

Airport and air navigation infrastructure from a European network carrier's perspective

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PARIS-
CHARLES DE GAULLE
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SCHIPHOL

PRINCIPAL EUROPEAN HUBS



98,7

MILLION PASSENGERS TRANSPORTED IN 2017



314

DESTINATIONS

IN

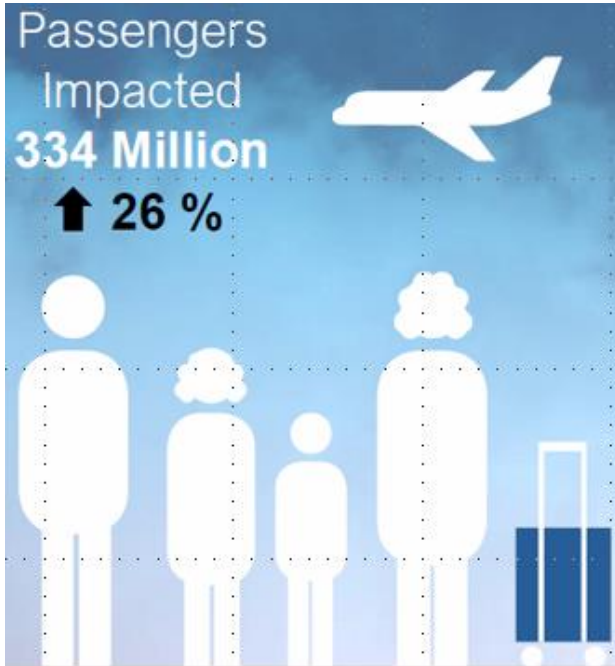


116

COUNTRIES IN 2018

AIRFRANCE KLM

ATM infrastructure: inefficiencies



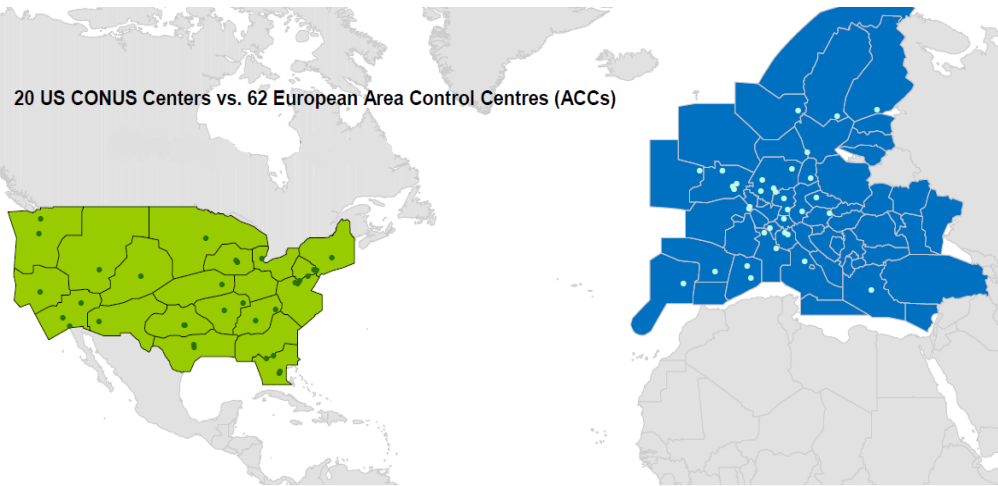
2018: record ATC delays

- While Europe's air traffic increased by 3.8%, delays increased by 105% due to a combination of ATC shortages, ATC strikes and an inefficient EU airspace
- 334 million passengers (+26%) were impacted by delays and cancellations
- ATC capacity and staff shortfalls responsible for >75% delays

Source: Eurocontrol

ATM infrastructure: fragmentation

A Single European Sky? EU-US comparison



Source: Eurocontrol / FAA, Comparison of Air Traffic Management-Related 2015 Operational Performance: U.S./Europe (2016)

- Comparable airspace sizes: US area¹ only 10% smaller than Europe area²
- US area: 1 ANSP, 20 en-route centres
- Europe area: 37 ANSPs, 62 en-route centres
- US area : 57% more flights controlled with 24% fewer full time ATCOs than Europe area³

¹ Continental US (CONUS)

² Eurocontrol Member States

³ In 2015

Airport infrastructure: rising charges

Aeronautical revenues per passenger at large European airports have increased by 44% over 10 years



Source: IATA analysis, Leigh Fisher for airport aeronautical revenues and passengers

Airport infrastructure: market power

- Competition between airports can be assessed with reference to a single relevant market: the supply of infrastructure services to airlines.
- Many EU airports, in particular hub airports, act with little or no competitive pressure to constrain their pricing or to operate and invest efficiently.
- The 2009 Airport Charges Directive only deals with the procedural aspects for setting airport charges and does not prevent misuse of airport market power.

