

**SH&E**  
*International Air Transport  
Consultancy*

**Final Report**



## Appendices

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**Report to European Commission**

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*7 October 2002*

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## Appendix A Annex to the Directive

List of ground handling services

### **1. Ground administration and supervision comprise:**

1.1 Representation and liaison services with local authorities or any other entity, disbursements on behalf of the airport user and provision of office space for its representatives;

1.2 Load control, messaging and telecommunications;

1.3 Handling, storage and administration of unit load devices;

1.4 Any other supervision services before, during or after the flight and any other administrative service requested by the airport user.

**2. Passenger handling** comprises any kind of assistance to arriving, departing, transfer or transit passengers, including checking tickets and travel documents, registering baggage and carrying it to the sorting area.

**3. Baggage handling** comprises handling baggage in the sorting area, sorting it, preparing it for departure, loading it on to and unloading it from the devices designed to move it from the aircraft to the sorting area and vice versa, as well as transporting baggage from the sorting area to the reclaim area.

### **4. Freight and mail handling comprises:**

4.1 For freight: physical handling of export, transfer and import freight, handling of related documents, customs procedures and implementation of any security procedure agreed between the parties or required by the circumstances;

4.2 For mail: physical handling of incoming and outgoing mail, handling of related documents and implementation of any security procedure agreed between the parties or required by the circumstances.

### **5. Ramp handling comprises:**

5.1 Marshalling the aircraft on the ground at arrival and departure;

5.2 Assistance to aircraft packing and provision of suitable devices;

5.3 Communication between the aircraft and the air-side supplier of services;

5.4 The loading and unloading of the aircraft, including the provision and operation of suitable means, as well as the transport of crew and passengers between the aircraft and the terminal, and baggage transport between the aircraft and the terminal;

5.5 The provision and operation of appropriate units for engine starting;

5.6 The moving of the aircraft at arrival and departure, as well as the provision and operation of suitable devices;

5.7 The transport, loading on to and unloading from the aircraft of food and beverages.

**6. Aircraft services comprise:**

- 6.1 The external and internal cleaning of the aircraft, and the toilet and water services;
- 6.2 The cooling and heating of the cabin, the removal of snow and ice, the de-icing of the aircraft;
- 6.3 The rearrangement of the cabin with suitable cabin equipment, the storage of this equipment.

**7. Fuel and oil handling comprises:**

- 7.1 The organization and execution of fuelling and defuelling operations, including the storage of fuel and the control of the quality and quantity of fuel deliveries;
- 7.2 The replenishing of oil and other fluids.

**8. Aircraft maintenance comprises:**

- 8.1 Routine services performed before flight;
- 8.2 Non-routine services requested by the airport user;
- 8.3 The provision and administration of spare parts and suitable equipment;
- 8.4 The request for or reservation of a suitable parking and/or hangar space.

**9. Flight operations and crew administration comprise:**

- 9.1 Preparation of the flight at the departure airport or at any other point;
- 9.2 In-flight assistance, including re-dispatching if needed;
- 9.3 Post-flight activities;
- 9.4 Crew administration.

**10. Surface transport comprises:**

- 10.1 The organization and execution of crew, passenger, baggage, freight and mail transport between different terminals of the same airport, but excluding the same transport between the aircraft and any other point within the perimeter of the same airport;
- 10.2 Any special transport requested by the airport user.

**11. Catering services comprise:**

- 11.1 Liaison with suppliers and administrative management;
- 11.2 Storage of food and beverages and of the equipment needed for their preparation;
- 11.3 Cleaning of this equipment;
- 11.4 Preparation and delivery of equipment as well as of bar and food supplies.

## Appendix B Airports postal survey

Member State	Airports > 2 million passengers or 50,000 tonnes of freight
Belgium	1. Oostende 2. Liège-Bierset
France	3. Paris-Orly 4. Marseille-Provence 5. Bâle-Mulhouse 6. Bordeaux-Mérignac 7. Strasbourg-Entzheim
Germany	8. Berlin-Schönefeld 9. Berlin-Tegel 10. Hahn 11. Dusseldorf 12. Hannover-Langenhagen 13. Leipzig-Halle 14. Köln-Bonn
Greece	15. Thessaloniki 16. Rodos 17. Kerkira
Ireland	18. Shannon
Italy	19. Milano-Linate 20. Bologna-Borgo Panigale 21. Cagliari-Elmas 22. Catania-Fontanarossa 23. Palermo-Punta Raisi 24. Bergamo-Orio al Serio 25. Venezia Tessera 26. Torino-Caselle 27. Verona-Villafranca
Portugal	28. Funchal 29. Porto-Sà Carneiro
Spain	30. Alicante 31. Bilbao 32. Gran Canaria 33. Ibiza 34. Lanzarote 35. Malaga 36. Menorca 37. Sevilla
Sweden	38. Göteborg-Landvetter 39. Malmö-Sturup
United Kingdom	40. London-Gatwick 41. London-Stansted 42. Luton 43. Newcastle 44. Aberdeen 45. Bristol 46. East-Midlands 47. Edinburgh 48. Glasgow

