

Position paper

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ACI EUROPE position on the revision of Decision No 1692/96/EC on Community guidelines for the development of the trans-European transport network (TENs-T)

Introduction

1. Europe's airports play an increasingly significant role in the functioning and the development of the trans-European transport network. On the eve of the enlargement of the European Union, the vital importance of airports to Europe's transport system, in providing multimodal facilities for intra-European and inter-continental transport, will become even more apparent. In order to fully harness these benefits, it is imperative that the revision of the trans-European transport networks guidelines adequately addresses the needs of the European airport industry.

2. This position paper is a response to the European Commission's consultation paper on TEN-T (trans-European transport networks) which emerged from the High Level Group report, chaired by the former Vice President of the European Commission, Mr. Karel Van Miert. It also serves to reflect the general position of Europe's airports on the proposed revision of Council Decision No 1692 on Community guidelines for the development of TENs.

ACI EUROPE's position

While Europe's airport industry supports the objectives¹ of existing TENs guidelines, it considers that **a comprehensive revision of these guidelines and increased funding for airport-related projects from the TENs-T budget is necessary in order to address:**

- the **imbalance in the proportion of TENs financing** allocated to each of the modes of transport² at the expense of air transport;
- the need to better harness the substantial **economic and social benefits** that airports bring to the economy, the regions and the communities they serve;
- the need to better **integrate** the transport networks of the new EU Member States by modernising their airports;
- the need for airports' to receive **a greatly increased allocation of TENs financing for infrastructure projects** (the reality is that European airports struggle to finance these projects out of their aeronautical and non-aeronautical

¹ Article 2 of Decision No 1692/96/EC on Community guidelines for the development of the trans-European transport network

² Article 1(3) of Regulation (EC) No 1655/99 states: 'The funding for transport infrastructure projects throughout the period should be used in such a way that at least 55% is devoted to railways (including combined transport) and a maximum of 25% to roads'.

revenues).

- the **scarcity of airport capacity** in the face of current and future demand for air transport services and environmental concerns;
- the need to enhance the role of **regional airports** by their integration into the trans-European transport network; and
- the accessibility of airports by **surface transport** (intermodality and interoperability).

The role of Europe's airports

3. Airports, not only form a key part of Europe's transport network, but make a significant contribution to the European Union's social and economic prosperity. ACI EUROPE's 1998 study on the social and economic impact of airports ('Creating Employment and Prosperity in Europe') reveals that for every one million passengers passing through an airport, 4,000 jobs are created by the airport's direct, indirect, or catalytic impact on employment in the surrounding community.

4. Locating in an area served by good communications is strategically important for business enterprises. The vicinity of an airport plays an essential role in this decision, representing a means of wide, convenient, and rapid access to markets (domestic and international), the underlying goal being driven by the need to be competitive by maximising market opportunities. This demonstrates the ability of an airport to act as a catalyst for generating employment and attracting investment, beyond the services directly or indirectly required for the airport's operation. ACI EUROPE's study concluded that 1,800 jobs for every one million passengers passing through an airport are created by an airport's catalytic impact.

5. As well as the benefits brought by stimulating employment, a further contribution made by airports from the social perspective is the vital role they play in linking communities. Air transport has an unrivalled role in providing a means of rapid passage across long distances to connect communities and facilitating, for the consumer, what has become a basic right: the freedom to fly.

TENS-T financing: historically poor allocation to airports

6. The TENS budget for the period 2000-2006 amounts to €4.6 billion, of which €4.2 billion is allocated to transport projects. Given the significant budget allotted to transport projects and the vital role Europe's airports play in the development and operation of the trans-European transport network, airport operators wish to see financing opportunities made available in a balanced way between the different transport modes.

7. 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.

8. In 2000, for example, of the €580.7 million of funding provided in order to support a total of 99 TENs-T actions, airports received only €11.1 million, which is equivalent to just 1.9% of the budget allocated for that year. The situation remained unchanged in 2001, when the Community granted €13.7 million under the TENs-T programme for eight selected actions for airports. **The European airport industry did not receive any financial support from the TENs-T budget in 2002.** Furthermore, at national level the airport industry receives very little financial support in comparison to other modes of transport, such as rail and road, which are considerably subsidised. This situation is unacceptable. Europe's airports require a much more positive approach for providing financial aid imperative to the construction of an efficient airport infrastructure.

