

**Proposal for a Regulation of the European Parliament and of the Council on
groundhandling services at Union airports and repealing Council Directive
96/67/EC**

COM(2011) 824 final

Position of the European Express Association (EEA)

Express service providers transport time-sensitive documents and packages in a seamless integrated global logistics chain where 1) various modes of transport come together at and around airports 2) full flexibility and inter-modality are required for fast delivery and 3) control of the full transport chain is critical for the express industry to ensure quality, operational safety and security.

Against this background, the EEA would like to make the following comments to the proposal for a new Groundhandling regulation adopted by the Commission on 1st December 2011:

- 1. The groundhandling market should be fully liberalised except for specific and limited reasons**
- 2. The rationale for restricting access to the groundhandling market is absent for express operations**
- 3. The definition of self-handling should allow all express integrators to handle all aircraft dedicated to their network**
- 4. Quality requirements should be defined in bilateral contracts between airlines and their groundhandlers, not by the Commission at EU level**

The groundhandling market should be fully liberalised except for specific and limited reasons

The EEA has always supported the principle of a full and uniform liberalisation of the groundhandling market at all EU airports. Private initiatives and not governments should determine whether a specific market is worth entering and competing on. The number of groundhandling service providers at a given airport should only be limited in very particular circumstances for reasons of congestion, safety or security and should require prior consultation and justification by relevant, objective and transparent motives.

The Commission proposal brings some limited additional market opening but no solution for the specific situation faced by cargo and night time express operations

The partial opening up of access to the groundhandling market, as initiated by Directive 96/67/EC, brought some, although limited, benefit to cargo and express operators. In transposing the Directive, many Member States limited the market to two single competitors, thus preventing the development of a fully liberalised groundhandling market.

Traditional handling companies concentrate on passenger traffic and, as such, have only deployed minimum equipment for cargo, with little flexibility and levels of quality not meeting the requirements of the express industry.

The EEA perceives this Commission proposal as a missed opportunity to introduce market freedom where possible. The Commission could, for example, separate traditional ground handling activities (where the rationale for maintaining a restricted third party market seem the strongest) from the ground handling activities required by the express integrator model (where that rationale is absent). This would allow the express carriers to increase efficiency by handling all aircraft dedicated to the express operator's network.

Broader self-handling rights for the express industry have no negative impact on the third-party market

In its proposal, the Commission proposes to fully liberalise self-handling and to increase the minimum number of third-party handlers from 2 to 3 at airports with at least 5 million passengers or 100,000 tonnes of freight. Although the EEA welcomes this limited additional market opening, it appears that the particular situation of all cargo and night time express operators again risks being overlooked. In particular, the Commission proposes to maintain the overly restrictive definition of self-handling thereby denying the express integrators from enjoying potential efficiencies. By narrowly circumscribing self-handling, the Commission equally fails to recognise the evolution that has taken place in air transport, including the increasingly important position of holding companies and commercial agreements between air carriers such as alliances, code-sharing and other forms of cooperation.

The Commission excludes self-handling in the situation where an undertaking (groundhandler) is controlled by the same parent as the airline-airport user, which seems absurd. Equally, under the Commission's definition, an integrator-airport user is prohibited from self-handling an aircraft it has fully dedicated to its own network (i.e. the aircraft are filled with express freight and are parked side-by-side with the integrator's own aircraft) but which is operated by a subcontractor.

The Commission justifies its position on self-handling in recital (9) stating that "(...) it is necessary to maintain a clear and restrictive definition of self-handling in order to avoid abuse and negative impacts on the third-party handling market".

This position is unjustified when it comes to groundhandling services for cargo operators, in particular express integrators. As indicated, traditional handling companies concentrate on passenger traffic and, as such, have only deployed minimum equipment for cargo, with little flexibility and levels of quality not meeting the requirements of the express industry.

In addition, as express integrators carry out their operations at night and often at a dedicated area at the airport, not allowing these integrators to handle all aircraft dedicated to their network seems difficult to justify. Imposing different groundhandling companies for aircraft in the same airport area operating for exactly the same express integrator's network, certainly does not contribute to the efficiency of operations and as such does not seem to comply with the Commission's stated objective of increasing capacity and efficiency.

The EEA therefore strongly urges lawmakers to take the Commission's proposal as an opportunity to allow the express integrator model to become even more efficient by giving these entities the right to handle all aircraft dedicated to the express operator's network.

Quality should be defined in contracts between airlines and their groundhandlers, not by the Commission at EU level

Article 32(6) of the proposal indicates that the Commission will define the specifications for minimum quality requirements. EEA, from its experience with the cargo handling segment, is convinced that quality requirements should not be defined by the Commission but by airport users as agreed in the contract between airlines and their groundhandlers. In this respect, it is important to point out that healthy competition, including the potential to compete or to enter the market (e.g. by having the right to self-handle) is the best way to ensure the appropriate level of quality.

Moreover and for as much as these quality standards cover safety aspects (cf. Article 32 (4)), the EEA is satisfied that quality measures are currently effectively dealt with generally by the IATA Safety Audit for Ground Operations (ISAGO) programme and specifically by a Service Level Agreement (SLA) attached to an IATA Standard Ground Handling Agreement (SGHA). IATA and the groundhandling industry have agreed, through the development of the audit standards for the IATA Safety Audit for Ground Operations (ISAGO) programme, that proper qualification and training in all relevant areas for groundhandling staff is essential and should be based on common and agreed protocols. All major groundhandling companies (as well as many smaller players) are progressively submitting their numerous stations for the ISAGO audit, which is effective and provides a consistent standard that is acceptable throughout the world. Satisfying the requirements of the ISAGO Head Office Audit is an indication of a responsible company. This is another element that shows that Commission intervention on quality is not required.

In addition, as the quality requirements go beyond safety and security (such as operational performance), it is even less justified for the Commission to set the specifications for quality standards for self-handling. This is clearly for airport users to define.

This being said, if it would nevertheless be decided that the Commission should define the specifications for quality standards, the EEA would ask to be involved with a view to ensure that the specific express cargo requirements will be taken into account.

The European Express Association (EEA) is the representative organisation for the express industry in Europe. The industry specialises in time-definite, reliable transportation services for documents, parcels, and freight. It allows European businesses to rely on fast, reliable, door-to-door delivery of supplies, thereby enabling them to attain and maintain global competitiveness. In the EU-27 alone, the express industry directly employs 272,000 people but supports 579,000 jobs in total. It delivers more than 450 million packages each year, constituting almost half of the intra-European air cargo market. It has been forecast that, by 2020, the express industry will directly employ 300,000 people in the EU-27.