



ASSEMBLY — 36TH SESSION

PLENARY

Agenda Item 2: Statements by delegations of Contracting States and of Observers

**THE EUROPEAN UNION'S COMMITMENT TO COOPERATION WITH
THE WORLD AVIATION COMMUNITY**

(Presented by Portugal
on behalf of the European Community and its Member States²)

EXECUTIVE SUMMARY

This paper describes how the EU and its Member States have developed a successful regional aviation market, open to competition but underpinned by a modern regulatory framework with regard to areas such as aviation safety, security, air traffic management and environment. The EU and its Member States want to cooperate with ICAO and its Contracting States to create similar benefits for consumers and aviation industry worldwide.

Technological cooperation, technical assistance and regulatory convergence have an important role to play in facilitating this process.

The EU and its Member States therefore want to further increase cooperation with the world aviation community, through ICAO as well as bilaterally, with partner countries and with regional groups of countries, in order to further develop a safe, secure and sustainable international air transportation for the 21st century.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objectives A (Safety - Enhance global civil aviation safety) B (Security - Enhance global civil aviation security) C Environmental protection - Minimize the adverse effect of global civil aviation on the environment) D (Efficiency - Enhance the Efficiency of aviation operations) F (Rule of Law - Strengthen law governing international civil aviation).
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¹ English, French and Spanish versions provided by the European Community.

² Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.

1. INTRODUCTION

1.1 Today, the European Union represents a total population of nearly 500 million in 27 Member States. In terms of aviation, however, the EU is one single market without internal borders, based on an extensive body of common legislation applied throughout the EU, and even beyond its 27 Member States. The development of the single EU aviation market has created significant benefits for EU citizens, the EU aviation industry and the EU economy as a whole.

1.2 Building on the experiences and successes of the EU single aviation market in terms of regional market integration and liberalisation, the EU and its Member States would like to work with ICAO and its Contracting States in order to share lessons learned, learn from ICAO and its Contracting States in order to cooperate in further developing safe, economically and environmentally sustainable and legally sound international air transportation in the 21st century.

2. THE DEVELOPMENT OF THE SINGLE EU AVIATION MARKET AND ITS BENEFITS

2.1 Until 1987, the European aviation landscape was characterised by protected and fragmented national markets dominated by national monopoly flag carriers leaving consumers with little choice when flying within and outside Europe.

2.2 Through the consecutive adoption of a series of legislative acts, a single aviation market was created in less than 10 years, resulting in the freedom for EU carriers to provide services within the European Union, set prices and, since 1997, even the freedom to provide "cabotage".

2.3 Through this process, EU policy has successfully transformed the European aviation market and air transport industry by creating the conditions for sound competitiveness while at the same time ensuring both quality of service and a high level of safety.

2.4 Since 1990, there are now 20% more airlines operating in the EU, a clear sign of the dynamic nature of the sector. More intra-EU routes are being operated (+170% since 1992) and notably more intra-EU routes with more than two competitors are being operated (+300% since 1992).

2.5 To provide another example, while low-cost carriers hardly existed in Europe before the mid-1990s, they emerged as a result of the EU market liberalisation and had in 2006 reached a market share of 28% of intra-EU scheduled capacity. In response, traditional network carriers developed more consumer-friendly pricing and services.

2.6 The enlargement of the EU by 10 new Member States in 2004 forcefully demonstrated the benefits of the single air transport market. Freed from old restrictions, air traffic in the accession countries has more than doubled within the 2 years after having joined the single EU aviation market.

2.7 The approach taken in aviation has been typical for the EU's way of liberalising: opening markets, unleashing the industry's potential and developing a regulated competition model. There will be a regular need for policy evolution as well as streamlining and modernisation of the regulatory framework

in order to maintain and enhance this success. A revision of the regulatory framework is currently being discussed with all interested parties, in order to consolidate the basis for an open, competitive, innovative, safe and sustainable aviation market in Europe. It is hoped that it could serve as a useful reference for consideration by partner countries and regions.

3. FURTHER COMMUNITY LEGISLATION SUPPORTING THE SINGLE AVIATION MARKET

3.1 In parallel to the opening and expansion of the market, the EU and its Member States have developed a broader common regulatory framework for a harmonised and effective functioning of the single aviation market. Over the past decade, a large amount of economic, technical, social and environmental legislation has been adopted at Community level, covering with common rules almost all areas of aviation. This legislation is still being developed further.