9. The eligibility criteria specify that the allocation of TENs-T funding must be restricted to projects of 'common interest'. The Annex of the TENs guidelines details the relevant specifications for a project of 'common interest', stating that projects must aim either to optimise the existing airport capacity, to develop new airport capacity, to improve protection against nuisances generated by airport activities or to improve or develop airport accessibility. **These specifications clearly cover the majority of airport infrastructure projects undertaken in Europe.**

10. ACI EUROPE emphasises that the trans-European networks guidelines and budget must adequately respond to the needs of airports in order to maintain and promote the substantial economic and social benefits that the airport industry generates. The financing made available to Europe's airports must be increased in proportion to the significant contribution that airports make to the economy, in terms of stimulating employment and attracting inward investment, and to the social prosperity of Europe. This is especially necessary in the current time of crisis for the industry.

EU enlargement

11. ACI EUROPE calls upon the European Commission to more actively support the EU's new Member States from the Central and Eastern European countries through the adequate financing of TENs-T projects.

12. This assistance is critical as we approach the eve of the largest expansion of the European Union. A balanced integration between facilities in the current EU Member States and the new Member States is key to the success of EU enlargement. If airport-related TENs-T projects in these countries remain underfunded, the process of EU integration risks simply highlighting an imbalance between the economies of the EU Member States and those in the new accession countries. Simply put, airports in the new EU Member States must be adequately funded in terms of TENs-T financing to fully leverage the social and economic benefits delivered by efficient airport management in these countries.

Developing airport capacity

- in response to demand by users

13. Despite recent events impacting negatively on the air transport industry worldwide, airports forecast (over the next twenty years) a 3.8% average annual growth in passenger traffic and a 4.5% increase in freight in comparison with 2001 figures³. These figures not only demonstrate the rising demand for air transport as a means of facilitating the passage of people and freight across Europe and beyond, but they also underline the importance of developing Europe's air transport infrastructure

³ "ACI Worldwide and Regional Forecasts, Airport Traffic: 2002-2020, ACI World Headquarters April 2003.

in order to ensure adequate capacity for the provision of these air services. By responding now and planning for the future, the current congestion problems inherent at certain European airports, can be reversed at those airports affected and avoided at other airports.

- in response to congestion

14. Congestion arises due to the airport's inability to meet the demand of its users. Airport operators must be able to satisfy this demand by providing facilities when and where required. Because air transportation services provided by one airport are related to the services supplied by other airports (notably in the 'hub and spokes' system), delays at one airport have adverse effects on the movement of passengers and freight at other airports. Furthermore, congestion imposes costs on both the users and providers of airline transportation services. These interdependences require a continued commitment to upgrade facilities and expand airport capacity. A determining factor for realising this objective is the airport's ability to secure adequate funding for the required investment.

15. The strain on airport capacity cannot be resolved by redistributing the proportion of usage amongst the transport modes. In many cases, there is no satisfactory alternative to travelling or transporting freight by air (especially in terms of distance covered and time saved). Hence, ACI EUROPE **fundamentally objects** to the stated goal of the European Commission's White Paper which envisages shifting traffic away from air transport towards rail transport. Such a policy is inappropriate and will prove ineffective. Redistributing the proportion of usage amongst the transport modes would mean equalling road and air transport. According to the Commission, rail and sea transport need to be promoted in order to reduce the level of congestion suffered by road and air transport. At the same time, however, the White Paper stated that in 1998 road transport accounted for more than two-thirds of the whole passenger traffic in the EU (79%), whereas air transport accounted for just 5%. The obvious difference between both modes means that different solutions should be applied when dealing with congestion.

16. In the same way, shifting traffic between airports does not represent a durable solution to eliminating congestion at any given airport. There is very limited potential to shift demand or traffic from the most congested airports to other airports due to the nature of the traffic at those airports. The decision of air carriers to operate at any given airport is driven by demand by users to fly to or from a specific airport destination. There is also an impact on the environment that results from congestion at airports whose capacity has not been expanded in response to demand by users. Bottlenecks that cause aircraft delays on the ground work to the detriment of the quality of the environment in the vicinity of the airport, i.e. emissions and noise pollution.

