AIRPORTS COUNCIL INTERNATIONAL
INTERNATIONAL

Brussels, June 20 2012

Dear Mr Zasada,

We are writing to you with regards to your working document on Groundhandling services at Union airports issued by the Committee on Transport and Tourism (TRAN) on 30.05.12. We are indeed deeply worried about the contents of this document (also about the missing topics) and would like to highlight, on the one hand, our concerns on the extension of the self-handling definition and of subcontracting rights, which could drive independent ground handling operations to disappear in many airports, and on the other hand, the need to reflect in Articles 8 and 9 of the proposal the content of the joint statement signed last April 2011 by ASA, ACI and ETF (the joint statement).

We are at a loss of why your proposals for the ground handling restricted activities are seeking to unbalance the level playing field against the independent suppliers and jeopardize the economies of scale of independent suppliers. By adding the extended definition you are contemplating, the independent ground-handling providers would have to endure:

- The unfair competition from airlines providing ground-handling services to third parties with no separation of accounts.
- The unfair competition of unlicensed ground handling providers bypassing the selection procedure with an opaque self-handling arrangement.
- The unfair competition of unlicensed companies servicing third parties under the umbrella of an alliance arrangement.

All of these realities combined would inevitably result in lower revenues for independent suppliers, an increase in their costs and an overall quality decrease of Groundhandling services at the airport. The severe disruption to the economics of independent ground handling suppliers would inevitably push many of them out of the market.

It appears that large airline groups are looking to gain market dominance at the expense of small carriers and independent ancillary providers. It is important for everyone to understand that before the adoption of the 1996 Directive, 23 complaints out of a total of 25 received by the European Commission were directly related to the abuse of dominant position by airlines offering handling services, discriminating both on prices and the quality of service.

We recognize that the adoption of the Directive triggered a reduction of operating costs and has led to an increased numbers of suppliers at European airports. Accordingly, the White Paper Roadmap to a Single European Transport Area underlines that "... *according to studies carried out by the Commission, the main Directive objectives were achieved: the number of providers has increased, prices have tended to fall, while, according to the airlines, the average quality of services improved*". But these apparently positive developments will not be maintained if the new Regulation does not provide solid pillars to base the future stability of groundhandling industry in the European Union, as requested by ASA, ACI EUROPE and ETF in our joint statement.

Firstly, we are concerned that the removal of the compulsory separation of accounts for airlines providing ground handling to third parties, combined with the total freedom of self-handling, will first produce a severe reduction of the contestable market. If self-handling airlines were allowed to provide handling services to their alliance partners, we expect the contestable market to contract even further. The airlines could just build alliances with each other with no other real purpose than sharing a self-handling license. With the said type of subcontracting allowed, the airlines could then apply for a self-handing license and subcontract the service with an unlicensed provider.

The Regulation proposal already favours an additional opening of the market yet it would unleash a reduction in the contestable market for independent suppliers, which in our view is a major contradiction. A further consequence of the extended definition of self-handling and subcontracting would be an increase in operating costs of independent suppliers and deterioration in quality. Your proposal would jeopardize the whole balanced system put in place by the current Directive with the risk to go back to the pre-1996 situation.

Another cause of concern is safety, security and space availability in the airside area.

The Regulation proposal (whereas 10) establishes that "*For certain categories of groundhandling services, access to the market may come up against safety, security, capacity and space availability constraints. It should therefore be possible to limit the number of authorised suppliers of such groundhandling services*".

It is also said (whereas 11) that "*In certain cases the safety, security, capacity and space availability constraints can be such that they may justify further restrictions on market access or on self-handling, provided that these restrictions are relevant, objective, transparent and non- discriminatory. In such cases Member States should be entitled to request exemptions from the provisions of this Regulation*".

These statements recognize that the four restricted categories of activities (baggage handling, freight and mail handling, ramp handling and fuel and oil handling) are to be

performed in the airside of the airport, where space constraints, safety and security are of paramount importance. The proposed unlimited self-handling freedom adds complexity to the airside area of the airports and works against the efficiency of the airside operation. Safety and security are also a matter of concern especially in case of services being subcontracted to unlicensed suppliers.

For all these reasons, we think the following principles should be ring-fenced within the Regulation:

1. Self-handling freedom subordinated to the efficiency of airside operation
2. Self-handling cannot be subcontracted. There are in fact antagonist concepts
3. Self-handling only extended to third parties in case of a majority ownership relation

Secondly and equally important, we urge you to take into consideration the joint statement, in which we clearly requested in point 2 ("*The pre-qualification of the procedure*") that "*...The pre-qualification procedure...shall examine compliance with...the EU rules and the national labour laws, social protection regulations and collective agreements...*" and in point 3 ("*The award of the licence*") that "*...The quality criteria shall refer to:...Social and labour policy including staff transfers and a commitment to apply a representative collective labour agreement when it exists...*"

Both of the former statements fit perfectly into the scope of Articles 8 and 9 of the Commission's proposal (under TRAN's responsibility), and will help achieving the aim pursued by the signatory parties of the joint statement.

The three organisations are at your disposal to fix a meeting in which we can present to you our shared views on these topics.

Best Regards:

ACI	ETF	ASA
Gerard Borel General Counsel	François Ballestero Political Secretary	Carlos Navas Head of European Chapter