## Appendix C Number of handlers

		Number of self handlers <sup>1</sup>									
		Passenger handling (2)		Baggage handling (3)		Freight and mail handling (4)		Ramp handling (5.4)		Fuel and oil handling (7)	
Country	Airport	Before	After	Before	After	Before	After	Before	After	Before	After
Austria	Vienna	5	4	0	0	7	1	0	0	0	0
Belgium	Brussels	5	5	1	1	2	2	2	2	0	0
Denmark	Copenhagen	2	2	2	2	2	2	2	2	0	0
Finland	Helsinki	2	2	1	1	3	3	1	1	0	0
France	Lyon	7	5	2	1	4	4	3	2	0	0
	Nice	3	2	2	1	1	1	2	1	0	0
	Paris-CDG	2	11	2	1	3	1	2	1	0	0
Germany	Toulouse	2	2	2	2	5	5	2	2	0	0
	Frankfurt	12	12	0	0	6	6	2	0	0	0
	Hamburg	N/a	3	0	0	0	1	0	0	0	0
	Munich	4	4	0	0	1	1	0	0	0	0
	Nuremberg	2	2	0	0	3	3	0	0	0	0
Greece	Stuttgart	3	3	0	0	0	0	0	0	0	0
	Athens <sup>2</sup>	8	4	1	2	1	2	1	2	1	0
	Heraklion	1	2	1	2	1	1	1	2	1	1
Ireland	Dublin	4	2	3	2	7	3	6	8	0	8
Italy	Milan-MXP	5	3	1	0	1	1	1	1	0	0
	Naples	1	1	0	0	0	0	1	1	0	0
	Rome-FCO <sup>3</sup>	6	6	0	2	1	2	0	2	0	0
Luxembourg	Luxembourg	1	1	1	1	1	1	1	1	0	0
Netherlands	Amsterdam	3	2	1	1	1	1	1	2	0	0
Portugal	Faro	9	3	1	1	1	1	1	1	0	0
	Lisbon	8	8	3	2	1	2	3	2	0	0
Spain	Barcelona	9	3	1	1	1	1	1	1	0	0
	Fuerteventura	8	8	3	2	1	2	3	2	0	0
	Madrid	10	7	4	2	8	6	4	2	0	0
	Palma de Mallorca	1	2	1	2	1	1	1	2	0	0
	Tenerife Sur	N/a	9	5	4	N/a	8	5	4	0	0
Sweden	Stockholm	7	3	4	4	4	8	4	5	0	0
UK	Belfast	6	4	4	3	4	4	4	4	0	0
	Birmingham	1	1	1	1	1	1	1	1	0	0
	London-LHR	18	18	7	5	7	7	7	6	0	0
	Manchester	1	1	1	1	1	1	0	0	1	1

(1) 'N/a' means the airport operator has not been able to provide SH&E with the information.

(2) Before refers to Athens-Hellenikon airport, while after refers to the new Athens International Airport "Eleftherios Venizelos"

(3) Self handlers include service providers owned or controlled by the airline.

