

Information

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ASSOCIATION OF EUROPEAN AIRLINES: 'COST-RECOVERY PRICING OF AIR TRAFFIC CONTROL MUST GO'

Airline crisis highlights 'monopolistic' practices, says AEA

The Association of European Airlines, representing Europe's most important network carriers, has criticised as 'scandalous' the latest round of increases in the charges for air navigation services levied by national air traffic management systems. The 2010 price hikes, involving more than half the 34 Eurocontrol member states, come at a time when the industry is in the depths of the severest crisis in its history.

Next year's ATM charges are calculated by spreading a service provider's anticipated costs for 2010 over the projected traffic volume. The cost figure includes any 'losses' carried forward from the previous year, as well as each country's share of the Eurocontrol budget which, at about €700m annually, accounts for 8% of the total. It is normal for individual governments to scrutinise and approve the charges, and in some cases this oversight takes the form of regulation which imposes cost-efficiency standards, but this is the exception rather than the rule.

Said AEA Secretary General Ulrich Schulte-Strathaus: *"this 'cost recovery' system is enshrined in the conventions which bind Eurocontrol member states. It offers no incentive whatsoever to reduce costs and increase efficiency, neither on the part of national systems nor of Eurocontrol itself"*.

The unregulated cost-recovery system, he said, results in a wide variation in the unit rates levied across Europe as the less efficient service providers pass on their inflated costs to their airline customers. *"It is utterly anachronistic, reminiscent of the institutionalised protectionism which European airlines have left far behind. When the going gets tough for the airlines – and things have never been tougher than right now – they put their prices down, to keep their customers and to keep the cash flowing. To put prices up in the current business climate would be commercial suicide. But infrastructure providers do not behave commercially because they are not subject to the market, Only a monopoly can do this, and monopolies need to be adequately regulated"*.

A number of states, he said, have indeed taken steps to reduce their cost levels, and seven of the 34 have succeeded in setting unit rates below the 2009 levels. A number of others have agreed to freeze rates at the 2009 figure. *"We appreciate such efforts"*, said Mr Schulte-Strathaus, *"but this must not be a paper exercise to produce a*

nominal loss in 2010 which will be recovered the following year. The principle of cost-recovery pricing by infrastructure providers must go”.

AEA has repeatedly addressed ways and means of reducing the costs of the European air traffic management system without in any way undermining Europe’s high safety track record. “*Key improvements will be the rapid introduction of a Single European Sky and the proposed reform of Eurocontrol,*” said Ulrich Schulte-Strathaus. “*All the steps we advocate will improve efficiency of aviation, and therefore provide customers with more punctual services and less hassle, airlines with lower fuel burn, and the environment with reduced CO₂ emissions*”.

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Note to the Editor: The Association of European Airlines (AEA) brings together 33 European established scheduled network carriers. These collectively carry 366 million passengers and 7 million tonnes of cargo each year, operating 2,617 aircraft serving 662 destinations in 162 countries with 11,585 flights a day. They provide around 394,200 jobs directly, and generate a total turnover of €79 billion

- Adria Airways
- Aer Lingus
- AeroSvit
- Air France
- Air Malta
- Alitalia
- Austrian
- bmi
- British Airways
- Brussels Airlines
- Cargolux
- Croatia Airlines
- Cyprus Airways
- Czech Airlines
- DHL
- Finnair
- Iberia
- Icelandair
- Jat Airways
- KLM
- LOT
- Lufthansa
- Luxair
- Malev
- Olympic Airlines
- SAS Scandinavian Airlines
- SWISS
- TAP Portugal
- TAROM
- TNT Airways
- Turkish Airlines
- Ukraine International Airlines
- Virgin Atlantic Airways