

Speech

20 September 2006

‘Regulation – it’s a tough job, but somebody’s got to do it’

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Conference on Future of Aviation Regulation in Europe

European Commission, Directorate-General for Energy and Transport

Directorate F – Air Transport

Brussels, 20 September 2006

Vice-President Barrot, distinguished guests, ladies and gentlemen,

Firstly, may I say how much I welcome the opportunity to speak to you today. 2006 is proving to be a year of dialogue, more so than any other year for a long, long time. Actions speak louder than words, but words do a pretty good job when they are listened to, and today’s gathering is another indication to the stakeholders in air transport that our regulators are receptive to what we have to say.

Please allow me to focus my long list of expectations for the future on a few key requirements:

Firstly, we need to implement a Lisbon agenda for aviation. In so saying, I believe the mid term review of the White Paper is on track in the right direction. And once we have an efficient mode of transportation called aviation, it will be high time to likewise address the need to develop an integrated transportation policy by promoting intermodality and using the advantages each mode of transportation has to offer to the benefit of European consumers and European competitiveness.

Secondly, the “méthode à la Barrot” to seek consultation with the stakeholders should become a fundamental European principle. The constant balance between the policies of sovereign states, and their political vision to cede elements of that

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sovereignty to an over-arching entity, can only be maintained sustainably by institutionalising the dialogue between Member States and the EU Commission in particular. But the substance of the measures can best be evaluated by the industry concerned. This triologue between Member States, industry and the EU institutions should be fundamentally important to assess, for example, the way in which a level playing field can be achieved for the airline-airport relationship in Europe - whilst bearing in mind that airports operate in different national regulatory environments. The triologue is also of crucial importance in developing a sensible external relations policy which brings added value to the European aviation sector - without undermining the negotiating clout of either the EU Commission or the Member States.

This leads me to my third expectation. The European regulator should not seek to impose European policies on third countries. Within Europe, the triologue we advocate will ideally maintain a balance between European integration and sovereignty of individual governments. Such a mechanism does not apply internationally. Let me give two examples.

- Security is the first. The foiled terrorist plot at UK airports in August gave rise to the understandable discussion on which measures would need to be implemented to meet the newly identified risks. In Europe we have an interest to implement one standard so as to avoid confusion. Internationally, this standard cannot be imposed. We wish to avoid extraterritorial implementation of either EU or US measures, and instead require bilateral agreement between the EU and the third country that the standards of the other will be deemed compatible and justify a one-stop security policy.
- Or environment, as another example. European airlines, in fact the aviation sector in this part of the world, is proud of achievements to reduce fuel consumption and indeed to decouple additional capacity from additional fuel consumption rates. In that context, an environmental debate is necessary to secure the mid- to long-term competitiveness of the European airlines. But it should not be abused to impose taxes only on European airlines, or introduce an emissions trading scheme only for European airlines. And the European regulators should not believe they can impose an ETS globally. A European proposal to resolve the global environmental problem should be agreed upon globally. International issues such as these can best be resolved in the interests of the European industry if the European negotiators have a strong and united negotiating team.

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Having outlined the principles we should be implementing for aviation in Europe in the years to come, allow me to turn to the regulatory landscape required for such principles to flourish.

I take it that all presentations today will begin with a statement of the obvious: the current regulatory structure is a mixed bag of national, international, pan-European and Community authorities. Whilst it is equally clear this intrinsically complex plethora of administrative bodies follows a logic, AEA’s question is not: do we know why we have EASA, Eurocontrol, ECAC, the Commission, JAA and national bodies? Our question is: is the current landscape of regulatory bodies efficient, and able to deliver what the European industry requires? Our answer is: no. The European Single Market is shaping up. But the “mixed bag” of regulatory authorities seems to reflect the good old days when the European Union was but a long-term vision, and the aviation market completely fragmented.

So what is an efficient regulatory landscape for Europe?

First of all, it is one which functions at the lowest possible costs.

