

## **DfT EU Aviation Strategy Update since 15th January**

\* Working Groups on EASA have been progressing fairly well - for a detailed update, contact

[Duncan.nicholls@dft.gsi.gov.uk](mailto:Duncan.nicholls@dft.gsi.gov.uk)<<mailto:Duncan.nicholls@dft.gsi.gov.uk>> or [mike.alcock@dft.gsi.gov.uk](mailto:mike.alcock@dft.gsi.gov.uk)<<mailto:mike.alcock@dft.gsi.gov.uk>>

\* Tricia attended the Dutch Aviation Summit (a read-out is below, Item A)

Looking forward:

\* Working Groups on the Mandates start this Friday. We will let you know how these go in the next update.

\* We are beginning to consider MEP lobbying plans. If you would like to feed in to these, or are doing any MEP lobbying yourself, do let me know.

Also below is the read-out of comments at the engagement event on 15<sup>th</sup> January 2016 (Item B)

### **Item A**

<b>160201 Read-out from Tricia Hayes at the Dutch Aviation Summit 21-22<sup>nd</sup> Jan 2016</b>
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The summit – hosted by Dutch Infrastructure Minister Sharon Dijksma and headlined by Commissioner Violeta Bulc – included three set pieces – a morning conference with representatives from industry as well as Ministers and European Parliamentarians, an afternoon meeting in more conventional Council form, with heads of delegation and EP members, and the parallel launch by IAG, Easyjet, Ryanair, Air France and Lufthansa of the new Airlines for Europe airline trade association. In addition to the formal conference events, I also took the opportunity to have a tour of the Avsec operation at Schiphol and especially the scanner-focused central search process. The UK delegation was led by Robert Goodwill and we were supported by Tim Figures and Susan Hamilton from UKREP.

Overall I would say that it was an excellent event – well organised, well focused and with strong participation from all parts of the sector. Mrs Bulc will have gone home with a sense that her strategy has widespread if not massively enthusiastic support, but that the sector is more interested in delivery than further legislation. Industry representatives there were often split along airline and airport lines, which poses a challenge for finding a collective focus on measures to improve the success of the sector as a whole. Finally, it was clear that there is a long way to go on mandates, and still no clarity around the strategic approach to fair competition.

### **Launch of A4E**

This was a stellar event, with De Juniac (air France), McCall (EasyJet), Walsh (IAG), Spohr (Lufthansa) and O'Leary (Ryanair) sharing a platform to launch their new trade association. While the initial focus was on these big 5 companies, they said that they had written to all European airlines inviting them to join. In response to a question from the floor, they explained that governance/voting rights would be modelled on the UN Security Council.

The philosophy of the new association would be to work on those issues on which airlines were agreed, rather than those (eg Gulf competition) on which there were differences within the group. The key focus was on cost, with all of the immediate priorities on supply chain issues. A4E was calling for action on three fronts – airport charges (80% up in Europe's 21 largest airports over 10 years), air traffic management (with a specific proposal to require binding arbitration in advance of strikes, and to enable upper airspace to be managed by adjacent ANSPs for overflights in the event of a strike) and taxation (especially in the light of new tax proposals from Italy and Norway).

### **Conference panels**

The Conference opened with a presentation from the Commissioner on the key themes from the Aviation Package. In her presentation, Bulc summarised the package around four key priorities – external relations (a comprehensive set of mandates, and new guideline on unfair competition to be published in the first half of 2016); internal issues (improving competitiveness by finishing work on SES2+ – which she described as the single biggest competitiveness issue facing the industry); high standards (a unified approach to GMBM negotiations, proportionate safety regulation by EASA, drones, responsive risk based security); innovation and investment (drones again, SESAR, new guidelines to offer clarify on ownership and control).

There were then three panel sessions which looked in turn at the themes of regulation, connectivity and innovation. All the panels were a mix of industry and political leaders with Robert Goodwill participating in the first, alongside CEOs of Ryanair and Wizz Air, Ministers from France and Italy and the Michael Cramer the Transport Committee Chair from the EP.

Although all the panels had different remits, there were some common themes coming through from all the discussion:

- There was quite a lot of support for the contents of the Commission's package, but also a lot of scepticism about the prospects for implementation, especially at speed;
- In particular, there was a risk on several fronts that innovation at a technical level (digital, drones, SESAR) would not be matched by the kind of innovations on the form of regulations which would support successful deployment of new technologies;
- There was a consistent theme from the airlines (see the A4E read out above) about the need to address inequities in the supply chain, and in particular to reduce costs at airports.