Country	Airport	Number of third party handlers <sup>1</sup>									
		Passenger handling (2)		Baggage handling (3)		Freight and mail handling (4)		Ramp handling (5.4)		Fuel and oil handling (7)	
		Before	After	Before	After	Before	After	Before	After	Before	After
Austria	Vienna	2	8	1	2	3	6	1	2	3	3
Belgium	Brussels	3	5	2	2	5	5	2	2	2	2
Denmark	Copenhagen	2	3	2	3	2	3	2	3	1	1
Finland	Helsinki	3	3	2	2	3	5	3	3	3	3
France	Lyon	5	5	4	7	4	5	7	10	2	2
	Nice	2	3	2	3	2	3	2	3	6	7
	Paris-CDG	2	8	2	5	3	4	2	5	2	2
	Toulouse	2	6	2	7	3	4	2	7	1	1
Germany	Frankfurt	3	6	1	2	22	22	1	2	9	9
	Hamburg	N/a	5	1	2	1	2	1	2	2	2
	Munich	8	7	1	1	2	3	1	2	2	2
	Nuremberg	3	4	1	1	3	3	1	2	1	1
	Stuttgart	4	5	1	1	14	15	1	2	4	4
Greece	Athens <sup>2</sup>	1	4	1	3	1	3	1	3	1	2
	Heraklion	1	3	1	3	1	2	1	3	1	1
Ireland	Dublin	4	7	2	5	3	6	3	5	4	2
Italy	Milan-MXP	3	4	1	2	3	2	2	2	3	3
	Naples	1	2	1	2	1	1	1	2	1	1
	Rome-FCO	1	4	1	3	1	3	1	3	3	3
Luxembourg	Luxembourg	1	1	1	1	1	2	1	2	1	1
Netherlands	Amsterdam	3	4	3	4	5	6	3	5	2	2
Portugal	Faro	1	2	1	2	1	2	1	2	4	3
	Lisbon	1	8	1	2	2	2	1	2	4	4
Spain	Barcelona	2	8	2	2	1	5	2	2	1	2
	Fuerteventura	2	6	2	2	2	2	2	2	1	1
	Madrid	N/a	11	2	2	2	8	2	2	N/a	2
	Palma de Mallorca	2	6	2	2	2	3	2	2	1	1
	Tenerife Sur	2	6	2	2	2	2	2	2	2	2
Sweden	Stockholm	3	4	3	5	2	3	3	4	2	2
UK	Belfast	1	2	1	2	1	2	1	2	1	1
	Birmingham	4	5	2	4	2	4	5	5	3	3
	London-LHR	12	12	8	11	11	12	8	13	4	4
	Manchester	5	5	5	5	5	5	5	5	1	1

(1) 'N/a' means the airport operator has not been able to provide SH&E with the information.

(2) Before refers to Athens-Hellenikon airport, while after refers to the new Athens International Airport "Eleftherios Venizelos"

## Appendix D Country reports

### Austria

Subject area	Commentary
<b>Background</b>	<p>The Vienna airport company - 'Flughafen Wien AG' (FWAG) - has been privatised. Therefore, shareholders value plays an important role. FWAG's handling business has been profitable, in contrast with the financial results of its competitor (on the ramp). According to FWAG third party handling at landside or airside was possible in accordance with the aerodrome operator before the Directive came into force. For landside handling FWAG used Austrian Airlines (AUA) and later on Lauda Air as sub contractor. According to KLM third party handling was a monopoly for the airport. At that time there were about five airlines doing passenger handling.</p> <p>According to KLM the handling prices were a political instrument before the Directive. It argued that many people from the Vienna environment work at the airport and to achieve a low unemployment rate, many people were hired. As a consequence, to make the FWAG handling business profitable, prices were high. KLM noted that the reduction in handling prices throughout the last couple of years could therefore never have been achieved without the Directive.</p>
<b>Current position</b>	<p>Up until 1998 ramp services were limited to the handling department of the airport, though self handling (on landside and airside) was an open market, but no party has shown interest on the ramp. VAS, the new selected party in the tender process, provides ramp services to about fifteen customers like Air France, Finnair, Alitalia, Turkish airlines and many charter flights. It has about 15 customers for passenger handling as well. Both FWAG and VAS pick up baggage from the belt and transport passengers with busses from the Terminal to remote stands. According to the airport VAS has a licence for cargo handling, but does not use it. FWAG handling (100% subsidiary of the airport company, with its own profit and loss account) estimates its market share on the ramp to be about 94%, which includes AUA and STAR alliance, representing about 80% of the total market. FWAG perceives VAS to be a good competitor that supplies high quality as well. Still, not many airlines have changed handler. FWAG mentioned that one of the reasons for this is that the handling business in Vienna is a personal business with customer relations going back many years. Most contracts FWAG has with its customers are in place for 2 years, with a 60 days notice cancellation. Fraport mentioned that it is their experience that these are contracts for three years which mostly do not contain any cancellation clause.</p> <p>Currently, passenger handling activities are carried out by AUA, controlling about 80% of the market (of which 60% is AUA flights). Other passenger handlers are Lauda Air, KLM and British Airways. According to VAS the Austrian Airlines Group combines their forces to negotiate handling prices. AUA has not formerly applied for a licence to do ramp handling yet. If it wants to do so, application for third party handling will be possible on 1 January 2003. Ramp handling is carried out by the airport and VAS (about 6% market share). VAS mentioned that Fraport's network of airlines has been helpful in their marketing activities. Some airlines handled by Fraport at Frankfurt are handled by VAS at Vienna. VAS estimates the contestable market on the ramp to be 20% maximum. For some potential customers, VAS will have to wait until their contract with FAWG has expired (no termination clause). FWAG handling's contract with AUA expires at the end of 2005, but includes a 60 days termination clause. This includes the rest of the Austrian Airlines Group. VAS thinks that this group would never be within reach for them because the links between FWAG and AUA are too close.</p> <p>Swissport is involved in passenger handling only and stated that it has the intention to team up with FWAG handling to offer full handling packages to airlines (passenger and ramp handling) for a fixed price.</p>
<b>Legal framework</b>	Vienna did not have an early start with implementation of the Directive. There are