3.2 The EU is harmonising **safety** standards on a high level. A European Aviation Safety Agency (EASA) was established in 2002. EASA, headquartered in Cologne, assists EU policy-makers in the development of common aviation safety rules. Today, the national authorities of the EU Member States continue to carry out the majority of operational tasks. However, the Agency is gradually extending its regulatory competences from airworthiness certification to air operations, and licensing of flight crew. In addition, an extension to safety of airports and air navigation services is being examined.

European passengers need to be assured that all aircraft they board, whether EU airlines or foreign airlines, offer high levels of safety. If there is evidence that an airline is not able to operate with the minimum safety standards, the European Commission, with the help of a Safety Committee composed of safety-experts from all EU Member States, can impose bans and operational restrictions.

3.3 Along with the creation of a single market, the EU has developed a range of measures to **protect air passengers**. The EU has become a party to the Montreal Convention and implemented this international treaty with a regulation on the liability of airlines for death and injury in case of accidents and for baggage delays. Furthermore, the EU adopted regulations on the compensation and assistance for passengers in the case of denied boarding, cancellations or long flight delays. Recently, an obligation for the adequate assistance to persons with reduced mobility was introduced. Finally, all passengers have the right to be properly informed on the exact identity of the company which operates their flight.

3.4 Following the terrorist attacks on 11 September 2001, the EU is harmonising **security** rules at all EU airports. To ensure that airports meet these high security standards, the European Commission, with the help of EU Member States, carries out strict inspections.

3.5 **Air traffic control** provides the infrastructure for a safe and efficient flow of air traffic. Air traffic management (ATM) has traditionally been developed at national level. Such a fragmentation along national borders gives rise to efficiency problems. In order to tackle these problems, the EU and its Member States launched the Single European Sky initiative in 2004.³

³ The "Single European Sky" package consists of Regulation (EC) 549/2004, Regulation (EC) 550/2004, Regulation (EC) 551/2004 and Regulation (EC) 552/2004

The Single European Sky is an ambitious initiative which aims at reforming the architecture of European airspace, in order to meet future safety and capacity needs. It aims at reorganising the European airspace along air traffic patterns, setting common technical and procedural rules and fostering the development of a harmonised European ATM system. The European airspace should be organised in "functional airspace blocks", regardless of national boundaries. The new organisation of airspace aims at reducing delays, triple capacity, improve safety, potentially by a factor 10, and reduce ATM costs by up to 50% while reducing the environmental impact by 10% per flight.

In order to ensure the necessary levels of capacity, safety and efficiency of air traffic over the next 30 years, the EU has launched the definition phase of the **SESAR programme (Single European Sky ATM Research)** for the development of a new generation air traffic management system. A technological leap is needed to ensure safety and efficiency of air travel in increasingly congested skies. The SESAR programme, which is the technological/industrial complement to the Single European Sky, is a shared programme for Europe and involves all aviation players in the design of the ATM system. The SESAR programme represents an ambitious vision that the EU hopes to be able to share with the world aviation community.

3.6 In open markets, it is important to ensure fair **competition** and a level playing field. The European Commission therefore applies strict competition rules on mergers and alliances, price-fixing and other arrangements to the air transport sector. Furthermore, a strict enforcement of state aid rules must ensure that airlines operate on a level playing field without distortions to competition.

3.7 As for the **environment**, the EU has always supported policies agreed in ICAO, and EU legislation in this field has essentially aimed at implementing such policies. However, there is increasing public pressure for more stringent measures, e.g. on noise from aircraft and for action to address aviation's contribution to climate change. The impact of aviation on climate change is still modest but it is growing fast. Therefore, the European Commission has proposed to the European Parliament and to the EU Council of Ministers to include CO₂ emissions from aviation in the EU Emissions Trading Scheme (ETS). This follows ICAO's endorsement of open emissions trading in 2001 and in particular the Assembly's decision in 2004 that implementation should rely inter alia on incorporation of aviation into States' trading schemes. Under such a scheme, airlines will have a permanent, stronger incentive to reduce their climate impact, while avoiding restrictions on growth in traffic. In addition, it can avoid the need for less effective measures such as taxation.

While the EU and its Member States are intent on taking action on aviation emissions, they are firm believers in international cooperation (notably in the context of ICAO) and will continue to participate fully in global and bilateral dialogue on this issue in the years to come. Indeed, one objective of the proposal is to provide a model for aviation emissions trading that can be extended or replicated worldwide. The EU and its Member States will continue to work with their international partners in order to arrive at a global coverage of emissions by emission trading.