Imagine yourself as owner of a house, and you discover there is a problem on the ground floor. You ask for work to be done; after completion you discover that you now have state-of-the-art HiFi stereo cinemascope video CD installed in the first floor, which are great to have, but actually do not resolve the problems on the ground floor, and you have to pay for both – the lack of quality on the ground floor and the new equipment on the first. In our experience with regulatory authorities, they tend to follow internal constraints, but these translate into cost increases for the users.

- EASA is underfunded. This is academically understandable because from the first day of its existence the structure for fees and charges was based upon hypotheses with no viable benchmarks. But from an airline perspective it is not acceptable to resolve the problem by increasing fees and charges, and thereby increasing airlines’ costs for the same service.
- Eurocontrol is an inter-governmental body, the services of which are not subjected to strict cost containment.

But efficiency is more than cost control. Efficiency is a function of the combination of the lowest cost with the highest benefit.

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And “highest benefit” must be seen as expression of the extent to which an objective is reached. And what is that objective? Airlines deliver what is essentially a gate-to-gate operation. The key question, raised 10,720 times a day by the AEA members alone is: Once the doors of this hopefully full flight are closed, how do I get this aircraft from my departure gate in the quickest manner onto the straightest trajectory to its arrival gate without jeopardising safety or comfort with the least cost? In other words, air space users operating a flight in the single European market expect services which facilitate the operation of their flights. That is what “highest benefit” is measured against.

And a third feature underpins the notion of efficiency: regulatory bodies are the most efficient if they are embedded in a Community framework.

It does not make sense to create a Single European market, if that market is to be governed by a plethora of different regulatory bodies which work in parallel. In an ideal world, a Single market would need a single authority, which can avail itself, if needs be, of specialised agencies and of national agencies for purposes of uniform implementation of its framework provisions.

A significant step in the right direction is the SESAR project.

Its objectives are designed to provide for the efficiency gains I have just described. Its first step was to achieve a buy-in from all the stakeholders. That monumental task has been time-consuming, yes, but it did actually lead to a mutually shared new attitude and approach of all concerned – because of the buy-in. Stakeholders feel they can influence the process, they are convinced that that is the right way forward, because developments are being modelled which the industry considers would bring added-value, more efficiency and drive unnecessary costs of € 3 billion out of the current system.

But if SESAR is to remain operational for the next 14 years until 2020, then its structures may have to be modified. But again, the structures of SESAR have to rely upon the inefficient structures of the current regulatory landscape.

This leads me to turn to the consequences of that Community framework.

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In the context of an encompassing Community framework, the currently fudged responsibilities of the individual agencies would need to be clarified. We currently have the array of different agencies I alluded to before.

- Of course the airline sector needs one European safety agency with responsibilities for safety on the ground and in the air.
- And we need a body with co-ordinating functions which, many years ago, had been allocated to Eurocontrol, but seem to be somewhat fudged by now.

The difficulty with Eurocontrol is not the level of expertise; on the contrary, the expertise is undisputable and outstanding. The issue is whether this body of highly respected Air Traffic Management experts can and should deal with any issue somehow related to European air traffic management, or whether it must not be integrated into a Community framework as a specialised agency designed to accomplished clearly defined tasks not doable elsewhere with the same level of efficiency. It is of course the latter of these two options we opt for.

SESAR teaches us that, in order to achieve this, we require a clear and accepted industry involvement. I have lost count of how many suggestions were proffered by industry representatives as to how such an involvement could be achieved. Suffice to say here that we are grateful to farsighted leaders of the likes of David McMillan for likewise seeking to establish new avenues to achieve a better, more efficient, internal Eurocontrol structure, which in turn would facilitate the process of further focusing on the key issues.

A Community framework also requires a clear decision on the role of national regulators. This is easier said than done, given the structure of the European Union as a single market for 25 national sovereign states. Our main concern is that if we do not all see European integration as a process, we undermine the efficiency of its regulatory authorities. Worded differently: If the Member States, and the EU institutions, and the industry agree, then, by definition, we have the added value the European Union can provide to the European citizen.

Providing the right framework for global competitiveness of the European aviation sector is not an easy job, but somebody's got to do it, and we trust it will be done with skill, sensitivity and efficiency. AEA commits to assisting both the European and the national regulator whenever and wherever we can.