	<p>aspects in the Austrian legislation that are not in line with the Directive. The differences are discussed in Section 4 in more detail. It relates to ownership of handling companies, application for bundled services, exemptions and there is clause favouring the national carrier. FWAG views the main benefits from the Directive to be more flexible unions (more liberal working conditions) and a more cost conscious and healthy handling company, but it has also created more bureaucracy (additional internal and external work) and thus costs for the airport. Furthermore, the airport finds it has lost its flexibility in the use of capacity. It argues that the competition is a result of the privatisation. AUA considers that the Directive had no impact on their situation. According to AUA changes to the national legislation have not been made, because of upcoming elections.</p>
<b>Licensing</b>	<p>Licences are supplied by the CAA, and not by the airport. Handlers do have a contract with the airport (i.e. a handling manual). Sub contracting is only done by VAS (cabin cleaning). FWAG is not happy about sub contracting, as this makes the tender process less useful in their view. The choice for sub contractors is limited to suppliers of ground handling services who are licensed for Vienna airport. On one occasion a problem arose, when an airline did aircraft cleaning in their hangar, but then later started doing this on the ramp as well. This was put to a hold under pressure from the unions. The licensing process is viewed bureaucratic and long by Swissport and KLM. Swissport would support clearer guidelines for licensing in the Directive and is in favour of a maximum period that the CAA (in the situation of Vienna) can take for the evaluation for the supply of a licence. VAS was granted a seven years licence.</p>
<b>Tender process and selection criteria</b>	<p>The Civil Aviation Administration (part of the Ministry for Transport, Innovation and Technology) led the tender process. The CAA was supported by an external expert in ground handling. According to AUA the AUC was not involved in setting up the selection criteria for the tender process nor in the pre-selection process. According to the Austrian CAA the selection criteria were defined by the managing body of Vienna airport and approved by the CAA. Nine parties applied, and 6 parties made it through the pre-selection (made by CAA): ISS Airest, GlobeGround, VAS, FCC, Aviapartner and Servisair. All parties had to apply for the whole package of handling activities. Applications had to include a business plan, based on a flight schedule and a staff resource plan (only the operations and managing director of VAS have come from Fraport). According to FWAG the papers for the tender process were not properly designed: it was for buying products or services, not for an invitation to offer ground handling services.</p> <p>The recommendations to the CAA by the airport, the works council and the AUC (chaired by AUA) were different: airport and works council choose for the experience of VAS (owned by Fraport) and AUC choose for low prices, quality and knowledge of local procedures (though application with a local partner was not allowed). The first choice (ISS) and ranking of the AUC was suggested by the chairman of the AUC, and was voted for by its members. After discussions, the ranking as mentioned above was accepted. According to VAS, ISS is a subsidiary of AUA (ISS offers cleaning and cabin services at the airport). The Ministry mentioned it decided for VAS, due to the certificate of the consulted expert.</p> <p>After the tender process, the newly set up daughter company of Fraport, VAS was granted a licence for the limited categories and started operations in August 2000. VAS has not taken over any staff from FWAG when they entered the market (employees were perceived to be too expensive).</p> <p>FWAG is of the opinion that there is no room for a third handler on the ramp, given the limited space for GSE, further troubled by the fact that there are no dedicated area's. FWAG has given up 25% of its space for VAS, while they currently share only 6% of the market. Fraport mentioned that VAS uses only 2 small equipment parking area's on the ramp and their container village stands on an area that was a meadow originally, so no surface was taken over from FWAG. AUA stated that there is no room for a third independent handler, because it is difficult to survive in the Vienna handling market (contestable market is too small: 30% on the ramp according to AUA). VAS argues that there is no room for a third handler on the ramp because of the current strong competition, for three reasons: the term of the contracts, the presence of the Austrian Airlines Group and the fact that there are</p>

