

FEEDBACK PAPER

Fitness check of EU airport legislation

CLECAT, the European association for forwarding, transport, logistics and customs services, is the leading voice on freight forwarding and logistics at the EU level in Brussels. We represent and are supported by 25 member organisations, working to promote a sound approach to transport and logistics across Europe, in support of the competitiveness of our industry.

CLECAT welcomes the opportunity to provide comments on the European Commission's initiative to start a fitness check of EU airport legislation. European freight forwarders rely on a fair and adequate slot allocation regime for full freighter aircraft, ensuring that their clients receive timely and high-quality service levels. Freight forwarders play a crucial role as intermediaries between exporters/importers of goods and transport operators, such as air carriers. This central role gives them a keen interest in high-quality, efficient and reliable ground services. Therefore, CLECAT is pleased to provide its feedback to the European Commission.

Summary

EU Slot Regulation (EEC) No 95/93

- **The Regulation**, which is more than 30 years old, **is inadequate to address the growing congestions at EU airports**, and it is even less effectiveness in solving the needs of the air cargo sector. Therefore, establishing an appropriate **slot allocation mechanism is essential**.
- CLECAT is of the view that, when the **demand of landing and take-off slots exceeds the airport capacity, a mechanism to allocate slots must be established**. To this end, CLECAT supports **market-based mechanisms for the trading of slots between airlines** and, as well as the **introduction of local guidelines**.
- **Air cargo is much more demand-driven** than the supplier-driven passenger markets, making necessary to separate part of the capacity to be able to effectively respond to fast changing market conditions. Therefore, **CLECAT urges the Commission to acknowledge the different needs of air freight** by allowing Member States to have a certain flexibility to legitimately and proportionately prioritise certain traffic segments.
- **The Regulation does not provide the much-needed flexibility to air freight**. The reason for this is that the 80/20 "use it or lose it" rule is difficult to achieve for full freighters, since passenger and cargo operate in a very different way.
- CLECAT also calls for the **extension of the 'use it or lose it rule' to further increase airport capacities** while allowing more airlines to enter the market.
- **The rules for New Entrants should be amended** to allow for more competition, as it had a limited impact on competition at EU airports.

The Groundhandling Directive 96/97/EC

- Members of CLECAT have expressed concerns on the **lack of quality and service levels** provided by groundhandlers at EU airports. These shortcomings **impact the services provided by freight forwarders to their clients**, creating delays and disrupting planning processes.

- **Limited competition hinders service quality**, while markets with a wider choice of suppliers experience groundhandling services that are perceived to be of higher quality and with fewer delays. Therefore, **CLECAT supports further opening of the groundhandling market** at EU airports, as it would incentivise growth and efficiency in air transport operations.
- Increased competition alone does not guarantee for better services. For this reason, to ensure an adequate service quality, the **groundhandling market should also be subject to a minimum level of quality standards**.
- Compliance with these standards, based on **Key Performance Indicators (KPIs)** should be regularly monitored and reported at shipment level.

Detailed comments

EU Slot Regulation (EEC) No 95/93

Since the introduction of the EU Slots Regulation in 1993, the aviation market has evolved. Many airports in the Union have either reached or are expected to reach full capacity due to increasing traffic flows, which are expected to double by 2035. This puts significant pressure on scarce airport infrastructure and capacity, leading to delays, weakened connectivity, and lowered quality of services provided, making the need to address shortcomings of the existing Regulation more urgent. While the Regulation aims to ensure the access of air carriers to congested EU airports, on the basis of the principles of neutrality, transparency and non-discrimination, current allocation system prevents optimal use of the scarce capacity at busy airports. We were pleased when the current Commission started the revision process a few years ago, since it was blocked for more than a decade, with new ambitious ideas in order to bring the Regulation up to date.

