

## **ACI EUROPE RESPONSE**

### **Consultation: Report of the High Level Group on the extension of the main Trans-European transport axes to the neighbouring countries and regions and the way forward**

Airports Council International (ACI) is the only worldwide professional association of airport operators. ACI EUROPE represents some 450 airports in 45 European countries. Member airports handle 90% of commercial air traffic in Europe, welcoming over a billion passengers each year.

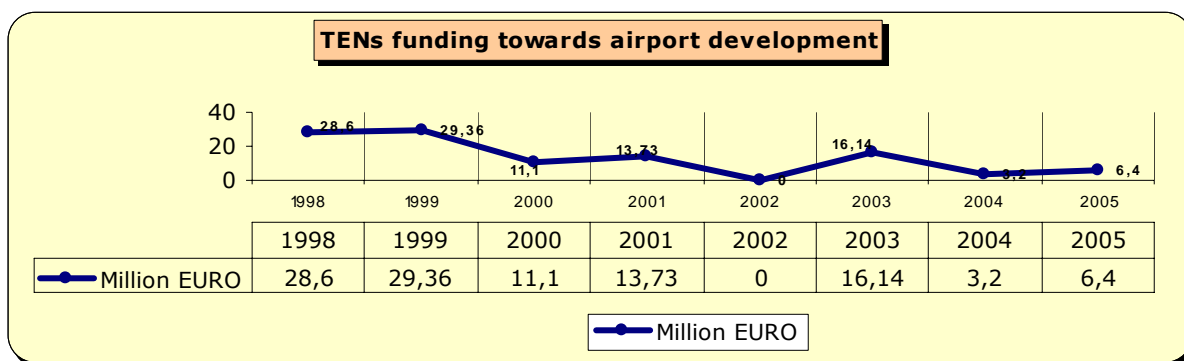
#### **GENERAL COMMENTS BY ACI EUROPE, 8 March 2006**

1. ACI EUROPE welcomes the opportunity to contribute to the consultation on the extension of Trans-European axes, which are crucial to a more adequate and better-targeted development of the Trans-European Networks.
2. ACI EUROPE welcomes the initiative of extending the main Trans-European transport axes to the EU's neighbouring countries and regions. With the EU enlargement of 1 May 2004, it appeared necessary to revise the geographical focus of the trans-European networks and take new Member States as well as neighbouring countries into consideration. The mutual benefit to the European Union and neighbouring countries is obvious.
3. However, ACI EUROPE believes that the document does not take air transport into sufficient consideration in the light of the vital role it plays in today's world and its contribution to the economy.
4. Furthermore, air transport appears as one of the most appropriate modes of transport for the new regions included in the extended axes, since it is best able to connect such regions to the rest of Europe in a reasonable period of time. Air transport clearly favours integration, especially with such long distances and remote areas. It is therefore regrettable that the extension of the main axes omits mentioning airports on 4 of the 5 axes and only refers to one airport project in Jordan.
5. ACI EUROPE advocates a better targeting and mapping of airports that require better access – especially for regional airports – or that are crucial for the economic development of some specific regions.

6. In addition to the responses below, ACI EUROPE highlights the following general points:

**TENs infrastructure investments** - Since the 1996 TENs-T guidelines were adopted, the majority of financing allocated to the air transport sector has gone to projects aiming to enhance air traffic management, rather than those aiming to develop airport facilities. Only a very small proportion of the TENs-T funding has been allocated to airports. Typically, Europe's airports received around 5-6% of the total TENs-Transport budget. However, the tendency for the airport industry to be marginalised in the allocation of TENs-T financial aid has worsened in more recent years. In 2005, airports received 3.8% of the total TENs-T funding (see table below for the evolution between 1998 and 2005). This unfair policy is unfortunately implemented by some national governments. Train travel is far more subsidised than air travel. Giving even more financial incentives to transfer traffic from air services to train services will only increase this imbalance.

