



# European Union Air Transport Policy

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# ● Lecture Outline

## ■ EU Air Transport Policy: 3 aspects

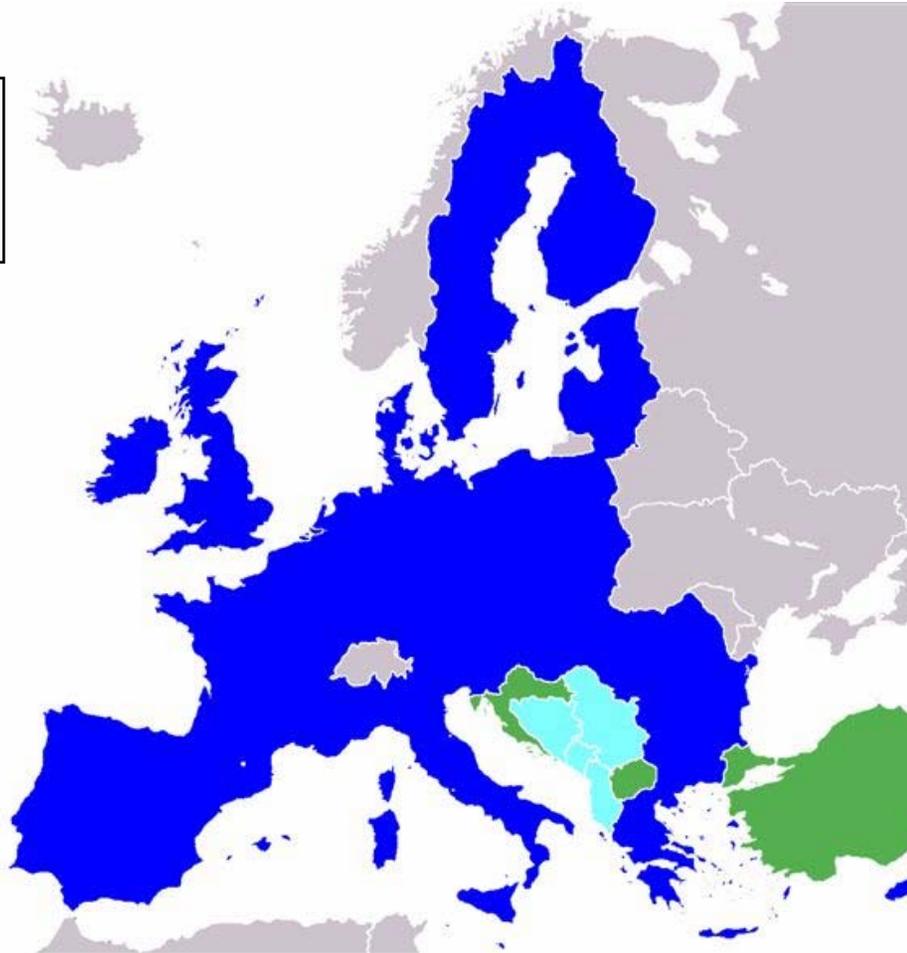
- ✓ The Single EU Aviation Market and its external dimension
- ✓ Answering the 4 challenges to the sustainability of the sector (safety, competitiveness, capacity bottlenecks, environment)
- ✓ A vision for ICAO's future – Europe's commitment to ICAO



# **EU Air Transport Policy: First aspect: The Single EU Aviation Market**

# ● The EU Today

- *27 Member States*
- *490 Million Inhabitants*
- *One Single Market*



# ● The EU Air Transport Industry

## - Some Facts and Figures

- A €140bn business in 2006
- Carrying over 730 million passengers in 2006 (of which 480 million within EU)
- ~11 million tons of cargo in 2006
- ~35% of world air passenger traffic (2006)
- +160 airlines (scheduled passenger carriers)
- +400 airports (scheduled services)
- ~4,700 aircraft in service (2006)
- 3.2 million indirect jobs (3% of EU workforce) – 30 largest airlines alone employ 360,000 staff

# ● From National Markets to a Common Market

- Before 1987: national markets within the EU were protected and fragmented
  - ✓ To fly between two major cities: little choice but to fly with one of the two national “flag carriers” (duopoly);
- Three successive packages of liberalisation measures (1987-1992) have changed the landscape.
- World’s largest and most successful example of regional market integration and liberalisation.
- Liberalisation and market integration based on three main EU Regulations (the “Third Package”):
  - ✓ Air carrier licensing (Regulation 2407/92)
  - ✓ Market access (Regulation 2408/92)
  - ✓ Fares (Regulation 2409/92).