	airlines leaving Vienna.
<b>Airport Users' Committee</b>	Carriers that operated more than 10 starts or landings at Vienna within the last completed schedule period can be represented on the AUC. The airport can join meetings of the AUC, but has no vote, but acts as Secretary. Voting is based on the traffic volume: the Austrian Airlines Group (AUA, Tyrolean, Lauda and Rheintalflug) represents a majority. Major issues discussed in the AUC have been the implementation of the Directive and supporting the airport in setting up performance and technical specifications manual for ground handlers. Swissport indicated that there is lack of communication between the airport and the handlers, as handlers are not represented on the AUC or in a different body
<b>Access fee</b>	In accordance with paragraph 10.3 of national legislation, the managing body of the airport is entitled to charge compensation (business fee) from users providing self handling and suppliers of ground handling services for use of its other installations (non-centralised infrastructure). To stimulate business the access fee for passenger handling and catering services has been waived and others have reduced by 50% as from 1 January 2002. After the reductions VAS estimates that their costs for access to be about 5% (versus 10% before the reductions). FWAG Handling estimates the access fee to be about 6% of their total costs in 2001. AUA argued that airlines disagree with paying for access fee for self handling. The outcome of the test case of Lufthansa will therefore be important. According to VAS it has been difficult to find space, both for offices and for parking equipment. To their opinion it has happened that Air Traffic Control has allocated stands of VAS's customers not close to each other, and thus making the handling difficult for VAS. Swissport is of the opinion that the allocation of check-in counters by the airport should be done in a more neutral way. If perceives that allocation is now dependent on the relation that the handler's customer has with the airport.
<b>Centralised infrastructure</b>	There are two infrastructure charges: a passenger infrastructure charge (€ 0.66 per departing passenger) and a ramp infrastructure charge (up to € 435 per turnaround for a large aircraft). Charges are paid by the airlines directly. All charges are approved by the Civil Aviation Administration. VAS noted that the baggage reconciliation system is not part of CI, and while FWAG makes use of this system, VAS cannot operate it at the moment. VAS and Swissport are in favour of clearer definitions regarding CI in the Directive.
<b>Quality of service</b>	FWAG noted that with 30% of the passengers being transfer passengers, the timing and planning with more than 1 handling agent involved has created some difficulties to maintain the minimum connecting time of 25 minutes, as baggage needs to be transferred from one handler to the other. Service quality standards are part of the manual for providing ground handling services, laid down by the managing body of the airport after consultation with the AUC. This relates to on time performance and minimum connecting times. Some stakeholders have seen the quality level remain unchanged or some have seen an increase.
<b>Price of service</b>	The airport estimates that prices have dropped about 15% the last couple of years, mainly as a result of pressure from airlines to reduce costs. Infrastructure charges were introduced before VAS entered the market, after market entrance of VAS FWAG lowered its handling prices. VAS views that some airlines have asked for a price quotation for negotiating purposes with FWAG. VAS estimates that their handling prices are about 10% below the prices of FWAG.