- There was strong concern expressed by all airlines over the current situation on Air Passenger Rights, including from the floor from Tony Tyler (IATA) who described it as seriously damaging to Europe's connectivity;
- It was notable that it was really only Cramer from the EP who gave environmental issues a high profile in his remarks.

For the UK, Robert Goodwill set out a very clear pro-market position, referring to the work currently underway on the Government's holding of shares in NATs, and expressed caution about the idea of open ended mandates to negotiate new air services agreements.

### **Ministerial round-table**

Finally, industrial partners were invited to leave and the Ministers and MEPs had a more formal exchange of positions on the Commission's proposals (Robert Goodwill had to leave early, unfortunately, but had already made the UK's position very clear in his conference intervention).

Some of the key themes:

- A very wide range of views on mandates. The Commissioner was clear that she wanted as many mandates as possible as quickly as possible (and indeed outside the room Filip Cornelis brushed aside any suggestion that there were issues with the Commission's capacity to manage several dossiers at the same time). Several states cautioned a more staged approach, and noted the amount of work still outstanding from the earlier round of remits;
- A couple of countries sought the flexibility to maintain bilateral negotiations even after mandates had been granted;
- On priorities for mandates, quite a wide range of different views about how these should be set - from prioritising the most important trading partners (everyone had a different list but China was on almost all of them); to picking off some easy wins first;
- APR was mentioned frequently as an area in need of urgent attention;
- Several states used the phrase "level playing field" but it wasn't clear that they were all talking about the same thing;
- There was very wide support for the work on drones and on the EASA basic regulation more generally;
- Compared to the industry agenda, there was very little interest in airport charges and no-one expressed a view on the specific proposal for dealing with ATC strikes;
- Finally, the Parliamentarians present called on the Presidency to work with the UK and Spain to resolve the Gibraltar issue.

## Item B

### 160115 Read-out DfT Aviation Package Industry Engagement Event – 15<sup>th</sup> January 2016

#### **Going forward, we agreed:**

1. DfT will host another similar industry engagement event to take place in May or June 2016.
2. DfT will start sending a regular (monthly to begin with) update about progress on Aviation Package dossiers and other updates, and next steps and DfT engagement plans in the EU. We would welcome any information you have or updates from your own European engagements in return.
3. Following on from this event, DfT will consider the comments heard from industry and feed these into decisions on policy positions and European engagement plans. Below is, first, a summary of what DfT presented at the event; second, grouped under subject headings, is our record of comments we heard from the floor. If you feel anything you said has been missed off, please let [elena.lynch@dft.gsi.gov.uk](mailto:elena.lynch@dft.gsi.gov.uk) know.

#### **DfT presented:**

##### **Our overall view of the strategy & next steps**

- There is much we can generally support in it, and in some aspects it aligns very well with our overarching positions of supporting liberalisation, competition and growth, and Better Regulation principles. The strategy is, however, not very ambitious. We would have liked to see more on Airline Ownership & Control reform, for example, and other ways of increasing the competitiveness of the European aviation sector. We are also concerned about the overly protectionist proposals from other Member States, with regards competition from non-EU airlines, in particular those from the Gulf States.
- **EASA Basic Regulation revision:** We are supportive overall of most of the principles behind the proposal, but will be paying close attention to the finer details, in particular where EASA's remit is being extended into areas such as security.
  - To engage more closely on this revision proposal, you should contact [duncan.nicholls@dft.gsi.gov.uk](mailto:duncan.nicholls@dft.gsi.gov.uk) and [mike.alcock@dft.gsi.gov.uk](mailto:mike.alcock@dft.gsi.gov.uk) to join their industry engagements. For the drones proposal part of the Regulation, contact [paul.cremin@dft.gsi.gov.uk](mailto:paul.cremin@dft.gsi.gov.uk) and [louise.mathews@dft.gsi.gov.uk](mailto:louise.mathews@dft.gsi.gov.uk).
- **Mandates for new Air Service Agreements (ASAs):** Working Groups on these begin in February. We are carefully considering which are our priorities for mandates, given the resulting effective freeze in traffic rights that occurs once a mandate is given, and for the duration of any resulting negotiations. We will want to ensure our own bilateral ASAs with the

respective countries are suitably up-to-date before we agree to mandates (in order to enable ongoing growth in traffic).