This policy is part of a comprehensive approach to providing more sustainable aviation growth. Investment in "clean technology", as well as improving the air traffic flows are other important aspects of that undertaking.

4. GEOGRAPHICAL EXTENSION OF THE SINGLE AVIATION MARKET

4.1 A genuine internal market for air transport has thus been created across the European Union. Due to its importance as market and its attractiveness to neighbouring countries, it has been extended to Norway and Iceland by the Agreement on the European Economic Area and to Switzerland by the Air Transport Agreement between the European Community and the Swiss Confederation.

4.2 But the geographical extension of the single market goes further. In June 2006, the EU and its Member States signed the agreement establishing the European Common Aviation Area (ECAA). This agreement integrates partner countries in South-East Europe (Albania, Bosnia-Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, and the UN Mission in Kosovo) into the single market.

The ECAA partner countries will adopt EU air transport laws and regulations. In parallel, these air transport markets will gradually be liberalised and integrated into the EU single market.

Once ECAA partners have fully implemented EU aviation legislation, ECAA airlines will have full open access to the enlarged European single market in aviation. This will create new market opportunities in an integrated market of some 36 countries and more than 500 million people. At the same time, the agreement will lead to equally high levels of safety and security across Europe.

4.3 In addition, in December 2006 the EU and its Member States signed an air transport agreement with Morocco. This was the first time the EU as a regional group signed, with its member States, a complete aviation agreement with a non-European country. The agreement with Morocco follows the same principles of parallel market opening combined with regulatory convergence towards EU standards.

4.4 In the future, the Common Aviation Area could be further extended to include Ukraine and other neighbouring countries, in particular in the Mediterranean region.

5. THE EMERGING EU EXTERNAL AVIATION POLICY

5.1 As a natural consequence of the abandonment of the concepts of national markets and national carriers within the EU, the creation of the single market is now starting to have an external effect and an EU external aviation policy is emerging.

5.2 In 2005, EU Transport Ministers agreed on the following three main pillars of an external aviation policy road map:

- Firstly, to bring existing bilateral agreements into line with Community law; Indeed, following the 2002 "open skies" rulings by the European Court of Justice, the bilateral aviation agreements of the EU Member States have to be brought into conformity with EU law, notably by replacing national designation by EU designation.

- Secondly to create an expanded Common Aviation Area which could eventually encompass all the countries neighbouring the EU, as referred to in paragraph 4.2
- Thirdly, to conclude more ambitious and comprehensive air transport agreements with key partners. For negotiations of such comprehensive agreements, the European Commission needs specific negotiating mandates from the EU Member States.

5.3 In the two years since 2005, the EU and its Member States have made significant progress on all of these three key pillars.

5.3.1 Firstly, with regard to bringing bilateral air services agreements on to a sound legal basis, more than 70 partner countries have now accepted the principle of Community designation. This has allowed the restoration of legal certainty to more than 500 bilateral air services agreements.

5.3.2 As mentioned above under section 4, a common European aviation area already exists beyond the 27 EU Member States, and this market is being further expanded and integrated, based on common rules.

5.3.3 At the same time, the EU and its Member States are seeking ambitious aviation agreements with key partner countries. Such agreements need to follow the twin objectives of market opening and regulatory cooperation in matters such as aviation security and safety. This is a new model for air transport agreements going beyond pure market access liberalisation and "open skies", establishing a broader framework that improves the competitiveness of airlines and ensures the highest possible degree of safety, security and sustainability for the travelling public.

5.3.3.1 In 2007, the EU and its Member States signed a comprehensive first-phase air transport agreement with the US that will liberalise market access and start a process of "normalising" the aviation industry by removing artificial barriers to doing business through parallel processes of market opening, facilitating foreign investment, and regulatory convergence.

It is estimated that this agreement, which will be applied as from March 2008, will create consumer benefits of up to €12 billion. Negotiations will continue in a second-stage from 2008 onwards with the objective of further liberalisation of market access and investment opportunities.

5.3.3.2 Where there is a mutual interest and added value, the EU and its Member States are considering, on a case-by-case basis, to pursue similar comprehensive agreements with other partner countries.

6. THE EU ENGAGING WITH ICAO AND WITH ITS CONTRACTING STATES

6.1 The aviation community in most parts of the world shares the same challenges today: how to maintain high safety and security levels with rapid growth in air traffic; how to make aviation growth environmentally sustainable; how to ensure adequate infrastructure and technology to meet future demand; and how to most effectively cooperate internationally in an increasingly globalised market place.