# ● From National Markets to a Single EU Aviation Market

## Results:

- Non-discriminatory air carrier licensing across Europe (from national to Community carriers with equal rights)
- Market access: no capacity restrictions
- Full cabotage since 1997
- Free air fare setting
- Any Community carrier can now operate on any route within the EU
- Comprehensive body of Community legislation in relation to all key aspects of aviation

# ● What Have We Achieved? Successes of the Single Market

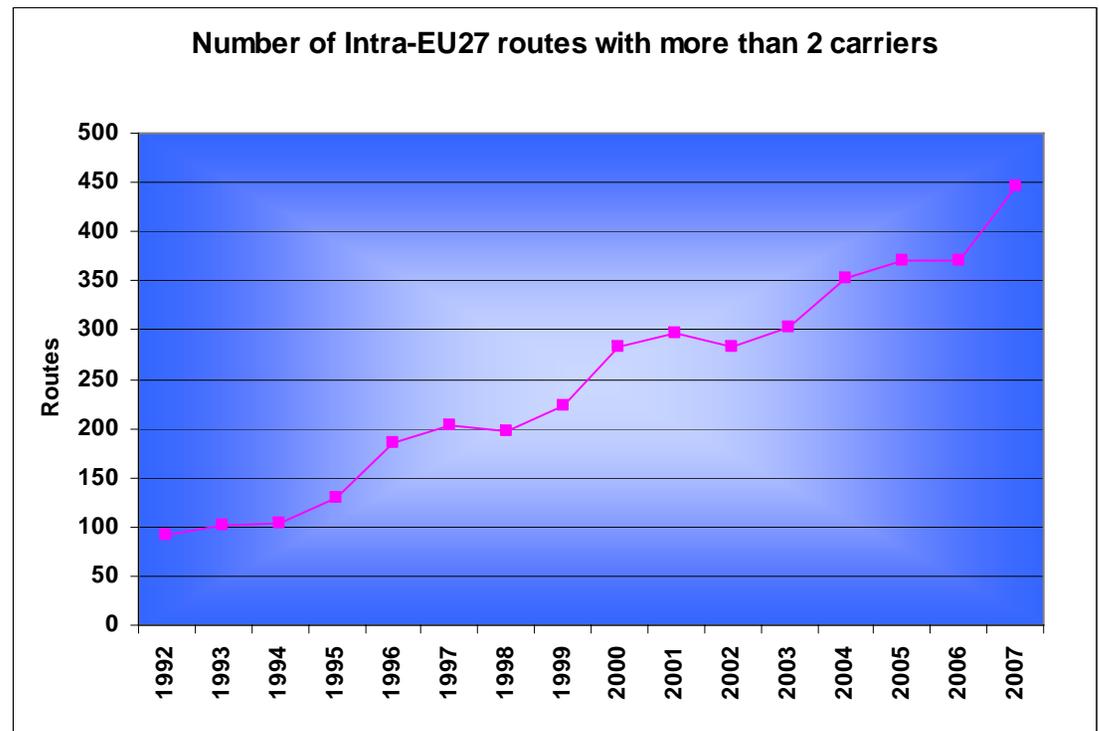
- **Tripling of air travel 1980-2000. Doubling expected by 2020**
- **IATA Forecast 2006-2010: +4.6% annual traffic growth for Europe**
- **Lower fares (LCC, more airlines, competition)**
- **and...**

# ● What Have We Achieved? Successes of the Single Market

...more  
competition...

