

# Air transport

## New Regulation on Single European Sky charging to make flying cheaper and more performing

The European Commission adopted on 16 December 2010 a new Regulation on the charging of air navigation services costs<sup>1</sup>, which marks another major step towards a truly performing and sustainable Single European Sky.

This charging Regulation puts in place the financial dimension of the performance scheme adopted on 29 July 2010. It will enable the cost efficiency improvements and the incentive schemes for air navigation service providers and airspace users foreseen in the performance Regulation. There is considerable room for improvement in Europe considering that the United States handle twice the number of flights as Europe for approximately the same total costs of some €8 billion euros per year.

### Increased cost-efficiency:

The EU-network targets, against which Member States will have to establish their own performance plans at national or regional level, aim to stimulate air navigation service providers to achieve cost-efficiency gains for in real terms an estimated €340 million worth of savings for airspace users over the period until 2014. Under the new performance targets, the European average unit cost will decrease from 59.29 euros per service unit in 2011 to 53.93 euros per service unit in 2014.

The charging Regulation will make sure that this target is achieved by a mechanism of risk and opportunities sharing which replaces the automatic full cost recovery system that had prevailed for several decades.

Under the previous system all costs increases were automatically added to the cost bases and charged to users, without any possible control except of legal compliance. Furthermore the losses incurred by air navigation service providers because of traffic decrease were automatically carried over to airspace users in the following year. This created a vicious circle when reduction in traffic during years of crisis automatically led to an increase in tariffs, exacerbating the already difficult financial situation of airlines.

On the other hand, any profit made by air navigation service providers due to good management and cost control had to be returned to airspace users. The air navigation service providers had no possible reward for good management.

This vicious circle is now broken: Member States and air navigation service providers set in advance their "determined costs" in real terms, and these are capped for the duration of the performance reference period. Good cost control may generate profit that will be kept by the air navigation service provider. If traffic is above or under forecasts, the difference in revenue, positive or negative, will be shared in a fair manner between airspace users and air navigation service providers.

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<sup>1</sup> Amending Commission Regulation (EC) No 1794/2006 laying down a common charging scheme for air navigation services and published on 17 December 2010 (OJEU L333 page 6)

Incentives on air navigation service providers and airspace users to support improvements in the provision of services or reduction of the environmental impact of aviation:

The charging Regulation creates the possibility for Member States to approve incentive schemes consisting in financial bonuses or penalties according to the performance of their service providers in the domains of capacity, delays or environmental performance.

They will also be able to offer incentives to airspace users to encourage them to reduce the environmental impact of flying, maximise the use of the available airspace e.g. through using less congested routes or times of the day, or invest in state-of-the-art technology that will allow safer and more punctual flights.

This Regulation is an essential element of the Single European Sky package, aiming at offering to air travellers a more punctual, greener, and cheaper mode of transport with a maintained or even enhanced level of safety.

The second Single European Sky package (*Regulation (EC) No 1070/2009 of 21 October 2009 of the European Parliament and of the Council amending Regulations (EC) No 549/2004, (EC) No 550/2004, (EC) No 551/2004 and (EC) No 552/2004 in order to improve the performance and sustainability of the European aviation system*) and the performance Regulation can be accessed at:

[http://ec.europa.eu/transport/air/single\\_european\\_sky/ses\\_2\\_en.htm](http://ec.europa.eu/transport/air/single_european_sky/ses_2_en.htm)

## FACTS AND FIGURES ON THE EUROPEAN SKY

### Today

- European Aviation market : a €140 billion business in 2006
- +/- 150 airlines
- 730 million passengers in 2006
- 1,000 airports
- 25,000 aircraft on average per day
- 1,000 air traffic control sectors
- 12 traffic bottlenecks account for 80% of delays
- Air traffic control/management costs €8 billions for 9 millions flights per year
- Airlines incurred €9 billions losses in 2009 because of the crisis
- The volcanic ash cloud crisis costed airlines some **€1.26 billion** in a week
- In 2007, delays generated an additional €1.3 billion of costs to airlines.
- Flight inefficiencies generate substantial additional fuel burn – estimated at more than €1 billion per year - and generate some additional 16 million tonnes of CO<sub>2</sub> per year.

### Tomorrow

- Reduce the cost of flying by 50%
- Decrease the environmental impact of flights by 10%
- Allow continuous increase of capacity while reducing delays
- Further enhance high level of safety
- De-fragment European airspace by creating nine Functional airspace blocks
- Improve performance of air navigation services with regard to safety, environment, cost-efficiency and capacity
- Establish a single authority to manage the European network, in order to allow optimum use of airspace and allocate scarce resources.