The following table illustrates this evidence:



Source: European Commission

**Relationship with other modes of transport** - The High Level Group report refers mainly to rail networks. Substitution of air transport by high speed rail or sea motorways is by no means appropriate in all circumstances. Complementarities between the different modes of transport require a neutral, market-driven approach by the European Commission. ACI EUROPE suggests defining a comprehensive long-term strategy in order to ensure that airport development and investment go ahead where it is needed.

**Intermodality** - ACI EUROPE advises that the development of new networks and infrastructure in the extended axes takes into account intermodality programmes. Intermodality infrastructures should from the start be integrated into projects initiated in the newly defined axes. As explained in the main EU studies on intermodality, strong regional disparities exist in the development of intermodality for passenger transport. In most countries intermodality has not been a focus until a few years ago. The extension of the Trans-European networks could be an opportunity to promote intermodality beyond European borders.

**1. Do the five main transport axes highlighted in the High Level Group (HLG) report, in your view, represent the main axes for international traffic and what you add/delete, if given the opportunity and why?**

ACI EUROPE approves the definition of five major trans-national axes with the aim of focusing on investment within these axes. ACI EUROPE particularly welcomes the initiative of integrating the networks of the new EU Member States and interconnecting them with the existing ones. This initiative should enable an exchange of best practices and help neighbouring countries to find ways of financing projects (through national co-financing, EIB, EBRD and PPPs). It is essential to ensure that the EU's neighbours invest in an efficient way and promote the linkage of internal networks between their respective countries.

**Axes and airports: Under-representation of airports within the axes and the Pan-European corridors** - All five axes described in the High Level Group report do in fact represent major axes of international traffic. However, ACI EUROPE regrets that this report makes very little reference to air transport, except regarding one airport project on the South Eastern axis and the extension of the Single European Sky principles to neighbouring regions.

Similarly, the Pan-European Corridors included air transport in Corridor IV only, and just started developing an airport cadastre with airports located in the corridor while rail, road and sea motorways have long been defined. Except for the Malpensa project and the Lisbon study, no Trans-European network priority project has concerned airports since the TENS' creation.

According to the map showing « Major trans-National axes and Motorways of the Sea ports », airports are completely absent. Similarly to Pan-European corridors, it seems that air routes are very little represented. This is all the more surprising since the extension of the Trans-European network is also synonymous with longer distances and access to remote regions, where air transport is logically better adapted. Furthermore, new Member States and neighbouring regions are developing rapidly, facing massive demand and even traffic congestion. According to IATA, during the years 2005-2009 the number of flights in Poland will grow by 11.2 % annually – the fastest development pace in the world, even more than in China; followed by the Czech Republic as the third.

**Economic benefits of air routes** - Air transport in new Member States as well as in the EU neighbouring countries plays a decisive role in economic growth.

In 2004, York Aviation, a specialist firm of air transport consultants for airports and government agencies, launched a study entitled '**The social and economic impact of airports in Europe**'. This comprehensive research highlights the key role played by European airports in boosting regional accessibility and social expansion, driving tourism development, and serving as national and regional economic motors.

Using the most recent data collected from a wide range of small, medium and large airports across Europe, key findings from the study include:

- Total on-site employment at European airports was around **1.2 million** in 2001 creating some **1000 on-site jobs** per million passengers per annum. For every on-site job, another **2.1 jobs** are created indirectly or through induced effects in national economies. This means that once direct, indirect and induced employment is factored in: **for every million passengers - European airports support around **2,950 jobs nationally; 2,000 jobs regionally; or 1,425 jobs sub-regionally****.

- Access to markets and external and international transport links are regarded as “absolutely essential” to enterprises making location decisions. Large airports are seen as **fundamental national economic motors**.
- Regional airports are equally important to their local and national economies. In addition, **in remote regions airports and air transport fulfil an essential social function**, often connecting communities to key services, such as hospitals and further education.
- Research indicates that failure to provide increases in airport capacity could cost between **2.5% and 3%** of national or regional GDP respectively.
- For the EU as a whole, tourism accounts for **5% of total employment** and GDP – airports and air services are vital in making this possible as evidenced in the Spanish and Greek Islands. The advent of low-cost carrier services is also accelerating the development of tourism in many places.
- The **social and economic importance** of air transport in Europe grows with enlargement of the EU.