- Key lead is [mark.bosly@dft.gsi.gov.uk](mailto:mark.bosly@dft.gsi.gov.uk) if you have further questions.

### **An update on Gibraltar**

- There has been no change to the current situation. Our ministers are firm that Gibraltar must be included in European aviation legislation, as stated by the Treaties.
- We remain ready to find a constructive way forward, but this will be a delicate process which is currently further complicated by the inconclusive results of the Spanish general election.

### **Record of comments from the floor**

#### **Overall Strategy**

The strategy as a whole is lacking:

- Consideration of how Europe's high standards increase costs for the European aviation industry vs. those of the competition from non-EU airlines. It would perhaps be interesting to see a comparison of what is the regulatory cost per passenger for EU and non-EU airlines.
- Proposals for increased liberalisation and competition in the aviation market. Currently only airlines are fully liberalised in the aviation supply chain. Steps to implement the liberalisation of ground-handling, ANSPs and TANS across Europe would, for example, be welcome.
  - Environmental protection measure proposals
  - Airport regulation proposals

On the strategy's overall approach:

- The Commission seem to be confusing "competition" and "competitiveness"
- The strategy is ideological, rather than seeking the best economic outcomes for Europe
- There is no analysis of the aviation strategies of Asia or America, or explanation of how this strategy will allow Europe to compete. Neither is there much detail on what Europe's relationship and plans for influencing at ICAO should be.

#### **Single European Sky (SES)**

- Industry would like to see progress on this dossier. The FABs just haven't delivered what they promised and the cost base is increasing – the German ANSP increased costs last year by 16%, for example. The Commission should look again at the methodology and transparency of calculating ANSP costs. Delays in the summer are affecting performance more and more.

#### **Environment**

- We should be encouraging quieter aviation. In the long-run, if we fudge environmental protection it won't help us.
- A counterview was also expressed by airlines in the room: whilst environmental protection is important, we need to be careful not to overburden the industry with more regulation that makes us less competitive again.

### **External Aviation Strategy**

- Attendees were generally supportive of DfT's approach to the mandates negotiations. Time limits to negotiations, or other ways of ensuring negotiations don't become overly lengthy, could be very useful.
- It is unclear what happens to charter growth during mandate negotiations, as some of these operations fall outside of Air Service Agreements.

### **Airport Charges**

- The revision of the Airport Charges Directive would make a difference to UK airlines in most parts of Europe, particularly with big, capital airports. Whilst airport charges are appropriately regulated in the UK, in Europe this is not the case. Most EU airports still apply a dual till charging system, for example.
- The Directive could also be better implemented, but the opinion from airlines was that the Directive would still need reopening.
- Spain has recently been infracted for its incorrect implementation of the Directive, but we need more transparency across Europe.
- The risk is losing UK flexibility with regards our regulation of airports if the Directive is reopened. The airports in the room would not want to see this change.
- **ACTION:** DfT ([ian.elston@dft.gsi.gov.uk](mailto:ian.elston@dft.gsi.gov.uk)) to find out more about what the Thessaloniki Forum is doing and what they are producing.

### **Slots**

- The "slots game" in Europe should not be underestimated and some elements of the Regulation do need to be fixed.
- We have been working on this Regulation for so long, that it may be tactically wise to continue pushing for progress on this in order to finish and complete.
- The Commission's draft of the Regulation is, however, badly done. The Parliament and Council Regulation drafts are much better.

### **EASA**

- The extension of EASA's remit into ground-handling is not supported universally, as some view it as unnecessary and potentially overly burdensome.
- Details are important in this negotiation, we need to carefully scrutinise all language here.

- We need a coherent vision of where we are going in terms of the division of roles between the national regulator and EASA.

### **Social**

- There is no link between safety and the way in which a pilot is engaged.

### **Air Passenger Rights (APR)**

- APR situation is at worst current state of play for airlines.
- Some Member States are using Gibraltar as an excuse. The UK should be pressing upon the Dutch to move forward with APR.
- There is concern that the in issuing new interpretative guidelines for APR following on from several ECJ judgments, the Commission will inadvertently set the new baselines for future negotiation.
- There is inconsistency between APR guidelines/ECJ judgments and what's in the travel package guidance.
- Would it be better if we froze negotiations on APR for six months/a year or should we begin again now?