European Commission inception impact assessment (2017):

- *Evidence indicates “the Directive has not fully achieved its objectives”*
- *And “delaying action could translate into persistent inefficiencies in the market for airport services”*

SDG ex post evaluation study (2017):

- *ACD “in its current form does not address very effectively the risks of misuse of market power”*
- *Recommended “more focused regulation on airports with the highest levels of market power” given risks*

Possible ways forward



Ways forward: ATM infrastructure

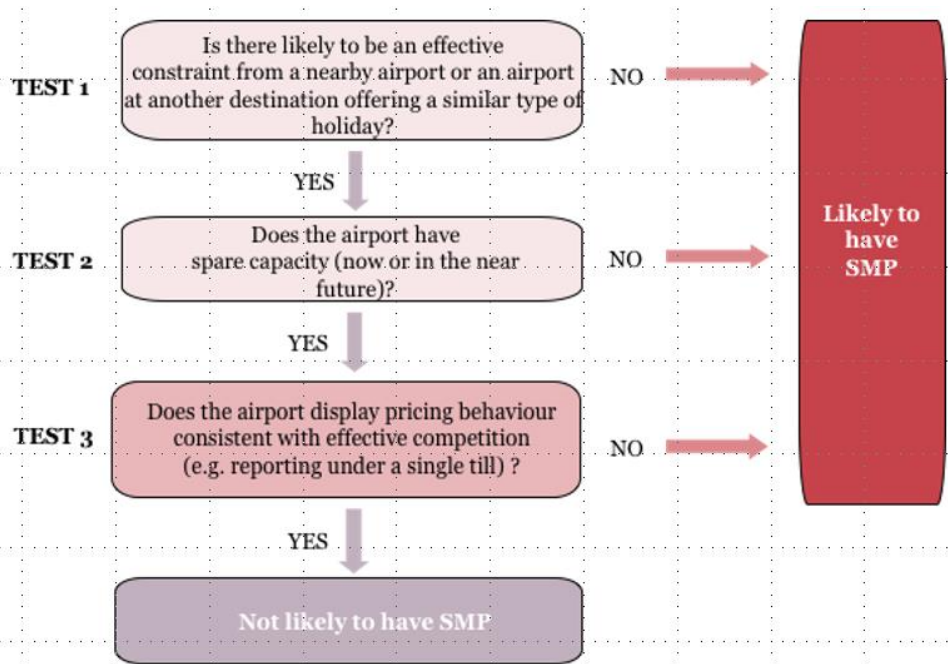
- Optimal staff deployment likely to be the most effective measure in the short term
- Increased cross-border collaboration between ANSPs
- Interoperability of ATM systems
- Completion of the Single European Sky (SES): SES 2+ initiative should be put back on top of the agenda
- Implementation by Member States of the European Commission's 2017 recommended mitigation practices to address ATC strikes
 - Increased airspace efficiency and optimised traffic flows could deliver over 10% of CO₂ reduction within 20 years

Ways forward: airport infrastructure

- Proportionate and targeted regulation of airports could be implemented based on market power.
- Screening tests could be put in place to determine if a given airport is likely to have significant market power (SMP), avoiding an automatic requirement for resource-intensive market power assessments.
- For regulation to be effective, independent supervisory authorities (ISAs) must be well skilled, have adequate powers, and be truly independent.
- The Airport Charges Directive should be revised (with notably, stronger provisions on consultation & transparency, non-discrimination, appeal mechanism to ISA, cost relatedness).

Ways forward: airport infrastructure

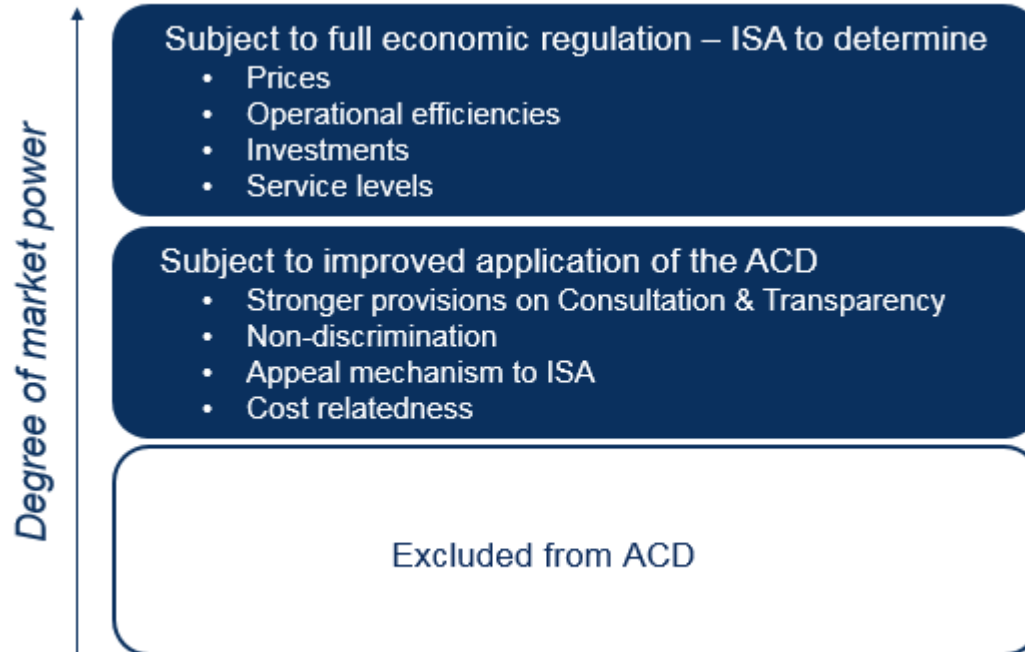
Proposed screening tests for airport significant market power



- Ability for airlines to switch to a nearby airport is a potential source of competitive constraint on airports, provided:
 - cost and time to travel to the nearby airport are not too great
 - the nearby airport is independently owned
 - switching is economic and practical for airlines (including the nearby airport having capacity available)
 - the airport itself not being capacity constrained
- Dual till (little or no contribution from non-aeronautical services to recovering infrastructure costs) may indicate significant market power

Ways forward: airport infrastructure

Targeted and proportionate regulation



Thank you for your attention!