17. Making TENs funding available to airports which face obstacles in raising the necessary financial collateral security and which must undertake investment in capacity for any of the reasons detailed above, would help airports to address congestion problems in the transport network, as expressively mentioned in the White Paper on European Transport Policy for 2010 (page 50). Unfortunately, this objective has been drastically overlooked by the High Level Group when drafting the revision to the TEN's guidelines.

Example: Berlin Airport

18. Europe's airports have not been included in the Commission's High Level Group TENS report as traffic projects which deemed eligible for support, with the exception of the new Lisbon airport, which was already included in the 'Essen List'. The primary (rather simplistic) reason given for this decision is that airports can finance the investments in new construction or expansions from remuneration, fees and non-aeronautical revenues. However, in the vast majority of cases airports struggle to allocate funds for such infrastructure developments.

19. Take, for example, new construction projects such as the Berlin Airport expansion in Schoenefeld, a project that was submitted to the High Level Group by the German State yet was not included in the list of Commission's 'priority projects' for TENS-T financing. **This example showcases an airport development which met all possible eligibility criteria for TENS-T financing but was somehow overlooked.** The investment necessary for this project is so extensive that financing it from fee increases alone would be impossible. The cost for the expansion of the Schoenefeld Airport has been estimated at about €1.7 billion (excluding traffic connections). Financing this project would require an increase in the take-off and landing fees totalling about €8 per passenger. An increase of this amount will not be approved by the responsible national aviation authorities.

20. Furthermore, while investment banks insist on a secured cash flow even during the planning and construction phase of the project, the German law does not allow fee increases until the investments have been made. Consequently, project financing without public subsidies to secure the planning and construction phase are *de facto* impossible. In addition, fee increases cannot be forced on the market in a competitive environment especially during a major crisis for the entire aviation industry. Airlines would either boycott such fee increases or would leave the airport.

21. However, it is indisputable that the expansion of the Schoenefeld Airport into Berlin Brandenburg International (BBI) Airport is of high public interest. In only a few years, the total capacity of 15.5 million passengers of the current Berlin airport system Schoenefeld-Tegel-Tempelhof will no longer be able to handle the steady increase in air traffic to and from Berlin. Research indicates that Berlin will have 19 million passengers by the year 2010. Only BBI, which will begin operation in 2009/2010, can handle the necessary capacity during future decades. The initial capacity of Berlin Brandenburg International Airport will be 20 million passengers. The airport can be expanded on a modular basis for up to 35 to 40 million passengers.

22. The development of BBI has other merits with regard to planning regulations and is interlinked with the closing of the two airports within the city, Tegel and Tempelhof Airports. By bundling all Berlin air traffic at a single site outside the gates of the city, some 750,000 fewer Berlin and Brandenburg inhabitants will be subjected to aircraft noise and other harmful emissions. Due to the artificial splitting of the Berlin passenger traffic among three locations (a consequence of the division of the city for decades), it is not possible to develop transit traffic to any substantial degree. Furthermore, the traffic connections are inadequate (no train, underground or intercity train connections), especially for the Tegel Airport, which was not designed to handle 10 million air passengers.

23. The development of BBI will also provide substantially higher quality in terms of traffic connections - BBI will receive its own motorway access with connections to the outer and inner motorway rings in Berlin, its own access to Federal roads and a subterranean train station directly underneath the terminal. The train station has been

designed for all of the products of the Deutsche Bahn (Inter City Express, Inter City and regional train) as well as for intracity trains (S-Bahn). The traffic connections for roads and rail within the airport fence are a part of the application for official approval of the plans. The key word here is intermodality - as fast accessibility by road, rail and air is the essential to BBI's planning. **Given all these arguments, it is difficult to understand why such a deserving case for TENs-T financing would not be considered as a 'priority project'.**

- in response to increased capacity in the sky

24. The establishment of the 'Single European Sky' will greatly improve the efficiency with which Europe's airspace is used, which effectively means that the capacity of the airspace for accommodating air traffic will increase. However, increased capacity in the air requires increased capacity on the ground in order to respond to the growing demand exerted on the air transport system as a whole. Only by developing airport capacity can the gains in efficiency from an enhanced Air Traffic Management system be properly and fully realised. The role of TENs funding for airports in this regard is imperative for developing the infrastructure necessary to accommodate the inevitable rise in the number of air space users and the frequency of use.