Intra-EU routes with  
more than 2 carriers  
have increased by  
385% between 1992  
and 2007

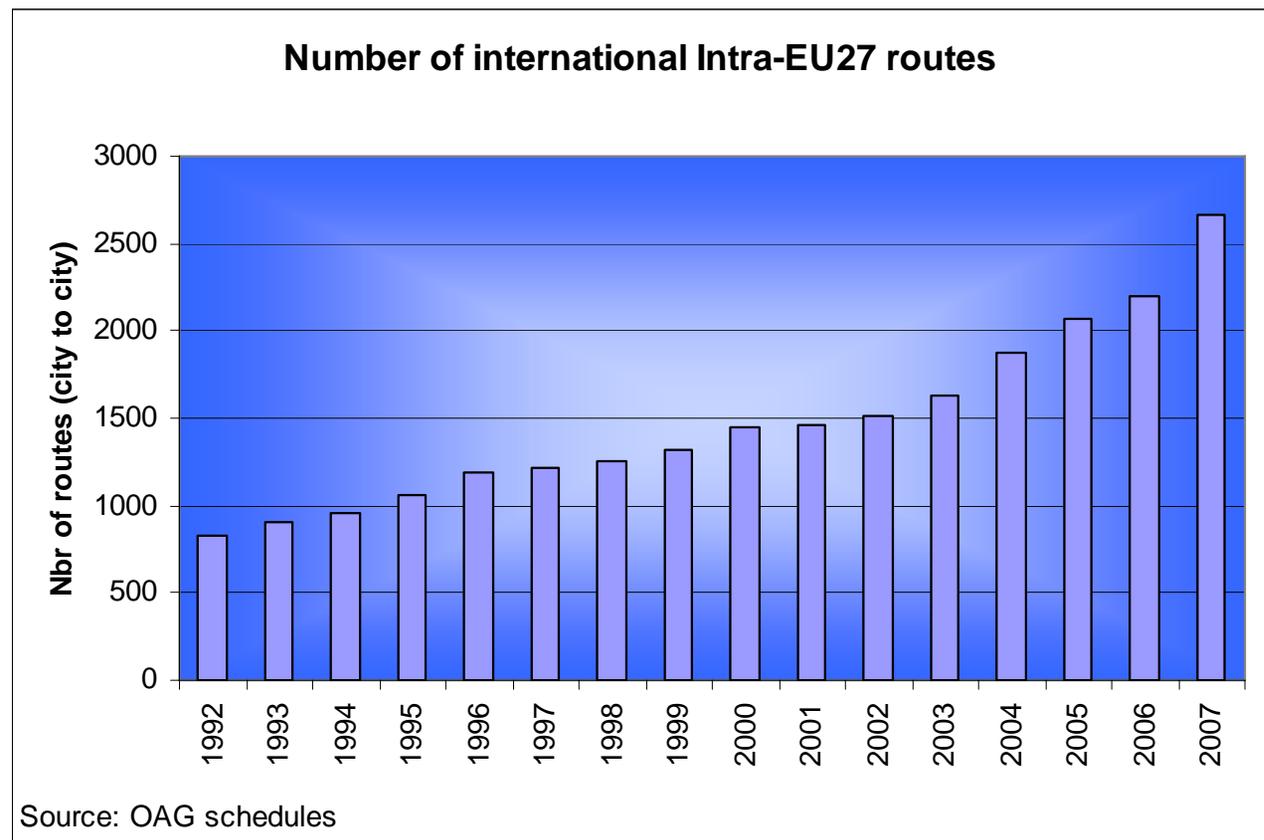
...and...



# What Have We Achieved? Successes of the Single Market

...more  
choice ...

Number of  
Cross-border  
Intra-EU  
routes has  
increased by  
220% (1992-  
2007).



## ● **Single Market – Common Rules**

**But open markets need coherent regulatory framework and common, non-discriminatory and transparent standards ...**

- ✓ **Common requirements for licensing**
- ✓ **Application of competition rules and control of state aid**
- ✓ **High safety standards (and creation of EASA)**
- ✓ **High security standards**
- ✓ **Consumer protection – Passenger Rights**
- ✓ **Common rules for slot allocation**
- ✓ **High standards on noise**
- ✓ **Single European Sky and its SESAR project**
- ✓ **Insurance**