**Public-Private partnerships (PPP)** – The profile of airports has changed a lot in recent years. In the same way as public service providers do, airports tend to be increasingly partly or completely privatised.

ACI EUROPE is favourable to the involvement of public-private partnerships in the Trans-European network projects, as well as the need for transparent and clear public procurement legislation. Regional workshops appear as a good opportunity for exchanging best practices and experience.

Private investors are attracted by profitable business, and aviation does correspond to this requirement.

**Development of access to the airport and link to railway axes** - ACI EUROPE puts the emphasis on intermodal projects providing easier airport access. Such projects should create a link between the city and the airport and facilitate the access to the airport in a short journey. They have proved successful and represent an option of intermodality that should definitely be considered seriously, especially in new Member States and in neighbouring regions that have poor airport accessibility.

A special targeting of airports requiring such links should take place. It should concern airports badly connected to cities or located in remote regions such as regional airports.

## **2. The HLG report outlines a number of measures, on so-called horizontal issues. Are these the most important ones and do the recommendations made by the Group help to solve the problems?**

**Extension of the Single European Sky** – ACI EUROPE welcomes the extension, where appropriate and justified by traffic demand, of the Single European Sky framework to the neighbouring regions on a voluntary basis. Ideally, the Single European Sky should encompass the airspace of all EUROCONTROL member states; new areas of co-operation and the development of functional airspace blocks or even new ATM systems are welcomed as first steps.

However, infrastructure capacity constraints and necessary development must be addressed in parallel to avoid that the benefits from the Single European Sky are diminished by congestion at and around airports.

**European Common Aviation Area (ECAA) Agreement** - With the current negotiations on an Agreement on a European Common Aviation Area (ECAA), the EU and the air industry are already going in the direction promoted in the High Level Group report. Once entered into force, the ECAA Agreement will contribute widely to the political and economic integration of the South-Eastern European Region. It will provide a regulatory framework and create a single air transport market with high standards of aviation safety and security, environmental, social and consumer protection. This could help the development of air transport in the South Eastern axis. Once the market is liberalised through bilateral agreements, airport infrastructure must be adequate to meet demand.

Involved in these negotiations are: Albania, Bosnia and Herzegovina, Bulgaria and Croatia, the former Yugoslav Republic of Macedonia, Iceland, the Kingdom of Norway, Romania, Serbia and Montenegro and the United Nations Interim Administration Mission in Kosovo. The signing of the Agreement is scheduled for mid-May 2006.

In the same vein, the current negotiations on an agreement between the European Community and Morocco constitute a reference in Euro-Mediterranean aviation relations. The open skies agreement was signed on 14 December 2005 in Marrakech and it is expected to come into force in 2006. Morocco is the first non-European country to conclude such a global air transport agreement with the EU. This initiative goes in the same direction as the extension of the TENs' axes and will be an opportunity for airports to develop in the South Western axis.

**One-Stop Security** – ACI EUROPE welcomes practical measures cited in the HLG report like the fact that customs authorities commit themselves even more to implementing the electronic concept of «one-stop office».

Europe's air transport industry supports the objective of establishing an area of One Stop Security within the European Union, whereby passengers, baggage, cargo and aircraft, having undergone the necessary security controls at one EU airport, need not repeat these security controls when transferring through another EU airport. This goal is now possible due to the establishment of common EU rules in aviation security. A reference to One Stop Security across the territories of the European Union should feature more prominently in EU legislation. Furthermore, providing for the opportunity to negotiate recognition agreements with third countries concerning aviation security measures is essential in order to expand One Stop Security beyond the European Union's borders. The air transport industry supports the harmonization of aviation security measures.

