

GBTA EU BIWEEKLY WATCH

16/06/2016

I. GENERAL EU DEVELOPMENTS

BREXIT

- On 14 June, President of the European Council, Donald Tusk, [warned](#) British voters that renegotiating the relationship between the EU and the UK could take up to 7 years if the British vote to leave on 23 June.
- Airlines, such as British Airways or EasyJet, have also [stated](#) they expect Brexit may increase airfares by up to 30%, due to the UK trying to replicate the benefits of Europe's drive to liberalize the aviation sector.
- In parallel, the heads of the Gulf's three biggest airlines [expressed](#) concern about the impact on the travel industry in the event of the United Kingdom leaving the EU, after the referendum on 23 June.

COMPETITION IN AVIATION

- On 15 June, the European Commission published its [2015 Annual Competition Report](#) which shows how EU competition policy contributed to improving sector-specific growth and investment.
- The [working document](#) accompanying the Report highlights the fragmentation of the EU's air transport sector, as the five largest airlines account for only 50 % of the EU market, whereas in the US, the three legacy carrier groups American Airlines, Delta and United together jointly control more than 80 % of the market.
- The document also mentions that the drive towards further consolidation of the EU air transport market in 2015 was lessened by low fuel costs which had a positive impact on airline profitability.

EU-US VISA RECIPROCITY

- The International Air Transport Association (IATA) [called](#) on EU and North American governments to resolve the looming crisis regarding the EU-US/Canada visa waiver program.

II. A FOCUS ON MOST RELEVANT ISSUES

AVIATION STRATEGY

EU Member States adopted mandates for the European Commission to negotiate air transport agreements

- On 7 June, EU Transport Ministers finally [adopted](#) mandates to enable the European Commission to start negotiations on comprehensive air transport agreements with four partners: the ASEAN, the United Arab Emirates (UAE), Qatar and Turkey.
- [AEA](#) welcomed the Council decision, so did [ACI](#) while stressing the need to avoid restricting market access which constrains connectivity. [Europeans for Fair Competition](#) coalition (E4FC) also called for the implementation of a defense instrument to protect EU air carriers against subsidization and unfair pricing practices from third country airlines.
- In parallel, during a speech to the International Aviation Club in Washington on 13 June, Henrik Hololei, director general of the European Commission's Transport Department, [criticized](#) the US for not enforcing the EU-US Open Skies Agreement with regard to the refusal to let Norwegian Air International access the US market.

- **Next steps:** The ambition of the European Commission is to reach an agreement with the above mentioned markets by 2019. In addition, EU ministers also introduced an expiration date to the negotiation mandates (4 years for ASEAN and 3 years for the Qatar and UAE), in order to put pressure on the European Commission to swiftly start negotiations.
- ⇒ **IMPACT AND RECOMMENDATIONS:** Once concluded, these agreements will replace the bilateral aviation agreements that Member States currently have with these countries. Grayling will continue monitor the issue to try and find out more about the potential content of the agreements, especially regarding the issue of alleged illegal subsidies to airlines in the Gulf countries.

EU-US PRIVACY SHIELD

Vote on Privacy Shield agreement pushed back to 29 June

- The final text on transfer of personal data between the EU and the US is supposed to be [finalized](#) before the end of the week (17June), as negotiators are working on the final elements.
- The vote of the Article 31 Committee has now been pushed back to 29 June, but rumours have indicated that several countries are planning to vote against the deal, including Austria and Slovenia. France and Germany also seem hesitant.
- Right-wing German MEP Axel Voss indicated that the deal is satisfying – although not perfect – and questioned the legitimacy of the Article 31 Committee's representatives, who, according to him, have lost touch with the realities of having a tech-friendly business policy in Europe.
- ⇒ **IMPACT AND RECOMMENDATIONS:** If Article 31 Committee votes against the deal, the EU would have to renegotiate the text with the US, which would jeopardize EU/US relationship. Legal issues have been raised since the annulment of the Safe Harbor agreement and GBTA members impacted by this issue should seek legal advice.

AIR PASSENGER RIGHTS

European Commission publishes guidelines on Air Passenger Rights

- On 10 June, the European Commission published [interpretative guidelines](#) to clarify the rules included in [Regulation 261/2004](#) on Air Passenger Rights, as they contained various ambiguities and therefore were applied differently across the EU.
- The document covers issues ranging from the compensation of passengers in the event of denied boarding, as well as cancellation or long delay of flights but also issues regarding air carrier liability in the event of accidents.
- IATA [welcomed](#) the publication but stressed the urgent need to resolve the deadlock surrounding the revisions to the Regulation to provide a better balance between passenger rights and airlines' obligations.
- ⇒ **IMPACT AND RECOMMENDATIONS:** These guidelines do not change the dispositions already included in the Air Passenger Rights Regulation, but are a stop-gap measure until the revision of the Air Passenger Rights, currently being discussed at EU level, is achieved. EU discussions have however been blocked since 2013 due to the Gibraltar issue.

AVIATION EMISSIONS

Pressure on ICAO CO2 scheme continues

- On 7 June, EU [Transport Ministers](#) approved EU's [position](#) on ICAO's current proposals on global market based measures. It insists on ensuring a robust GMBM which is in line with the objective of carbon neutral growth from 2020, is non-discriminatory and avoids distorting competition.
- In parallel, Environmental NGO coalition, Carbon Market Watch, [sent](#) a letter to three European Commission officials (Vice President Šefčovič, and EU Transport and Climate Commissioners) on ICAO's GMBM, calling for urgent action to save the deal and propose environmentally effective provisions.
- The NGO insists on resolving differentiation issues between less developed countries while limiting exemptions, but also on ensuring that any pre-implementation phase is concluded before 2020.

⇒ **IMPACT AND RECOMMENDATIONS:** Pressure on ICAO to reach a deal continue and the agreement is expected to be reached at ICAO's next General Assembly from September 27 to October 7, 2016.

AIRPORT CHARGES

Airports presents counter arguments to airlines on airport charges

- On 9 June, ACI Europe published an [analysis](#) justifying increased airport charges and arguing that the top 21 airports in the EU reinvested more than €53 billion back into their facilities over the past 10 years, delivering an additional capacity of close to 178 million passengers.
 - ACI Europe's analysis serves as a response to the claim made by [A4E](#), who argued that airport charges at airports increased by +80% since 2005.
 - A4E also rejected ACI's statement on the fact that the cost of flights had increased, saying that the price of flights has fallen drastically over the past ten years and put into question ACI's calculations.
 - **Next steps:** No legislative action is currently planned by the European Commission on the subject, but its EU Aviation Strategy does foresee the publication of a study assessing the need to revise the current Airport Charges Directive. This study will however not be published before the end of 2016 or 2017.
- ⇒ **IMPACT AND RECOMMENDATIONS:** An increase in these charges could indirectly impact business travellers as it will also increase air travelling costs.
