



# Towards a more resilient air sector: updating the regulatory framework

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# EU Aviation policy in perspective

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- Before the pandemic: sustained growth competition & connectivity
- Congestion in the air & on the ground (“capacity crunch”)
- Green Agenda (airports leading the way)
- After the pandemic: long-term financial impact & uncertainty
- Revenue weak & cash intensive recovery (“investment crunch” - revenues insufficient to cover airport investments until 2032)
- New competitive landscape (“airline hybridization” & market power)
- Connectivity weak & volatile (downsized airlines, reduced fleets)
- Pressures ahead (airline pricing, fuel costs, inflation, staff shortages, environmental costs & Fit for 55)
- Fit for 55 accelerating decarbonization (Destination 2050 initiative)



**Policies reversing Single Aviation Market must be redressed**

# Single EU Aviation Market fundamentals: Competition & Connectivity (1)

*Competition benefiting consumer choice and prices*

- **Between airlines (Air Services Regulation)**
  - > Market access - single EU operating license
  - > Pricing freedom – no *ex ante* principles
  - > Temporary derogations - licensing
  
- **Between airlines (Slot Regulation)**
  - > Level playing field – *ex ante* principles for access to congested airports
  - > Temporary derogations – slot waiver
  
- **Between airports (Airport Charges Directive)**
  - > Economic activity subject competition law (ECJ *Aeroports de Paris*)
  - > Level playing field – *ex ante* common principles for airports above 5mppa
  - > No temporary derogations
  
- **Between ground handlers (Ground Handling Directive)**
  - > Market access – third party suppliers (instead of airport and airline)
  - > Level playing field – no *ex ante* principles
  - > Temporary derogations – licenses & selection



# Single EU Aviation Market fundamentals: Competition & Connectivity (2)

*Connectivity (airports, routes & frequencies) for citizens and regions*

- To be provided by airports & airlines under market conditions

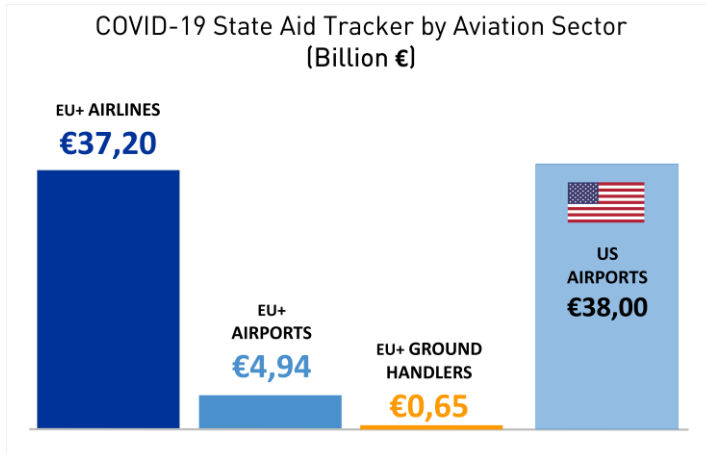
Where the market fails:

- **Support for unviable routes (Air Services Regulation)**
  - > Public Service Obligations (PSO)
  - > Temporary derogations: emergency PSOs
- **Support for unviable airports (Aviation State aid Guidelines)**
  - > Operating aid - airports up to 3mppa, phased out by 2024
  - > No temporary derogations



# ➔ Reversing EU Single Aviation Market?

- **State aid limitations:** no compensation of historic losses – needed to safeguard future investment & fabric EU aviation ecosystem



**FINANCIAL TIMES**

Deutsche Lufthansa AG

### Lufthansa chief says €9bn bailout larger than needed for survival

Rescue package aims to cement group's position as 'German global champion', admits Carsten Spohr

- **Slot waivers:** freezing capacity & preventing new entrants – needed for adjusting to new competitive landscape & recovery

**FINANCIAL TIMES**

Opinion **Wizz Air Holdings Plc**

### Wizz Air takes on the airline zombies created by state aid

Problems among competitors are opportunity for low-cost carrier to spend on expansion

### Why Wizz Air's CEO Thinks Slot Waivers Are 'Nonsense'

BY JOANNA BAILEY  
PUBLISHED SEP 29, 2020



## Updating the regulatory framework?

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- Restore the EU Single Aviation Market fundamentals
- Twin challenge of recovery & decarbonization in a changed competitive landscape





# Airport Charges Directive

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## *Restore balance sheets & Revenue generation capabilities*

- Airport Charges = User Pays (ICAO principle)
- No regulatory measures adopted during pandemic
- Smooth recovery historic losses recognized by Thessaloniki Forum
- Enable airports to compete as business in own right – not instruments of airline subsidization
- Keep regulation local & national
- **NO REVISION OF AIRPORT CHARGES DIRECTIVE**



# Slot Regulation

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*Ensure optimal use of airport capacity in new economic context*

- Slots = allocating scarce resources at EU congested airports
- Slot waivers adopted during pandemic – inefficiencies, foreclosure
- Need to preserve & promote competition recognized by Slot Coordinators
- Enable airports to plan capacity and develop quality connectivity – slots are not commercial assets of airlines
- Improve regulation of new entrants & return of unused slots
- **SLOT REGULATION NEEDS REVISION**





# Air Services Regulation

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## *Strengthen the fundamentals of EU Single Aviation Market*

- Market access = freedom to operate & provide connectivity
- Temporary derogations adopted during pandemic – limited use?
- Need to increase market access & connectivity, balanced environmental criteria
- Enable airports to provide connectivity
- Improve ownership & control, connectivity support (PSO, incentive scheme), environmental criteria
- **AIR SERVICES REGULATION NEEDS REVISION**





# Ground Handling Directive

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## *Ensure efficient airport operations*

- Market access = freedom to operate & provide services
- Temporary derogations adopted during pandemic – limited use?
- Balanced market access, but concerns about quality & social conditions ('race to the bottom')
- Greening of ground handling operations essential for decarbonization of airports. Fit for 55 impacts ground handling.
- EASA rulemaking on ground handling ongoing.
- Improve airports' ability to set quality, social & environmental standards – all possible within current market regime
- **NO IMMEDIATE REVISION OF GROUND HANDLING DIRECTIVE WITHOUT ROBUST SOCIAL & OPERATIONAL CRITERIA**



## State Aid

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*Public support to repair the fabric of the aviation ecosystem & connectivity serving regional coherence*

- Compensation for Damages = best way to remedy impact pandemic, especially after Temporary Framework
- EC recognized need to prolong Aviation Guidelines, with increased thresholds for operating aid after 2024 (airports up to 1mppa)
- More flexibility airline incentive schemes & green investments.
- GBER must be adjusted immediately due to uncertainty
- **COMPENSATION FOR DAMAGES TO RESTORE AIRPORTS' ABILITY TO INVEST IN CAPACITY & DECARBONIZATION**
- **AVIATION GUIDELINES PROLONGATION WELL BEFORE 2024**





# THANK YOU

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