Below we repeat our 2022 recommendations with regards to the EU Slots Regulation:

- **Transparency:** As air travel increases, slots for landing and take-off become a scarcer resource. CLECAT believes that, to enable optimal utilisation of slots and fair competition at EU airports, it is **key to establish a fair, non-discriminatory, and transparent system for slot allocation**.
- **Grandfathering rights:** CLECAT continues to **support the ‘use it or lose it rule’** but believes that a further increase or fully implementing it would boost airport capacities. This would allow more airlines to enter the market to foster competition, flexibility and reduce prices.
- **Secondary Slot Trading:** CLECAT particularly supports **market-based mechanisms for the trading of slots between airlines**, as well as the possibility of **introducing local rules at airports**. While the Regulation already allows for slot trading between carriers, a 2008 Commission Communication noted that in many cases the market value of a slot often exceeds the value that an incumbent air carrier generates from retaining and using it. At the same time, the lack of a transparent market for slots at congested EU airports led to unawareness of the full opportunity costs for incumbents. Therefore, CLECAT supports the positive effects which **secondary slot trading** has had on the slot allocation at congested airports and proposes its explicit **inclusion in the Regulation through a legal framework**.
- **Local Guidelines:** CLECAT supports the possibility for **Slot Coordinators to consider local guidelines** proposed by coordination committees and approved by the Member State or any other competent body responsible for the airport. This approach has proven to be effective in **addressing local circumstances** and at improving flexibility, leading to better use of the slot capacity at congested airports.
- **New Entrant Rule:** CLECAT members have noted that the **new entrant rule has had limited effect on competition at EU airports** and on effective use of scarce capacity. The number of

slots that a new entrant can hold while retaining the status is limited, and thus services cannot be expanded further to create a meaningful competition to the incumbent.

The Groundhandling Directive 96/97/EC

CLECAT supported the gradual opening of the groundhandling market to competition with the adoption of the Groundhandling (GH) Directive in 1996, ending monopolies at EU airports. However, the reality is that competition at airports remains limited, with most airports giving access to a maximum of two groundhandling operators - as required in the Directive- and effectively creating an oligopoly that hinders competition. As a result, **freight forwarders have not witnessed improvements in the quality of service**, but instead continue to observe a lack of quality and reliability in the services provided by Ground Handling Agents (GHAs) at EU airports. These shortcomings **impact the services provided by freight forwarders to their clients**, creating delays and disrupting planning processes.

While increasing competition is fundamental to increase service quality, **groundhandling market needs to be bound to a minimum level of quality standards as well**. The reason for this is that the GH Directive does not include any service level requirements, as the definition of quality is solely based on the contractual arrangements between GHAs and airlines –defined as Service Level Agreement (SLA). This means that GHAs comply to the minimum performance standards set forth in a standard SLA, leading to significant differences in the quality of their services. Therefore, **freight forwarders lack the ability to set quality standards or required best practices** because their contractual relationships are with the airlines, not with the groundhandling operators.

Below we repeat our recommendations with regards to the GH Directive:

- **Limited competition hinders service quality**, while markets with a wider choice of suppliers experience groundhandling services that are perceived to be of higher quality and with fewer delays. Therefore, **CLECAT supports further opening of the groundhandling market** at EU airports, as it would incentivise growth and efficiency in air transport operations.
- **Minimum quality standards**: CLECAT would propose to the European Commission that **quality standards should be a condition for granting licenses to groundhandling services providers**. Compliance to these standards, based on **Key Performance Indicators (KPIs)** should be monitored and reported on a regular basis at shipment level.
- **Industry cooperation**: CLECAT believes that the **industry** – including shippers, forwarders, airlines, handlers and trucking companies – **should play a significant role in setting the objectives that should be achieved through for these minimum quality standards**. These objectives could include, inter alia, minimum delays, reliable service, and efficient handling.

Conclusion

CLECAT supports the Commission's assessment on EU Airport legislation, as current legislation does not meet the need for an efficient, high-quality, and reliable air cargo market. Freight forwarders emphasise the necessity of **dedicated cargo capacity** which is essential to support the European industry and maintain economic relations with the rest of the world. The crucial role of the sector was demonstrated during the COVID-19 pandemic, where air cargo played a crucial role in keeping supply chains running, particularly in relation to vaccines, medicines, as well as medicinal goods. In conclusion, both the EU Slots Regulations and the GH Directive should be revised in order to ensure that air cargo market remains a competitive industry in the EU, and it is able to become future proof while ensuring safety and security.



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