**Aviation security** – ACI EUROPE urges law enforcement agencies to share intelligence with each other and, when such intelligence concerns a threat to civil aviation, to promptly share the information with airport operators concerned.

ACI EUROPE considers that more stringent measures should only be introduced in response to specific terrorist threats identified by the Member State authority through risk assessment. The introduction of more stringent measures contradicts the goals of harmonising aviation security measures across the European Union and of establishing a One Stop Security area. Any additional deterrent or preventative security measures henceforth required by the Member State must be concluded in full consultation with the airport operator and the Member State concerned must pay for the additional security measures as part of the government's national security duty to protect its citizens from acts of terrorism.

Security must secure facilitation processes, not paralyse them, and national authorities should be consulting with their industry partners in the design and implementation of security measures.

ACI EUROPE welcomes the High Level Group's condition that the EU will only finance projects, which have benefited from security audits; should these audits show that there are security concerns, security plans shall be established, approved and financed by the beneficiary countries prior to the first disbursement.

**Simplification of procedures for inbound passengers on international flights –**

The inspection of arriving passengers on international flights should be limited to passport examination. A sufficient number of immigration officers should be available and visa waiver arrangements should be extended to the maximum number of countries possible.

Where appropriate, separate immigration channels should be established for nationals and aliens in order to speed the flow of passengers through controls and minimize congestion.

**Elimination of outbound passport and customs controls –** If departing passengers have to present their travel documents, their movement can be facilitated by providing separate channels for nationals and aliens. In accordance with ICAO Recommended Practice 3.21, no supplementary identification information to that contained in the identity document should be required.

Such measures would facilitate the movement of passengers and their baggage, reduce delays of departing aircraft and would permit the simplification of layout and routings within airport terminals. These should not only be applied between the EU and its neighbours but also between the neighbouring countries themselves.

**Simplifying passenger travel (SPT)** - The SPT project aims to apply technology to simplify and streamline the passenger travel process and border controls while reducing costs. It helps improve aviation security, make the transport system more efficient and make better use of existing airport space and resources.

Strategies of the SPT project are to re-engineer the entire passenger journey, using and updating ongoing programs such as e-ticketing and self-service check-in; catalyse industry change through promotion of these concepts; consider the entire passenger journey; promote benefits of cooperation, both internationally and between government and industry, to find collective solutions; ensure international standards are established, where necessary; partner with other groups engaged in related areas, etc.

Typically, procedures related to the facilitation of passengers must be developed on an international level to allow for the standardization of documentation and handling methods. Governments should also encourage the development of international communications networks allowing for the transmission of data between governmental agencies within a country and between countries.

This project goes in the same direction as the objective the High Level Group to develop of Electronic Data Inter-exchange systems (EDI) in the various neighbouring regions.

**Infrastructure development in addition to ATM projects** - Problems caused by traffic growth and capacity constraints cannot be solved solely by developing functional airspace blocks or enhanced ATM systems. While the High Level Group report focuses on ATM development, the emphasis should also be put on the development and the optimisation of infrastructure in order to face an increase in traffic due to the extension of the aeronautical route network.

**SES-SEE initiative** - ACI EUROPE welcomes the establishment of a working group focusing on a functional airspace block approach in the South East of Europe (SES-SEE initiative). ACI EUROPE will inform airports located in this region of the extension of the Trans-European networks and will encourage them to participate in the implementation of the initiative.

**3. Financing transport investments is a headache. How can the implementation of the axes and horizontal measures be best financed? What could be the role of the private sector and the user charges?**

**Need for new infrastructure to meet the traffic growth** - Europe is expected to have 2 billion air travellers a year by 2020. The implications are clear. Delays, congestion and poor service standards could be the major consequences, especially at main airports. 60 airports in 20 years time would be seriously congested due to the increased demand in traffic. ACI EUROPE, in close cooperation with other bodies such as Eurocontrol, is assessing best practices and methods to optimise the use of existing capacity. However, new runways and new terminals are a necessary step to accommodate future demand. This will also apply to new Member States (and other States aspiring to membership), since many have insufficient capacity to deal with the level of aviation growth.