# EU Transport Policy

## - Project the success of the single market beyond Europe



## Going Beyond Europe: The Three Pillars of the External Dimension of the EU Aviation Policy

- I. **Bringing existing bilateral agreements into line with Community law: “the Community carrier”**
- II. **The creation of a “Common Aviation Area” with neighbouring countries**
- III. **Conclusion of ambitious global agreements with key partners (US, Canada, Australia, New Zealand, India, China, Russia.....).**



## Pillar I: Progress on the Legal Issue

- 87 non-EU states have accepted Community designation
- Nearly 700 Bilateral ASAs have been brought into conformity with Community law
- 34 “Horizontal” Agreements covering more than 550 ASAs (since September 2004, latest initialled this week with India)
- Negotiations/talks are on-going with many countries

## **Pillar II:**

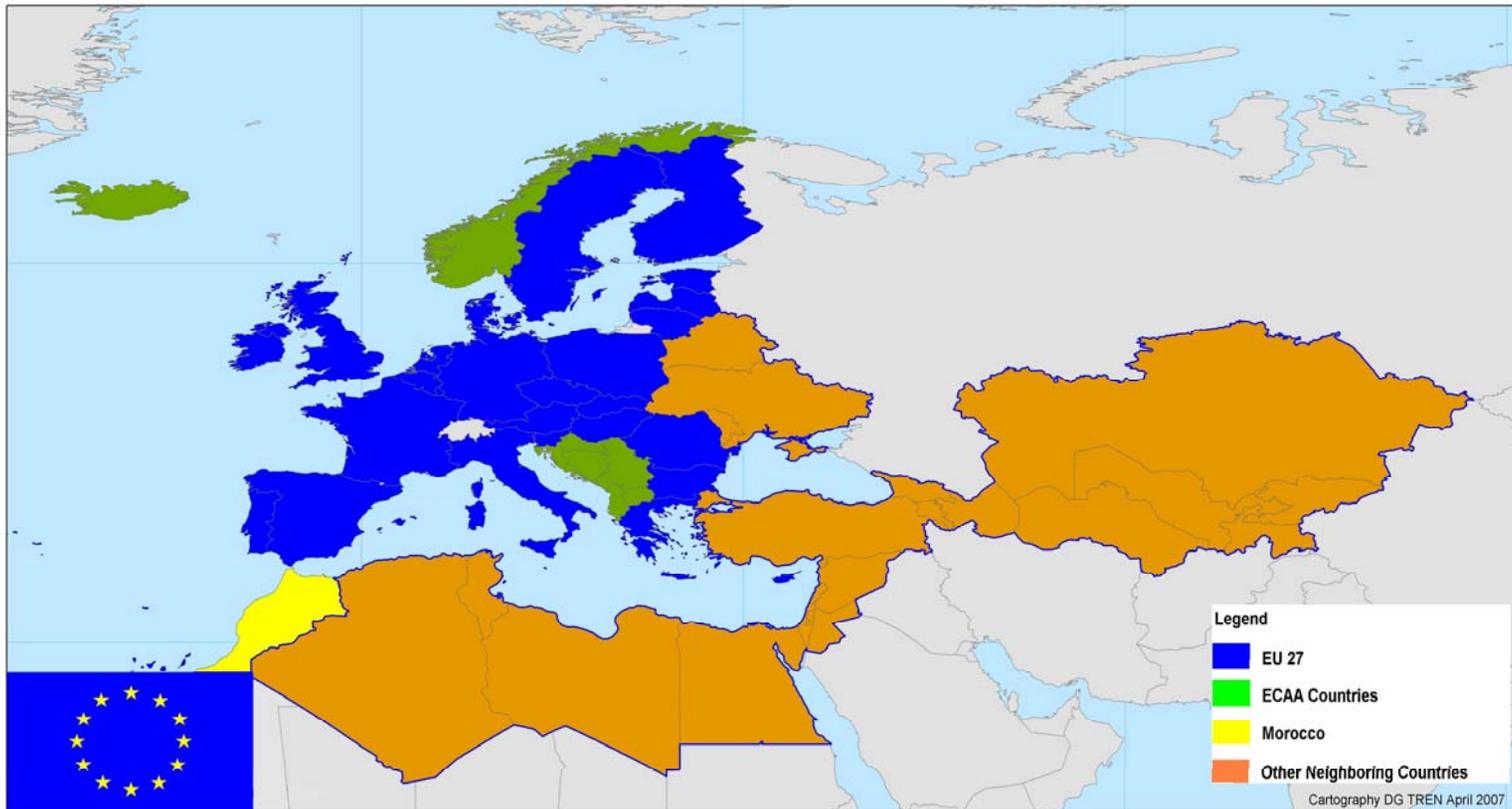
# **Common Aviation Area by 2010**

- **Southern and Eastern neighbouring countries**
  - **Pre-accession context: Western Balkans (ECAA)**
    - ECAA Agreement signed in June 2006 (Gradual liberalisation and market integration in function of degree of regulatory convergence achieved)
  - **Morocco (Euro-Mediterranean agreement)**
    - EU-Morocco Agreement signed in December 2006
  - **Next: Ukraine, Jordan, Israel...**
  - **Particular case of Russia (Siberian Over-flight)**
- **Ambition: “Towards a single market of more than 50 states by 2010”**

# Aviation in the Europe of Tomorrow: A Wide Common Aviation Area



Common Aviation Area by 2010



**Potential of 58 States – Approx. 1 Billion inhabitants**

## **Pillar III: Comprehensive Agreements**

- **With key and like-minded partners**
- **Aim: to “normalise” aviation**
- **By:**
  - **market opening**
  - **removing investment barriers**
  - **regulatory convergence**
- **First: EU-US Agreement (1<sup>st</sup> stage)**
  - Signed in April 2007
  - Applicable as of 30 March 2008
  - Second phase negotiations in May 2008
- **Next: Canada (Negotiations on-going)**



# **EU Air Transport Policy: Second aspect: Answering the 4 challenges to the sustainability of the sector's growth**

# ● EU Air Transport Policy

- Which challenges to sustainability of growth?