## Belgium

Subject area	Commentary
<b>Background</b>	<p>In Belgium Brussels International airport was selected to be visited. Brussels airport is operated by Brussels International Airport Company (BIAC). In Belgium the Ministry of Mobility and Transport is the national regulator of the Belgian air transport sector. There have been two Royal Decrees related to ground handling in Brussels. BIAC distinguishes two categories of handling services: a free category and a limited category. The latter includes baggage handling, ramp handling, fuel and oil handling and transport of freight/ mail. The other categories are free. The airport operator does not provide handling services. Before the Directive came into force Sabena and Aviapartner were the suppliers in the limited categories for many years; both had a contract with BIAC until 2010. Based on an official tender process Sabena and Aviapartner were selected for the limited categories. The existing contracts between BIAC and the handlers had been revoked before the start of the selection procedure, after which new contracts have been submitted to the selected handlers. All handlers have accepted their new contract. Sabena controlled about 80% of the ramp handling market (self and third party handling), of which 50% was self handling. Aviapartner is of the opinion the contestable market was 30% at that time, of which had a market of about 50%.</p>
<b>Current position</b>	<p>The licences for third party handling in the limited categories are currently in the hands of Aviapartner and BGS (Belgium Ground Services). BGS is a daughter company FCC. It is BGS that has taken over the licence of Sabena Ground Handling and currently has about 60% of the market for ramp handling. Concerning self handling in the limited categories requests were submitted by SABENA (for all possible categories), by EAT (for freight and mail transport and ramp handling), and by VEX (for baggage handling). All authorizations were granted, however VEX never proceeded in taking up the licence. Since the bankruptcy of Sabena, DHL/EAT is the only self-handler in the restricted categories. BIAC does not consider this integrator activity (night-operation) as relevant to the contestable market. The successor of Sabena, i.e. Brussels Airlines, is fully relying on third party handling and therefore it is BIAC's view that the contestable market share in the restricted categories is 100%. For the free categories, like passenger handling (both third party and self handling), there are many different parties involved. There are six self handling airlines for passenger handling; third party passenger handling is done by Aviapartner, GlobeGround, BGS, Alitalia and IHD. Before the bankruptcy of Sabena, EAT and Sabena were self handling in the limited categories. The only new entrants after the Directive have been Chapman Freeborn, IHD and Airline Services for ground administration, passenger handling and aircraft servicing respectively. IAHA is of the opinion that the Directive is fully adopted in Brussels.</p> <p>BIAC is of the view that the baggage transport between the aircraft and the terminal (part of sub category 5.4 in the Annex) should be taken out of the ramp handling category 5 and become a separate handling category 3. This applies also for the passenger transport, catering transport, freight and mail transport. This would make the process more efficient, because there is no room for an interface between the two activities and there are fewer parties involved to structure this process.</p>
<b>Legal framework</b>	<p>In Belgium there are three different pieces of legislation related to ground handling, for which three different administrations hold responsibility. The Ministry of Communications and Infrastructure is competent for Brussels National Airport (Royal Decree dated 12 November 1998). The Flemish government is responsible for Ostend (legislation dated 17 December 1999) and Antwerp airport and the Walloon government for Liege and Charleroi (legislation dated 24 March 2000).</p> <p>At Brussels airport the number of third party handlers is restricted to two for the categories baggage handling, ramp handling, fuel and oil supply, freight and mail transport and catering transport. For these categories the number of self handlers can be restricted to two as well by the airport operator (which BIAC has done).</p>

	<p>This Royal Decree is amended by another Decree of 31 October 2001, initiated by the government. Most important aspect of this amendment is that it makes it possible to transfer the licence of a selected handler to another company (under the same conditions, e.g. licence period and categories supplied) in case of bankruptcy. The airport operator needs to approve this. According to BIAC the reason for this amendment is to fill in a gap in the Directive to assure continuity of operations. BIAC is of the opinion that permanence of handling activities needs further attention in the Directive. The curator of Sabena handling has selected FCC to take over the licence from Sabena handling. The board of BIAC gave approval to this.</p> <p>The transport and (un)loading of the aircraft catering and ramp handling were separate categories before the Directive came into force. Therefore another change by the Decree of November 2001 leads to changing the activities in former category 5.7 in the Annex to a new category 12, making this process more efficient with less interfaces and parties involved.</p>
<b>Licensing</b>	<p>Each handler that wants to operate at Brussels needs to be approved by BIAC Sabena Ground Handling and Aviapartner had been offered four years contracts when they were selected, enabling BIAC to review the liberalisation at the end of this period (in 2004).</p> <p>It has been remarked that the list of categories in the Annex of the Directive does not match the IATA ground handling services, which makes comparison difficult in practise.</p> <p>Brussels airport serves as an example for the problem integrators experience in relation to the in DHL's view narrow definition of self handling. The integrated cargo carriers consider that their efficiencies are greatly hampered by the inability to handle what they consider to be their own operations at their overnight hubs. DHL expressed the view that since the handling operations take place at night on a clearly defined separate area of the airport, there is no issue of congestion or safety on the ramp. This is discussed in detail in Section 4.</p> <p>According to ERA the restriction to two self handlers in the limited categories is unreasonable. For example VLM was interested in self handling at Brussels, but saw itself hindered due to this restriction (Sabena and EAT were the designated self handlers). BIAC mentioned that VLM never submitted an application.</p>
<b>Tender process and selection criteria</b>	<p>Mid 2000 there was a pre-selection process after tender publication in the Official Journal. The preparations of this tender were made by BIAC with help of an external consultant, leading to the publishing of three extensive documents: 'Application document for self handling', 'Application document for suppliers of unrestricted ground handling services' and 'Selection procedure baggage, ramp &amp; mail/freight handling'. These three documents give the guidelines for ground handling at Brussels airport. Of the ten parties interested in the tender, six submitted an application. The criteria were discussed with the AUC (i.e. certification, presentation, scope of services, equipment, staff, safety and structure of company). The applications were shown to the AUC, except for the (absolute) prices offered by the handlers. The AUC expressed its four preferences in alphabetical order to BIAC (FCC was not selected by the AUC) and then BIAC combined this selection with their own preferences and made the final selection decision. GlobeGround competed in the tender and was not selected. It contests the legal base of the selection procedure before court. Proceedings are pending.</p>
<b>Airport Users' Committee</b>	<p>At Brussels airport the AUC is called 'BRUC': Brussels Airport Users' Committee. BRUC has a board consisting of seven people. The chairman and the vice-chairman are in charge of the daily management. BRUC meets at least 4 times a year. Each BRUC member (airlines only) can participate in the board meetings as an observer. Every board member holds one vote, except for the Secretary. Board decisions are taken by simple majority vote. BRUC expressed the view that they waited long for the Directive to be implemented, but still it has not changed the handling market in Brussels. It would like to see more competition at the airport (it did not agree with the limitation to two parties in the limited categories) and also wants insight in price offers in a selection process. The BRUC has not been consulted by the curator about the transfer of Sabena's licence from Sabena to BGS, which is legally not required.</p>

