



UK Airport Consultative Committees - Liaison Group

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Ms. H. Watson
Policy Adviser
Civil Aviation Division
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18th June, 2007

Dear Ms. Watson,

Consultation Paper on European Draft Directive on Airport Charges

Thank you for providing us with the opportunity to comment on the European Commission's proposal for a Directive on airport charges.

Since 1980 the Chairmen and Secretaries of the Consultative Committees of the larger UK airports have met annually to share experience, to discuss matters of common interest and to provide advice to the Government on a range of aviation issues. There are now twenty-two airport consultative committees participating in the Liaison Group (as listed below).

At its annual meeting last week, the Liaison Group considered the scope of the draft Directive and the Department's proposals. Our views are set out below:

Firstly, although not forming part of the Department's consultation, the Liaison Group felt that the current regulatory system for UK airports, as established by the Airports Act 1986, was in need of updating as the thresholds based on a £1m turnover has resulted in more airports falling within the scope of economic regulation unnecessarily. The Liaison Group has therefore suggested that the current thresholds be reviewed.

The Draft Directive

General – The Liaison Group agrees with the Government's view that competition is preferable to regulation. However, it is felt that the Directive, as currently drafted, will impose greater regulation at UK airports than is necessary. It appears that in order to address problems at a handful of airports in Europe that act in anti-competitive or discriminating ways, the requirements of the Directive would give rise to more problems than solutions to UK airports. The Liaison Group is, therefore, far from convinced that benefits of the draft Directive for UK airports will outweigh the costs involved for airports, airlines and the CAA. The proposed mandatory requirements are considered disproportionate and will impose unnecessary burdens on airport operators and their airline users.

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Aberdeen - Belfast City – Birmingham - Bristol International - Cardiff Wales International -
Durham Tees Valley - Edinburgh - Inverness – Glasgow - Glasgow Prestwick - Leeds Bradford
- Liverpool John Lennon - London City - London Gatwick - London Heathrow - London Luton -
London Stansted – Manchester - Newcastle - Nottingham East Midlands - Robin Hood
Doncaster Sheffield – Southampton

Article 1 - given the rapid growth in air passenger numbers over the past few years, and which is forecast to rise further, the Liaison Group has questioned whether a threshold of airports handling over 1 million passengers per annum or handling 25,000 tonnes of cargo is too low. The threshold is considered to be disproportionate to the problem it seeks to address. If the EU is insistent on maintaining such a low threshold it is suggested that the Government seeks changes to the scope of the other articles of the Directive as discussed in the points below.

Article 3 - the proposal to ensure that airport charges do not discriminate among airport users or passengers is fully supported.

Article 4 – the mandatory requirement for regular consultation between airports and airlines on the system for setting the level of airport charges is supported as it helps to foster effective working relationships between airports and airlines. However, the suggested timescales for the process is questioned. Firstly, is the requirement to undertake consultation on an annual basis too onerous especially if an airport is only wishing to raise its level of charges below or in line with the rate of inflation? Secondly, is the timescale of four months for the consultation and implementation process practical? As currently drafted, it only allows for a period of two months to undertake consultations with airlines/users as a final decision is required to be published two months before the new charges take effect. It is doubtful whether two months would be sufficient at the larger airports where a greater number of airlines with differing business models and requirements will need to be consulted.

Article 5 – ensuring there is transparency in the process is supported but the Liaison Group felt it should only become a mandatory requirement to share certain financial data where there are disputes at a local level. The proposed list of information both parties are required make available will need to be carefully considered by the Government in its negotiations on the terms of the draft Directive. It is vital that commercially sensitive information, not normally shared with competitors, is only required to be revealed where it can be demonstrated that the consideration of that information is needed to determine future investment plans and the level of charges to be levied.

Article 6 – consultation on plans for new infrastructure projects funded through airport charges is fully supported and should be a mandatory requirement in the consideration of setting charges.

Article 7 – quality standards are a key consideration for both airlines and passengers. The passenger experience should therefore be a key feature in discussions between the airport operator and airlines. However, whilst service level agreements are supported as it focuses airports' and airlines' attention on the needs of passengers, it would not be appropriate to make this a mandatory component of the airport charges process. Service level agreements should only become mandatory where the independent regulatory authority is of the view that such agreements would remedy a particular problem or dispute. If service level agreements are to become mandatory, then it is suggested that a baseline minimum level of service is specified and agreed locally by all the airlines operating at an airport. The system should also allow for airlines to top-up service levels for an agreed additional charge. In addition, if service level agreements become a mandatory requirement, the Directive should identify a range of services/facilities that should be covered by such agreements.

Article 8 – the ability to allow airports to impose differential charging systems according to the quality and scope of airport service and facilities is supported.

Article 9 – the proposal to require airports to use security charges exclusively to meet security costs, including the cost of financing security facilities and installations, and the expenditure on security staff and operations is fully supported. It is however disappointing that the Directive does not go further to address the inequities in the funding of airport policing. The Liaison Group urges the Government to take this opportunity to address the cost of airport policing in its discussions on the draft Directive.

Article 10 – the Liaison Group supports the proposal to make the CAA the independent regulatory authority for the UK. However, airport consultative committees are concerned about the resource implications of the CAA taking on the arbitration role which is different from the CAA's current approach to economic regulation. The Liaison Group therefore suggests that the Government carefully considers the full implications of this in relation to the CAA's current role

and responsibilities. In respect of the arbitration process and the suggested timescales for the process, this is an area of concern as it is doubtful whether two months is sufficient to consider complex cases.

I trust our comments will be taken into account.

Yours sincerely,

Paula Street
Liaison Group Secretariat