  1. Enhance safety and security
  2. Ensure a strong and performant industry
  3. Facing the « capacity crunch »
  4. Ensure environmental sustainability

## ● **EU Aviation Safety Policy**

- **Joint safety standards applied throughout the single market**
- **The European Aviation Safety Agency (EASA) was created to permit the development and the uniform implementation of common EU rules in aviation safety**
- **Community-wide list of un-safe airlines to protect EU citizens**

## ● **EASA – Cornerstone of safety policy**

- **Created in 2002 – based in Cologne, Germany**
- **Original primary responsibility related to airworthiness certification**
- **March 2008: extension of responsibilities to flight crew licensing, air operations and safety surveillance of third country aircraft**
- **As a further step, the Commission intends to propose to Council and Parliament extension to the safety regulation of airports and air traffic control**

## ● EU Aviation Security Policy

- Facing effectively a common threat
- Finding the right balance between protection and facilitation
- Through enhanced international cooperation (e.g. EU-US, ICAO, ...)

# EU ATM policy: Single European Sky

## The key challenges:

- **Improve environmental performance**
  - Aviation's share of EU greenhouse gas emissions (currently 3%) is predicted to increase.
  - Network improvements could save up to 4.8 mios tons of CO2 per year
- **Restructuring the European airspace as a function of traffic flows, no longer according to national borders, thus avoiding fragmentation**
  - Significant additional costs for airspace users (€2 bn per year could be saved by reducing fragmentation)
- **Economics**
  - Cost efficiency efforts are not sufficient
  - Liberalization of aviation market vs. Harmonization of ATM
  - Current European route network is an amalgamation of national routes that makes intra-European flights 15% less efficient than domestic flights, resulting in additional costs of €1.4 bn per year
- **Capacity**

Further increase of traffic (250 % increase within the next 20 years) with enlargement and Open Skies
- **Safety**

Cannot be compromised and must be enhanced notwithstanding increased traffic levels