25. ACI EUROPE welcomes the High Level Group's recommendation to remove airport capacity constraints. However, a revision of existing rules on slot allocation and airport charges through congestion based pricing of landing fees would not entirely solve the problem of congestion. The development of existing capacity, the creation of additional airport capacity and an improved functioning of air/rail intermodality must be supported at national and Community level through an adequate policy of financing in line with the foreseen growth in demand for air traffic.

Supporting regional airports

26. Regional airports provide lifeline links to the remoter parts and periphery of Europe which are less well connected, if at all, by road and rail. In this respect, ACI EUROPE supports the vision detailed in Article 2 of the TENs-T guidelines. This states that the network must cover the whole of the territory of the Member States of the Community so as to facilitate access in general, and link islands, landlocked and peripheral regions to the central regions.

27. However, in order for regional airports properly to fulfil their role as TENs-T '*regional connecting points and accessibility points*', their integration into the trans-European transport network depends in many cases on the availability of funding. This is because regional airports are characterised by much lower air passenger and cargo throughput and therefore lower consequent revenues - both aeronautical and non-aeronautical. These airports therefore often require financial support for undertaking investment in capacity.

28. Regional airports also play an important role in improving capacity for the European airport system, by relieving congestion at Europe's major hubs. There is a need to go beyond the traditional hub-and-spoke strategy applied by major carriers, towards an improvement of origin/destination traffic at smaller airports, whose benefit has been proved by the tremendous success of low-cost carriers. TENs funding also plays an essential role in developing a regional airport into an attractive connecting point for users - air carriers and passengers. As a result, regional airports will be able to ensure the necessary investment in facilities and capacity to meet local demand, to enhance surface accessibility to the airport, and to some extent, to help alleviate congestion at large international hub airports by offering alternative capacity.

29. The eligibility criteria, detailed in the Annex of the TENs guidelines, should allow all airports the opportunity to apply for funding on equal terms. Currently, the TENs financial support does not apply to some airports, particularly regional airports, and therefore does not promote their integration into the transport network. The existing eligibility criteria rely heavily on quantitative measures (such as annual traffic volume in passenger movements). However, more attention must be given to the local factors which determine the importance of the airport's presence, e.g. its location in relation to the availability and accessibility of other modes of transport to the area. Airports situated in landlocked areas may serve an equally important role in providing communication as airports located in peripheral regions or on islands.

30. ACI EUROPE supports the High Level Group recommendation that airports in the isolated and less developed regions should be able to benefit from aid from the Community.

31. In the same way, the Committee of the Regions, in its opinion on 'the capacity of regional airports' of 3 July 2003, recognised the beneficial economic impact of the regional airports on the surrounding regions, acting as magnets for a wide range of enterprises. Many small-sized airports are at best only marginally profitable and in many cases they make a loss. Public subsidies may still prevail in these airports where commercial activities cannot be adequately developed and for which subsidies are of vital importance for infrastructure development and for avoiding excessively high charges. The revision of the TNT-T should take into account that airports require specific public support.

Intermodality

32. From the airport's perspective, intermodality improves, above all, surface accessibility to the airport, and implies an interchange with various means of transport (conventional rail, metro, buses, etc.). The development of transport links between airports and their local city centres offers the potential to make the greatest contribution to increasing the level of public transport use. The airport is also a node between regional and national networks. The best example of this trend is the effort made by many European countries to integrate their major airports into the intercity rail system by promoting high speed rail services. This in turn makes airport accessibility more convenient and forms a wider geographical catchment area.

33. In a 'multimodal system', airports must offer the physical facilities, management, technology and operational capability to facilitate the movement of passengers and cargo. Passengers, in particular, must perceive a seamless system and continuity in the transport service provided, in terms of synchronised operations, convenient fares, rapid check-in, efficient baggage systems and timely and exhaustive information services. TENs funding should respond to passengers' market choices. Factors such as information, ticketing languages and service integration play a part in further optimising the intermodal service system.

34. Given the increasing demand for efficient cargo transportation, freight transport would also benefit from intermodality, where cargo volumes justify airport cargo centres being well connected to the ground or maritime transport system. In order to promote the potential of intermodality in developing and enhancing the interface between airports and their local infrastructures in terms of accessibility and interconnection with other transport networks, the concept must be more intensively supported by TENs-T financing.

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