

For this column ARC invites guest writers to discuss and debate current and burning airport-related matters.

The second EU-US Aviation Agreement: a way forward to further develop our strategic aviation sector.

On 25 March 2010, Europe initialled the second stage air services agreement with the United States, marking the latest step in the rapid evolution of Europe's external aviation policy that has generated considerable benefits for Europe and its citizens.

Europe's external aviation policy

Since the mid-1990s, consumers and businesses have grown used to the benefits of the common internal market for aviation services. The so-called "Third Package" of regulations introduced between 1992 and 1995 transformed airline competition in Europe by introducing a single European market for aviation fully accessible to all European carriers. Low prices, new entrants and innovative services were the result, spurring passenger growth at many of Europe's regional airports and facilitating tourism and business opportunities.

Building on this success, the Member States of the European Union took a decision in 2005 to extend the concept of open markets beyond the borders of Europe through their endorsement of a new external aviation policy based on three key objectives: i) securing global recognition of the concept of European owned - rather than "nationally owned - airlines; ii) extending the single market to Europe's southern and eastern neighbours; and iii) signing agreements with key strategic partner countries.

Europe has been quick to put the external aviation policy into practice. At the latest count, more than 100 countries have recognised the European carrier concept and the principles of the European single aviation market have been extended through international accords covering more than 39 countries and more than half a billion people, including the citizens of South East Europe, Morocco, Georgia and Jordan.

These agreements have transformed international aviation in many of these countries. Since the implementation of the EU-Morocco agreement in 2006, traffic has grown by 47 per cent; 113 new routes have been launched; and more than 33 new carriers have entered the market

operating primarily from regional and secondary airports such as Bergamo, Gerona, Marseille, Tangiers, Fez and Agadir.



The EU-US First Stage Agreement

Perhaps the developments with the highest profile have been those involving agreements with Europe's strategic partners, namely the 2007 "Open Skies" agreement with the US or the more recent 2009 accord with Canada.

Together, Europe and the United States represent close to 60 per cent of global aviation traffic. In addition, unparalleled business links, strong demographic and cultural ties, and geographic positioning mean that the US is Europe's most important strategic aviation partner. Despite these factors, the bilateral framework for aviation relations between Europe and the US was highly fragmented prior to the signing of the EU-US "Open Skies" agreement: six out of 27 Member States had no bilateral air services agreement with the US; and five had bilateral agreements incorporating significant restrictions on frequencies or the number of operators.

The EU-US Agreement came into effect on 30 March 2008. At a stroke it stripped away the bilateral restrictions, opening up opportunities to airlines, airports, consumers and businesses throughout Europe. The benefits of the agreement have been considerable on a number of levels. Commercially, it has allowed airlines and airports to better match services with demand.

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Direct services to the US doubled within the first year. And those from Heathrow and the whole of Spain rose by twenty per cent within a year of the agreement coming into effect. Furthermore, competition has been increased as airlines started to operate services removed from their country of origin,

Significant benefits were also generated with respect to the regulatory framework for EU-US aviation. A single body, the Joint Committee, made up of representatives from the US Government, the Member States and the European Commission, is now responsible for overseeing the agreement. This single point of reference has been crucial in facilitating closer regulatory cooperation in areas such as the environment, consumer interests, and airport security.

In addition, the first stage agreement included a commitment to further negotiations on a new, expanded second stage agreement. Negotiations started in May 2008 under Slovenia's Presidency of the European Union and since then, a further seven rounds of negotiations have taken place, culminating in the initialling of a draft second stage agreement on 25 March 2010.

The draft EU-US Second Stage Agreement: another transformative step

The draft EU-US second stage agreement builds on the considerable benefits of the groundbreaking first stage agreement by providing for considerable additional investment and market access opportunities, as well as strengthening the framework of cooperation on regulatory issues such as the environment, social protection, competition, safety and security.

For example, on the environment, the draft second stage agreement establishes a robust framework for tackling the local and global environmental challenges affecting Europe and the US. Aviation's impact on climate change and air quality will be tackled through the pursuit of joint projects addressing practical solutions such as cleaner in-flight and air traffic management (ATM) technologies; cooperation on compatible policy approaches; and discussion in international forums such as ICAO. This pursuit of targeted and compatible policies will help to cut costs for the industry and its consumers, as well as promoting more effective environmental action.

Passengers, airlines and airports across Europe are also set to benefit from progress made in the area of security, where the agreement seeks to reduce the security burden on airports through the promotion of assessment activities and consultation on future requirements. It is expected that the practical effect of such security cooperation will be to reduce unnecessary duplication and optimise the use of scarce resources.

On the commercial front, Europe has gained further rights including immediate access to the much criticised "Fly America" programme which up to now has restricted US-Government funded air transport to US carriers. But perhaps the most important elements of the draft agreement are those which may take some years to implement. As part of the agreement, Europe and the United States sides have undertaken to work together in the Joint Committee to develop proposals for the removal of remaining market barriers, including those that limit airlines' access to global capital. Progress towards this goal will be reviewed annually. Europe will continue to push for the reform of US investment laws so that truly transatlantic airlines can be created, with the possibility of being owned and controlled by nationals from Europe or the United States. The agreement itself foresees such reforms by encouraging further progress in particular in the area of environment, including the possibility for the European Commission to check that EU Member States have followed the right procedures before introducing noise restrictions in EU airports.

A study commissioned to examine the benefit of the first and second stage agreements has estimated that it could be worth up to 12 billion euros in economic benefits and up to 80,000 new jobs. Furthermore, by moving towards a world where airline investors are as international as the airlines they own, the agreement could have repercussions far beyond Europe or the United States.

Transport Ministers from across Europe are expected to meet in Brussels on 24 June 2010 to endorse the second stage agreement and sign it into law.

Europe's pursuit of the EU-US second stage agreement, like the creation of the single market for aviation more than fifteen years before it, shows that the countries of Europe have lost none of their appetite for ensuring that the way in which aviation is governed is as modern, safe, secure, efficient and international as the airports and airlines that make up the industry.

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