# ● SESAR (Single European Sky ATM Research)

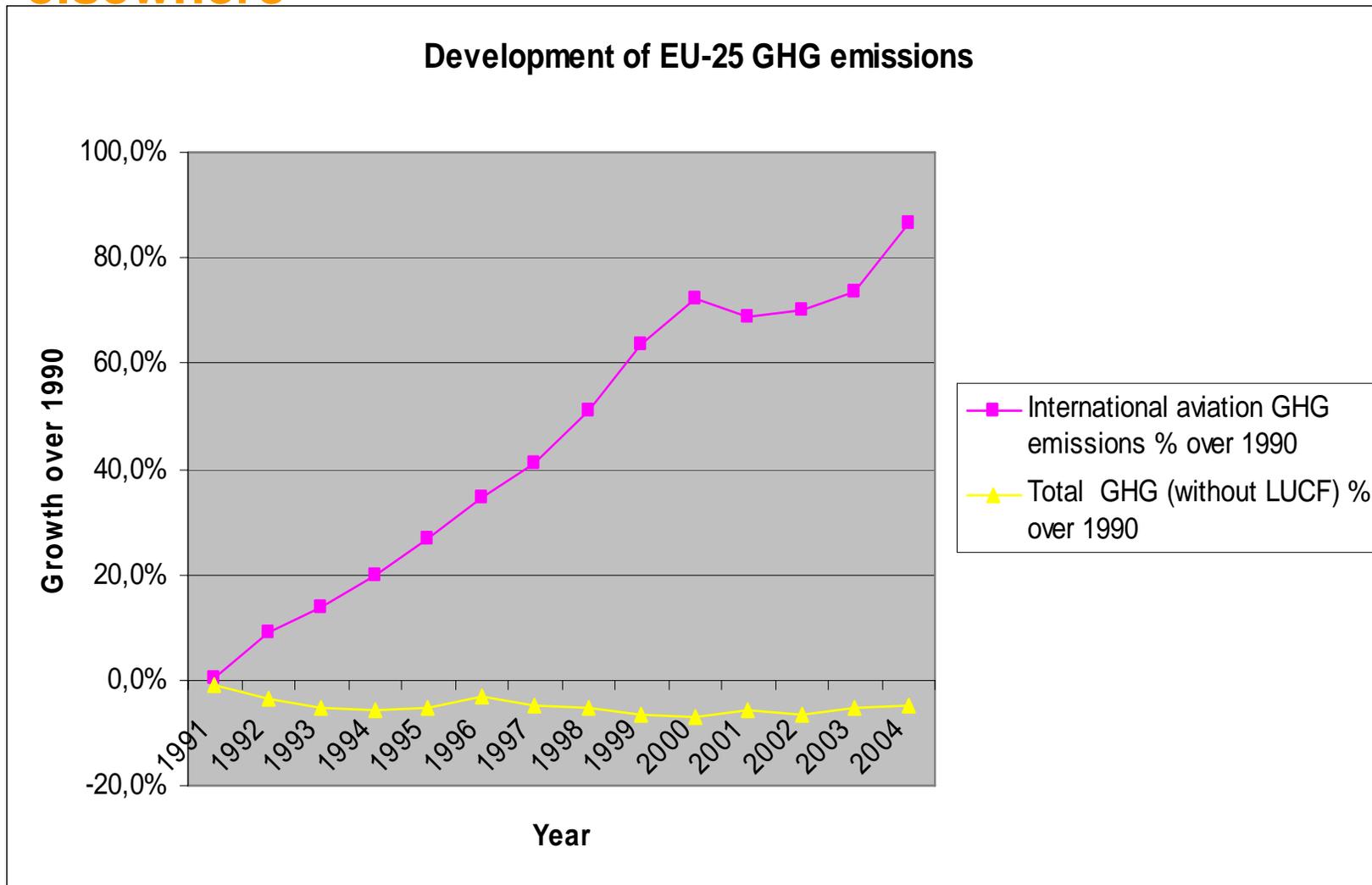
- Technological/industrial complement of the SES legislation
- A single ATM R&D programme in Europe developed jointly by the EU, Eurocontrol and private industry (2,1 B €)
- Stated aims
  - Increase safety by a factor of 10,
  - Triple capacity,
  - Reduce ATM costs by 50%,
  - 10% reduction of environmental impact per flight.
- Definition phase: ATM master plan
- Development phase: to be managed by SESAR Joint Undertaking (JU)
- SESAR JU open for participation of third countries