**Financing airport infrastructure is finding the right mix between private investment and other sources of funding** - According to ACI World data<sup>1</sup>, European airports are expected to spend in excess of US\$10 billion annually over the next decade. From 2003 to 2005 alone Europe’s airports invested over US\$36 billion. This is particularly true at Europe’s main airports: as shown in the table below:

<b>Planned investment</b>	
<b>- Major new &amp; recent airport projects</b>	
<b>(&gt; US\$ 500 million)</b>	
▪	<b><u>BAA:</u></b> €11.7 billion (£8bn sterling) over 11-year period 2003-2014 <ul style="list-style-type: none"><li>○ Terminal 5 – approximate cost €6bn</li></ul>
▪	<b><u>Frankfurt:</u></b> €4.5bn <ul style="list-style-type: none"><li>○ CargoCity South expansion;</li><li>○ T3 expansion;</li><li>○ Fourth runway (2009); and,</li><li>○ Third terminal (2015).</li></ul>
▪	<b><u>Paris:</u></b> €2.4bn (2000-2004) and €2.5 (next 5 years)
▪	<b><u>Schiphol:</u></b> €3bn <ul style="list-style-type: none"><li>○ Current terminal &amp; runway projects until 2007; and,</li><li>○ Complete 5th runway.</li></ul>
▪	<b><u>Rome:</u></b> €2.4bn
▪	<b><u>Madrid:</u></b> €2bn

<sup>1</sup> The ACI Annual Airport Economics Surveys 2004 and 2005 showed that European airports spent US\$11.2 billion in 2003; US\$12.4 billion in 2004; and US\$12.8 billion in 2005 alone.



Obtaining permission and investment funds confronts airport operators with economic and environmental challenges. Assuming that the aviation industry can meet the environmental challenge, airport operators have to finance the infrastructure of tomorrow, without State aid and in compliance with the general EU competition rules. In this respect the role played by private investors is increasing significantly. Private investors, however, will be never attracted by an industry which is over regulated. Without an adequate return on capital employed, an airport will not be able to self-finance and therefore unable to meet traffic growth. Reducing airport investment returns further by forcing airports to use commercial revenues to subsidise airlines is unacceptable, and will jeopardise future investment in European airports.

Furthermore, regardless of the financial power of the private investor, the airports can be viable business only if they find adequate sources of financing from aeronautical and non-aeronautical business. Today infrastructure projects are intended to be mainly funded by airport charges that in Europe are regulated in one form or another but tend to be too low for infrastructure development. An ACI study (Airport Economics Survey-2005) shows that user charges have remained remarkable stable over the past 25 years, amounting on average to 4% of the airline operating costs. In a competitive environment, the level of airport charges should be related to the full infrastructure costs of investment program and airport operations (operating costs, capital costs and overheads).

In order to maintain and develop competitiveness in the aviation sector, the EU needs adequate airport infrastructure. Institutional bodies must recognise that fact and create the conditions for growth in compliance with a level playing field.

**4. For the implementation and coordination of the recommended actions, the report calls for either a memorandum of understanding or an international agreement - do these help to achieve the objectives? If not, how would you ensure the implementation and coordination of the actions?**

In order to ensure the good implementation and coordination of the recommended actions, memoranda of understandings appear as a good solution. These can be complemented by national action plans.

In addition, it is important to have one Secretariat per axis that coordinates and guarantees the good functioning of the projects on each axis. Pan-European corridors should be integrated into the five axes and the Steering Committees should be merged into the Secretariats of the different axes. A central managing body for all five axes should also be set up.

**5. The Group has envisaged integrating the existing agreements and memoranda of understandings into a coherent framework. Should an international treaty be envisaged for this?**

ACI EUROPE recommends simplified memoranda of understandings and agreements referring to the existing agreements.