



**EUROPEAN UNION**

Delegation of the European Commission to Switzerland and the Principality of Liechtenstein

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## **Latest Developments in the European Aviation Policy and Some Repercussions on Switzerland**

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### **Introduction**

Overall, the aviation relations between the Community and Switzerland, as governed by the 2002 Community-Switzerland Air Transport Agreement (ATA) function quite smoothly. Switzerland has been ready to incorporate into the ATA the Community acquis adopted since the signature of the ATA. Switzerland is a reliable aviation partner.

We hope that this positive approach will continue, as important new acquis (such as the legislation on blacklists) will need to be incorporated as well.

Before dealing with some of the specific issues between the EU and Switzerland, let me deal with some of the recent policy issues. In line with Commission policy I will present them from the consumers' point of view e.g. from the point of view of your customers:

### **Safety and security**

Therefore, not surprisingly the EU aims to assure the safety and security of passengers: we need to address the basic issue of protecting passengers from unsafe aircraft operations and from terrorist attacks.

Cooperation between governments and airlines works quite well – year by year aviation has maintained and improved its excellent safety record. The Commission has recently published an up date of its black list of unsafe airlines – a service not only in the interest of the consumers but also of the whole industry in order to keep this excellent safety record. The European Commission welcomes Switzerland's collaboration in the elaboration of this black list.

Concerning security, it is not easy to find the right balance between strict measures, the quality of travel and the civil liberties of passengers. It is difficult to get this right but we have all been marked by 9/11 and other planned but fortunately failed attacks like the one of the "shoe bomber". In this respect the Commission appreciates that Switzerland proactively adopted the same level of security measures as the Union.

## **Air passengers' minimum rights**

**Passengers are clients** and expect to be treated accordingly. Therefore, two years ago, the EU introduced legislation to guarantee some **minimum rights for air passengers**.<sup>1</sup>

The idea was to give passengers some legal certainty when their flight is overbooked, delayed, cancelled or if they denied boarding. The Commission is scheduled to produce soon a report on the operation of these rights whose implementation admittedly is a rather complex issue. As far as I am aware, my colleagues will come to the conclusion that there is still a certain amount of confusion and frustration, thus a need to improve upon this situation.

The airline industry sometimes is a turbulent industry – and passengers do understand that. Most people accept that flights are disrupted by bad weather, terrorist alerts or serious safety problems, but less for commercial reasons.

Thus, there is a need for further efforts to explain these rules more clearly and to apply them more consistently. In this respect the Commission appreciates to work with airlines, with airports, and with the national authorities, to establish the same rights in a geographic area.

## **Fair competition**

Last but not least, assuring **fair competition between airlines** is also in the interest of the consumer.

This means for governments and the European Commission ensuring that airlines are constantly competing with each other for the consumer's business through innovation, new services and to match its output with the demands of its passengers. To this end airlines need an open market must be assured that all play according to the same rule book - no discrimination and no special assistance.

After years of discussion and negotiation on the European level and with Switzerland, both parties have finally agreed to introduce the same new competition and merger rules.

## **Competitiveness**

Europe's airports have a vital role to play as a key driver for ensuring the economic and social competitiveness of Europe. Until now European airports have been faced with diverse regulatory, commercial and external challenges regarding issues such as capacity, financing and the environment. In order to establish a pan-European regulatory framework for European airports the Commission proposed at the beginning of 2007 an "**airport package**"<sup>2</sup> consisting of a proposal for a Directive on Airport Charges, a Communication on airport capacity, efficiency and safety in Europe, and a Report on the implementation of the ground-handling directive. This package focuses on the role of airports in the further development and competitiveness of the European internal aviation market and will mark the future of airport regulation in Europe by ensuring regulatory convergence between Member States.

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<sup>1</sup> [http://ec.europa.eu/transport/air\\_portal/passenger\\_rights/information\\_en.htm](http://ec.europa.eu/transport/air_portal/passenger_rights/information_en.htm)

<sup>2</sup> [http://ec.europa.eu/transport/air\\_portal/airports/doc/2007\\_proposal\\_directive\\_airports\\_charges\\_en.pdf](http://ec.europa.eu/transport/air_portal/airports/doc/2007_proposal_directive_airports_charges_en.pdf)  
[http://ec.europa.eu/transport/air\\_portal/airports/doc/2006\\_communication\\_action\\_plan\\_en.pdf](http://ec.europa.eu/transport/air_portal/airports/doc/2006_communication_action_plan_en.pdf)  
[http://ec.europa.eu/transport/air\\_portal/airports/doc/2007\\_groundhandling\\_report\\_en.pdf](http://ec.europa.eu/transport/air_portal/airports/doc/2007_groundhandling_report_en.pdf)

The proposal for a Directive on Airport Charges will re-define the relationship between airport operators and airport users by requiring total transparency, user-consultation and the application of the principle of non-discrimination when calculating charges levied on users. Moreover, it will create a strong, independent national authority to arbitrate and settle disputes in order to achieve a speedy resolution.

The main idea behind the Directive is to structure the dialogue between airports and airlines, the Directive should therefore apply to as many airports as possible with commercial traffic. The Directive will apply to airports with an annual traffic of more than 1 million passengers or 25 000 tonnes of cargo. This threshold will include approximately 150 airports within the EU. This threshold is in line with other Community instruments such as the Community guidelines on financing of airports and start-up aid to airlines departing from regional airports. These guidelines made a distinction between small and regional airports at 1 million passengers per year.

### **A European aviation model?**

This approach has worked well in Europe and therefore the EU is now focused on expanding the concept of open aviation markets to our relations with other countries around the World:

There is not only a European social model but also a European aviation model - we believe the template of an open market, underpinned by non-discrimination and high standards, is the right model.