# EU Aviation Environment Policy - Emissions

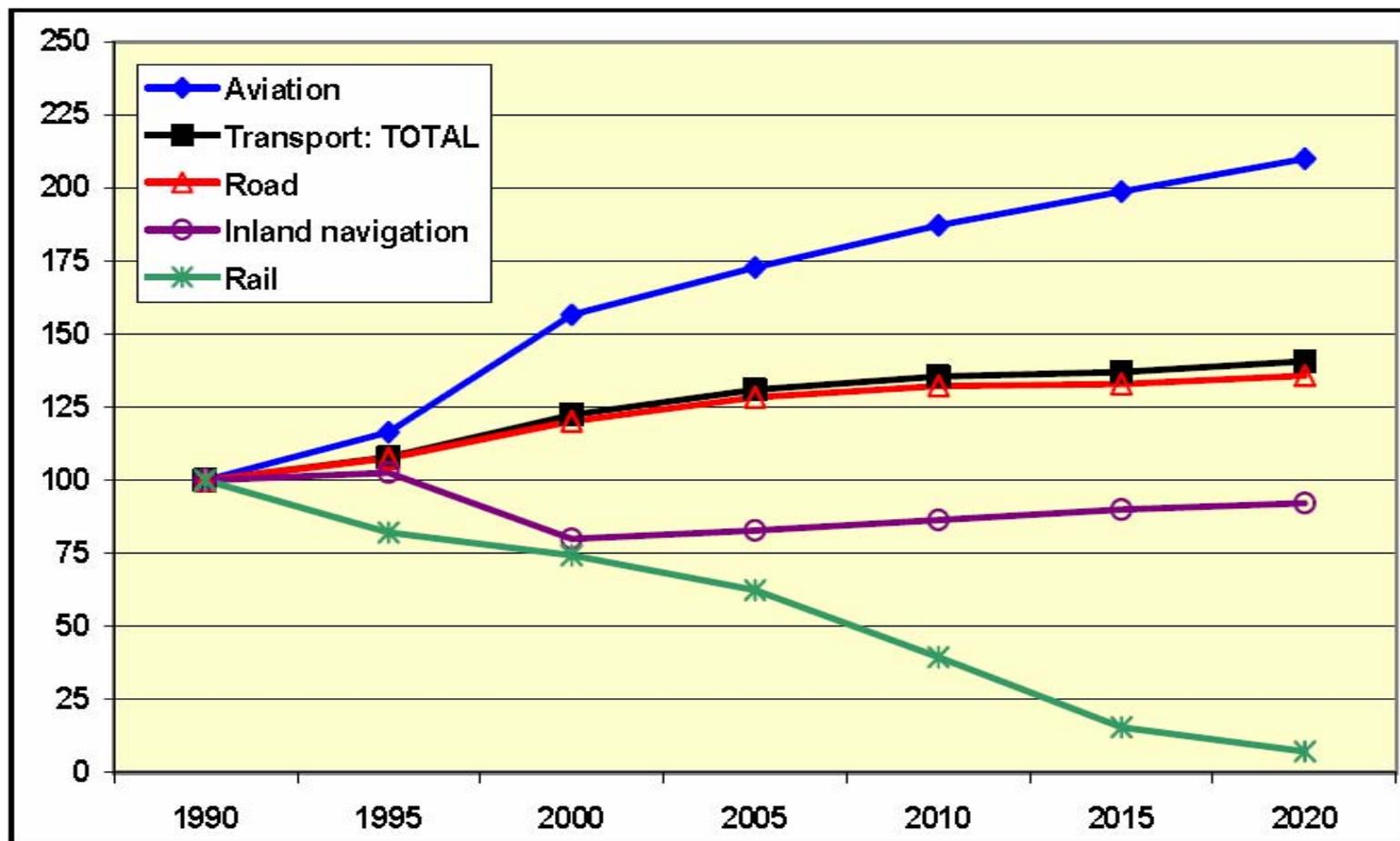
- It is true that air transport Co2 emissions represent under 3% on global Co2 emissions but they are growing fast.
- It is true that industry is already doing a lot.
  - > Indeed: 70% fuel efficiency improvement over past 40 years
- But this will unfortunately not be enough to maintain the sustainability of the sector's growth!
  - > Tackling climate change is urgent, every economic sector has to contribute, including aviation



