial data including their future business plans to the airport managing bodies. It is however reasonable and constructive to ask users to provide, within the constraints of commercial sensitivity, collective estimates of traffic trends and forecasts.

ERA also believes that the reference to 'associations' in paragraph 1 of Article 5 should be amended to make the requirement for submission of data to 'users or the representatives or associations of airport users' to require submission to 'users or their representatives **and, at their request**, the associations of airport users'. It is important that both the user receives the data and, when requested, that the association representing the user also receives the data.

Article 6 – New Infrastructure

No comments

Article 7 – Quality Standards

ERA supports the entering into of service level agreements (SLAs) between the airport managing body and the users. However ERA feels that this article is ambiguous in its use of 'association'. ERA suggests the following amendment to paragraph 1 of Article 7 - Deletion of the words '...association or associations representing...' Different users will have different needs in respect of quality of service provided, depending on the commercial product being offered by the user. In practice, an association could not conclude an effective SLA which satisfied the often differing commercial needs of its individual members.

Article 8 – Differentiation of charges

ERA supports the application of the principle of differentiation of charges to the quality of service provided and the facilities that are used. However ERA believes that the principles must be applied on a non-discriminatory basis and that access to reduced quality of services and/or different levels of facilities for a reduced charge should be available to all airport users.

ERA is concerned that the issue of cross-subsidisation between low and high cost services is not addressed in the proposal. ERA supports a more specific provision providing that higher cost services should not be used to subsidise the cost of providing lower quality services.

Article 9 – Security charges

ERA supports the principle of eliminating the use of security charges to cross-subsidise other functions. However there is a strong case for, in particular, anti-terrorist security to be wholly borne by the member state and not by the airport users. In the case of anti-terrorist security the target for action is, almost without exception, state political policies. It follows that the state and not airport users should consequently bear some, if not all, of these costs.

Article 10 – Independent Regulatory Authority

ERA fully supports, in principle, the establishment of an Independent Regulatory Authority that has the power to regulate cost effectiveness at airports which operate in a monopoly environment. Nevertheless, it has to be recognised that regulation itself imposes costs that users will be expected to pay, consequently it would be unwise to introduce additional regulatory cost burdens at very small airports unless regulation is requested by a majority of the user community.



About ERA

Founded in 1980, ERA is the recognised representative body for intra-European air transport. It currently represents 60 airlines and over 140 Associate and Affiliate members, including airframe and engine manufacturers, airports, suppliers and service providers from all over Europe. www.eraa.org

More information

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ERA PROPOSED AMENDMENTS

The following are the suggested ERA amendments to the proposed EC Directive on Airport Charges

Article 2 Definitions

(d) The words '**all or**' should be deleted from the definition so that it reads

(d) 'airport charge' means a levy collected for the benefit of the airport managing body and paid by the airport users and/or air passengers with a view to recovering ~~all or~~ part of the cost of facilities and services which are exclusively provided by the airport management body and which are related to landing, take-off, lighting and parking of aircraft, and processing of passengers and freight'

Justification: Retention of the 'single till' principle. ERA strongly believes that when calculating aeronautical charges, non-aeronautical income should be taken into account in offsetting both aeronautical and non aeronautical costs. Such income only exists because of aeronautical operations and it is therefore logical to combine both.

The addition of the following definition

(f) 'association' means a body appointed by airport users to represent their interests

Justification: 'association' needs to be defined.

Article 5 Transparency

Paragraph 1 should be amended by the addition of '**and, at their request**' and '**and assumptions**' to read as follows:

*'Member States shall ensure that the airport managing body provides each airport user, or their representatives **and, at their request**, associations of airport users, once a year with information on the components **and assumptions** serving as a basis for determining the level of all charges levied at the airport.'*

Justification: An association should be able to request this information from the airport managing body as required rather than it being an automatic administrative process. Providing assumptions provides greater clarity to the information provided.

Article 7 Quality Standards

The words '**association or associations representing**' should be deleted from paragraph 1 of this Article.

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Paragraph 1 would then read as follows



'In order to ensure smooth and efficient operations at an airport, Member States shall ensure that the airport managing body and the airport users at the airport enter into negotiations with a view to concluding a service level agreement with regard to the quality of service provided at the airport terminal or terminals, and the exactitude and the timeliness of information provided by airport users on their projected operations referred to in Article 5(2), to allow the airport to fulfil its obligations. Such agreements shall be concluded at least once every two years and be notified to the independent regulatory authority of each Member State.'

Justification: Different users will have different needs in respect of quality of service and facilities provided depending on the commercial product being offered by the user. In practice, an association could not guarantee to be able to conclude an effective SLA which satisfied the often differing commercial needs of its members.

Article 8 Differentiation of Charges

The addition of a new paragraph 3 to this Article which should read

'3. Member states shall ensure, at the request of a user, that airport managing bodies do not use revenue generated from specific tailored services to finance other tailored services of differing quality.'

Justification: ERA is concerned that the issue of cross-subsidisation between low and high cost services is not addressed in the proposal. ERA supports a more specific provision providing that higher cost services should not be used to subsidise the cost of lower quality lower costing services.

Article 9 Security charges

The first paragraph should be amended to include the following sentence

'Where costs are incurred as a result of state requirements to provide anti-terrorist security measures such costs should be borne by the Member State.'

The amended paragraph should read

*'Security charges shall be used exclusively to meet security costs. **Where costs are incurred as a result of state requirements to provide anti-terrorist security measures such costs should be borne by the Member State.** These costs shall be determined using the principles of accounting and evaluation generally accepted in each of the Member States.'*

Justification: ERA believes there is a strong case for, in particular, anti-terrorist security to be wholly borne by the Member State and not the airport users. In the case of anti-terrorist security the target for terrorist action is generally the State and not airport user or flying public, consequently it follows that the State should bear some of the cost.