Therefore the Commission is developing an international policy which has already shown quite some progress.

The EU has successfully created a regional aviation market that extends well beyond the twenty-seven EU Member States:

- to the North and the East, we have a European Common Aviation Area with Norway, Iceland and the Balkans;
- in the Centre, we have a bilateral one with Switzerland,
- and to the South we have a similar deal with Morocco.

### **EU-US: the "open skies agreement"<sup>3</sup>**

The recent trans-Atlantic addition, the "**open skies agreement**" with the USA, will be an important cornerstone of the EU policy, if ratified by all Member States. This agreement could have political repercussions on our ongoing talks with other major players in the market such as Japan and India. Furthermore, politically speaking, it could be an important element in the efforts to revitalise the trans-Atlantic economic relationship as aviation is a strategic industry in a strategic relationship.

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[http://ec.europa.eu/transport/air\\_portal/international/pillars/global\\_partners/doc/us/press\\_release\\_020307.pdf](http://ec.europa.eu/transport/air_portal/international/pillars/global_partners/doc/us/press_release_020307.pdf)

The air transport negotiations between Europe and America on aviation have certainly been ambitious. They have also been lengthy and difficult and we have concluded them successfully even if the EU could not realise 100% of its goals.

On the European side, we wanted to be very ambitious on **cross border investment**. We wanted to agree on changes in the law to completely liberalise ownership of airlines between the European Union and the United States.

For us, a major part of the open market vision is to ensure that not only companies can compete with one another, but that they can invest wherever they wish in order to better serve the consumer and pursue their business interests.

The text agreed on March 2, 2007 could become the most ambitious aviation agreement ever signed.

If ratified, this agreement would open-up the transatlantic market equally to all airlines – that means that any airline – European or American – can fly any route between any city in Europe and any city in America. Indeed, the US has agreed to grant not only the right for European airlines to fly from any EU city, but also to serve America from any airport in the entire European Common Aviation Area.

Economic studies undertaken by the Commission show that the sole action of opening up the point to point Trans-Atlantic routes in an equal way to both sides will lead to consumer benefits of up to twelve billion euros. It would also create jobs – we believe around forty thousand in Europe and the same number on the other side of the Atlantic.

Both consumers and the industry would also benefit from the enhanced coordination and cooperation that the agreement would bring in areas like security. Under the agreement, the European Union and the United States will have the means to cooperate much more intensively than today.

Finally, investment has not been forgotten. While the US itself is not ready to participate in a revolution in cross border investment, there is agreement that the US will not block progress towards that goal.

They have agreed to grant market access to airlines from countries across Europe and Africa even if they are owned and controlled by European interests. This will help clear the way for European investment across around fifty different states and deliver new levels of air service to millions of consumers.

Not concluding an agreement will mean that we deny ourselves all those billions of Euro in economic benefits until we can reach agreement including investment – this might be in several years time – or we might even find that the possibility never arises again.

Moreover, no agreement also would mean a legal uncertainty. European companies now have a right to no-discriminatory access to international air routes. If an airline from one Member State wants to fly to the United States from another, the Commission will have to enforce that right.

Wolfgang Mayrhuber, chief executive of Lufthansa, called the treaty "a step in the right direction" that would benefit customers even though the US had refused to lift limits on foreign control of US carriers.

For all these reasons the European Commission will lobby hard all Member States, including the UK (BA, Virgin) to accept the Agreement at the Council meeting on March 22, 2007 and to ratify the Agreement in its present form.

## **EU-Switzerland**

Now let me turn as mentioned at the outset specifically to the EU-Switzerland relationship:

Since December 1, 2006 Switzerland is the 4th non-EU country to participate in the work the **European Aviation Safety Agency (EASA)**.<sup>4</sup>

The interest of safety EU and Switzerland agreed to cooperate closely on the **black list of banned carriers**<sup>5</sup> to avoid any discrepancies concerning the timing of the publication of lists. On security, Switzerland also implemented fully and swiftly (as of November 6, 2006) the **EU restriction on liquids**.

As already mentioned, in the area of competition, Switzerland accepted new acquis concerning **mergers and competition**, important in the mentioned context of ensuring fair competition in the aviation market.

The main activities and outstanding issues on air transport relations between EC and Switzerland for the coming months are:

- As we are in the seventh year of ATA, the review clause of Article 15 becomes active. At this stage, the **extension of traffic to cabotage rights for air taxis** (8th freedom) is under preparation.
- **Preparing Decision number 1/2007** of the Joint Committee sounds terribly bureaucratic, but this will be in the interest of the users: instead of annual changes in the text of the annex an updated new version, incorporating all changes will be published in summer
- **Emission trading:** The EU Emission trading scheme (ETS) is in principle applicable to the EEA countries (NO, ICL and LIE), and the details of its incorporation into the EEA Agreement are under finalisation at present. Norway is very keen that this be finalised soon, so that they can be involved in emissions trading across the EU from 2008. It is clear that the aviation amendment to the EU ETS Directive would also apply to these countries.

Switzerland plans to develop her own emissions trading scheme and link this with the EU – similar plans exist in the US, Canada, Japan and some other non-EU Member States. It is our expectation that the Swiss system will include aviation in the scheme.

- **Airport package:** The Commission hopes that Switzerland will participate in this new directive after its adoption by the EU.

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<sup>4</sup> <http://www.easa.europa.eu/home/index.html>

<sup>5</sup> [http://ec.europa.eu/transport/air-ban/pdf/list\\_en.pdf](http://ec.europa.eu/transport/air-ban/pdf/list_en.pdf)

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