## Additional measures needed – in Europe, but also elsewhere



# Predicted environmental contribution of aviation in % growth



# ● Hence the need for a “comprehensive approach” to fight aviation GHG emissions

## \* Europe’s lead:

- Single European Sky and SESAR (10% emissions reductions per flight)
  - Transatlantic AIRE initiative
  - Research and Development – 7th Framework Program (“Clean Sky”, “Green Aircraft”, alternative fuels,...)
  - Market-based measures (with a clear preference for ETS because it allows aviation to grow!)
- \* EU supports global approach, we are ready to discuss with third countries (within ICAO (GIACC), within UNFCCC, on a bilateral/regional basis) – The real challenge is to reach global agreement at the international level.



# Will Europe's aviation ETS ruin the industry?

Not at all: compare ETS costs with fuel prices:



**But its failure will lead to an avalanche of taxes and charges eventually prohibiting further growth!**



# **EU Air Transport Policy: Third Aspect: A vision for ICAO's future – Europe's commitment to ICAO**

## ● ICAO's success story

In its first 50 years, ICAO has served remarkably well the stated aims of the Chicago Convention:

- Development of international civil aviation in a safe and orderly manner
- On the basis of equality of opportunity
- And operated soundly and economically

## ● ICAO's success story (cont'd)

Indeed, the period between 1944 and 1994 saw:

- Explosion from +/- 1 million passengers yearly in 1944 to +/- 1,2 billion in 1994 (= multiplication factor of 1200 over 50 years!)
- Adoption of impressive body of international standards, especially in safety area, and development of world-wide net of air navigation routes
- From perspective of governance this was achieved respecting a relative balance of the varying interests of contracting parties and on the basis of a geographically relatively well-balanced decision making structure (adapted over time)

## ● **New challenges for ICAO**

**Since 1990s, ICAO is facing new issues:**

- **Trend towards liberalisation**
- **Ensure that also smaller/less developed countries can live up to the ever more stringent demands of modern aviation, and reap its crucial benefits**
- **Preventing growing safety deficiencies (and risk of « flags of convenience », a life-threat to international aviation!)**
- **Need to address the environmental task attributed to it by UNFCCC/KP**

## ● **New challenges for ICAO (cont'd)**

**The risks of these challenges to international aviation include:**

- **Fragmentation of worldwide aviation framework which could undermine its seamless growth**
- **Not having the effective tools to address the further economic evolution of the sector**
- **Problems regarding safety implementation**

***Therefore a need to redefine and strengthen ICAO's role***

- **A re-strengthened ICAO: Europe's desire and interest**
  - **Multilateralism is a key aspect of European international policy, even more so in aviation**
  - **Europe sees ICAO as crucial in allowing and helping the worldwide aviation community to face its 4 key challenges and provide strategic leadership**

# A re-strengthened ICAO: Europe's desire and interest (Cont'd)

## Three aspects crucial for ICAO :

- **Setting and implementing essential worldwide standards – becoming the “world regulatory authority”**
  - worldwide technical rule-making body
  - fewer but clearer and better focussed norms
  - concentrate on actual implementation
- **Providing technical assistance where and when it is needed – becoming the « world agency for technical assistance in aviation »**
- **Promoting regional integration (see EC-ICAO Symposium on regional integration)**
  - supplementing, not substituting State-based approach
  - help pooling of limited resources
  - ensure appropriate representation of regional organisations, on a basis which can vary between regions and is linked to effective capacity of the organisation to act

## ● A re-strengthened ICAO: Europe's desire and interest (Cont'd)

### But how to get there?

- The European Commission strongly supports the modernisation of the Chicago Convention, so let us stop hesitating to even start considering the issue
- However, a modernisation of the Chicago Convention will inevitably take many years. This should not be a pretext for inaction, as important steps can already be taken now, as they only depend on political will and creativity:
  - focus more on strategic issues affecting the sector
  - less but better norms
  - effective enforcement
  - increase technical assistance capabilities
  - promote regional integration, with appropriate participation



***Thank you for your attention and happy to  
take questions!***

[http://ec.europa.eu/transport/air\\_portal/international/index\\_en.htm](http://ec.europa.eu/transport/air_portal/international/index_en.htm)