6.2 Based on its experiences and actions as described in this paper, the EU and its Member States are ready to further increase cooperation with the world aviation community, in order to meet these challenges together.

The EU hopes that its approach and policies, as well as the approach and policies of ICAO, its Contracting States or other regions can offer lessons that may be reciprocally useful. For this reason, the EU is ready to share its experiences with others, and wants to learn from successes elsewhere. To this end the EU would like to cooperate with ICAO and with its Contracting States on such issues as regulatory convergence towards the highest possible standards and the best practices in all aspects of civil aviation.

6.3 The aviation sector is global by its very nature and there is an increasing need for world-wide cooperation as many shared and global problems need global solutions. Whereas approaches are and may remain different, some degree of interoperability and interface is required as a minimum. International technological cooperation, for example, is therefore important in order to ensure interoperability and cost-effective solutions such as in relation to international air traffic management.

6.4 The EU also would like to engage with partners in ICAO in efforts aimed at "normalising" the aviation industry in economic terms in order to ensure a viable and competitive international aviation industry operating on a level playing field.

7. THE EU AS A PARTNER BACKING UP ITS INTERNATIONAL ENGAGEMENT WITH TECHNICAL COOPERATION AND ASSISTANCE

7.1 Whilst most states within the world aviation community share the same aspirations and vision of sound aviation operations, not all states have equal opportunities in safeguarding this, and some states lack resources to ensure such operational levels and in certain cases to comply with their international obligations.

7.2 In this respect, the international aviation community has a joint responsibility in assisting those states that lack resources and where aviation operations do not fulfil desirable or acceptable standards.

7.3 The European Union and its Member States are aware of their responsibility in this respect and will work in close collaboration with ICAO to ensure that adequate assistance is provided to partner countries which need help to achieve international aviation standards.

7.4 One of the key objectives of international technical cooperation and assistance in aviation should be to support the setting up of regulatory bodies and competences in order to ensure autonomous civil aviation authorities which are adequately empowered, staffed and funded to carry out their tasks. In this respect, however, regional cooperation and regional - rather than necessarily national - institutions will often offer synergies and more cost-effective solutions while at the same time ensuring a degree of regulatory cooperation and convergence based on common rules, mutual recognition and shared institutions. This has been a key lesson learned in Europe.

7.5 The European Commission has consistently provided technical assistance in the field of air transport in many parts of the world over the past years. The main component of most of these projects is assistance in relation to operational safety, with the key objective of assisting third countries in their efforts to bring their regulations and practices, in particular in safety, towards best international practice, and where possible to seek convergence towards European rules and requirements. The European Commission is and wants to remain an important contributor to the ICAO-led COSCAP assistance programmes on operational safety and airworthiness.

7.6 Over the past five years, the European Commission has financed more than €80 million of technical assistance projects and programmes in Africa, Asia, Latin America and in regions neighbouring Europe including the Mediterranean region.

7.7 In addition, EU Member States individually as well as European industry are funding a wide range of technical assistance projects in many countries and regions around the world to a degree which is impossible to list here.

7.8 The EU and its Member States will remain an important partner in providing technical assistance and transfer of know-how; in cooperating on common projects and technology programmes; and in enhancing regulatory convergence as well as in the enforcement of standards. The EU wants to engage actively in this respect with ICAO and with partner countries and regions around the world as part of strengthening the EU's external aviation relations and developing partnerships.

8. CONCLUSION

8.1 The EU and its Member States have developed a successful regional aviation market open to competition but underpinned by a modern and conducive regulatory framework.

The EU and its Member States have an ambitious vision for how to further develop their internal market and would like to share its benefits with others, by expanding the single aviation market.

8.2 The EU and its Member States want to cooperate with ICAO and its Contracting States to create similar benefits for consumers and aviation industry worldwide.

8.3 Closer cooperation at international level will offer new economic opportunities by opening markets and promoting investment. Technological cooperation, technical assistance and regulatory convergence have an important role to play in facilitating this process.

8.4 The EU and its Member States therefore want to further increase cooperation with the world aviation community, through ICAO as well as bilaterally, with partner countries and with regional groups of countries, in order to further develop a safe, secure and sustainable international air transportation for the 21st century. In doing so, they want to underline the importance of regional cooperation and, where possible, regional organisation as an effective way to achieve this ambition.