<b>Access fee</b>	BIAC stated that it levies a ground handling fee which has been determined by non discriminatory, objective and transparent criteria. Self handlers who are not interested in performing all categories of ground handling services will pay a volume-based access fee depending on the service categories that they are authorized for. The full fee is € 0.25 per passenger and € 0.25 per 100 kg of freight and mail over the various ground handling service categories. Self handlers and third party handlers are treated equally. Categories 9 and 10 of the Annex of the Directive are not charged for. Handlers find the ground handling fee transparent.
<b>Centralised infrastructure</b>	The CI at Brussels airport includes among others the baggage sorting system, check-in counters, passenger loading bridges and fixed power installations (400Hz). BIAC is currently reviewing which other facilities or services can be defined as centralised infrastructure (e.g. de-icing facilities and CUTE) in order to improve the operations at Brussels airport for all airport partners. Changes will be made after consultation of the BRUC and of authorized self handlers. Handlers do not pay for the centralised infrastructure, this is covered by the passenger charge. BIAC has set up the necessary training with respect to the appropriate use of the CI by handlers. BIAC would support to take up as CI some special services that cannot be duplicated, for example bussing of passengers between the aircraft and the terminal. The airport cannot provide this service at the moment as it is considered a handling activity and as a consequence, it would lose its independent position in performing it.
<b>Quality of service</b>	Some parties have noted an increase in the quality of service, other have seen no changes. In order to increase quality standards BIAC, in consultation with the AUC, has set up SLAs for handlers (e.g. for baggage delivery).
<b>Price of service</b>	Prices have been stable. Most users have indicated that prices have dropped since the bankruptcy of Sabena, though it is Lufthansa's impression is that prices have either not changed or have increased.

## Denmark

Subject area	Commentary
<b>Background</b>	<p>Copenhagen Airports (CA) is the privatised operator of Copenhagen airport. CA is not involved in ground handling. According to CA market entrance at Copenhagen is free for new entrants and it was already an open market before the Directive came into force. Before the Directive SAS practised self handling and like Novia offered third party handling. In 1999 Servisair entered the market. Novia in Denmark (50% Maersk and 50% Aviapartner owned) noted that Servisair undercut prices by 20 to 30%, and both handlers made losses ever since. Many airlines left Novia and chose for Servisair.</p>
<b>Current position</b>	<p>SAS and its partners control about 70% of traffic, of which about 50% is SAS flights. According to CA Novia and Servisair together have about a 30% market share in handling. CA estimates that a full scale third party handler needs about 4 to 5 million passengers per year, therefore the Copenhagen handling market cannot sustain 3 handlers.</p> <p>Besides SAS (with newly created business unit Scandinavian Ground Services) there are other airlines doing self handling, which includes ramp handling: DHL, Danish Air Transport, Cimber Air and Sunair. SAS experienced tough competition on prices the last couple of years, though it believes the Directive did not have great impact on the Copenhagen handling market.</p> <p>Novia stated that one competitor was using its financial muscle by undercutting prices and cross-subsidizing (Servisair) and the other was making tying agreements with airlines (SAS). Novia believes the latter was done by offering whole prices package for maintenance, training of crew and ground handling services (interline agreements of SAS with feeders of their hubs also plays an important role). As a result Novia believes it was forced out of the market (airlines choose for price and not quality) and the Novia holding has been put into liquidation. Novia finds that there is no level playing field, because SAS is 50% government owned which leads to too much political involvement. Aviapartner stated that SAS captive markets make it impossible or at least very difficult for independent handlers to survive economically. Also the chairman of the AOC mentioned that binding ties (alliance/ codeshares) of SAS prevent airlines to choose other handlers than SAS.</p> <p>The chairman of the AOC noted that the unions have too much power and there is too much threat for strikes. Employees are put under pressure by union member to become a member of the union: in light of this it might be useful to have EU wide unions for ground handling employees.</p>
<b>Legal framework</b>	<p>According to the airport operator the Directive has been fully implemented in Denmark. When Servisair entered the market, no space was given up by SAS or Novia. CA mentioned that it is now taking up in contracts with handlers that space needs to be divided among the handlers, but no space related problems have occurred.</p> <p>CA would like to see a better definition in the Directive regarding the Annex pointing out that handling companies are obliged to deliver all the services mentioned in each category. Novia mentioned that cherry picking of handling services was not possible in Copenhagen before the Directive came into force. The airport operator made clear that the Danish legislation on ground handling does not imply that application for ground handling services can only be for bundled services.</p> <p>Novia is also of the opinion that it would be good to limit the number of years (i.e. three years) that a new entrant can operate with a loss, as this distorts competition. Furthermore, it wishes to see the separation of accounts more clear in the Directive: competition authorities should look into this and handlers should publish their audited separated accounts once a year. The chairman of the AOC believes that Member States read the Directive to their own advantage and the success of competition in ground handling depends on the co-operation of airports (therefore the Directive should be a Regulation).</p>
<b>Licensing</b>	<p>Licences are supplied by CA for indefinite periods. It is the carriers that have set</p>

	<p>up criteria for the applicants for a handling licence, as in the view of CA they are the main users of handling services. Applicants should be experienced and should have a sound business plan. When Cimbar Air had intentions to start third party handling for regional airlines, the airport operator initially required them to offer the whole range of handling services. This condition was dropped later, and sub contracting was to be allowed.</p> <p>Self handlers do not need a specific licence, but do need approval from the airport and have to fulfil some standard criteria like education of employees and safety standards. SAS is in favour of strict criteria (safety/ security and operational assessment) for new entrants, otherwise ground handling could turn into a wild cat industry.</p> <p>When one handling company takes over another, CA noted that there is an obligation to take over staff in line with Danish and EU law. To date no company take over has taken place. The airport operator would recommend better guidelines in the Directive for contracts with ground handlers concerning service levels.</p>
<b>Tender process and selection criteria</b>	No tender has taken place.
<b>Airport Users' Committee</b>	Most parties viewed that the AUC does not have much added value, it supplements the AOC and there is a running dialogue within the airport community anyway. The chairman of the AUC, a representative of the airport operator, noted that not many airlines participate in the meetings.
<b>Access fee</b>	There are no access fees.
<b>Centralised infrastructure</b>	<p>Centralised infrastructure (CI) has been defined and this is accepted by the Danish CAA; it includes for example the fuel system, marshalling and the bus service to remote stands. At one point the competition authorities demanded from the airport the separation of accounts for CI. The CA argued this is not useful, and it is now decided that this is not necessary (see Section 3).</p> <p>CA levies an overall handling fee (on a per passenger basis), which together with the aeronautical charges covers the use of infrastructure by the handlers. According to CA the handlers are invoiced for technical reasons, but the air carriers pay the airport directly. The handling fee has been subject of a court case (over the last 2 years), as an increase (due to high investment in the baggage sortation system by the airport) was disputed by handlers and airlines.</p>
<b>Quality of service</b>	CA stated that quality is high, but it has concerns about the reduction in quality of handlers, caused by the increased price competition. It stated that if an airport wants to improve the overall service it is necessary to define a minimum service level in the licence to operate or to carry out a tender, but this is not easily done because airport authorities are often not experienced in price setting for handling services. Though the airport argued that setting quality standards might lead to higher ground handling prices, this could result in potential airlines not choosing to fly to Copenhagen when they consider new destinations. SAS also supports quality standards, as this would benefit the travelling passenger. Novia is in favour of better quality control by the airport, as it is waiting for an accident to happen. For example it happens that handlers are forbidden by airlines to fill in the load sheets.
<b>Price of service</b>	It is generally viewed that prices have gone down, but not necessarily as a direct result of the Directive.

## Finland

Subject area	Commentary
<b>Background</b>	<p>The Finnish Civil Aviation Administration (FCAA) maintains Finland's network of airports and the air navigation system. It is responsible for the country's air safety operations and air transport policy in conjunction with the Ministry of Transport and Communications and the Ministry of Foreign Affairs. FCAA coordinates and manages the airport operations and acts as landlord. Before the Directive came into force, there were two handlers at Helsinki on the ramp: Finnair and Nurminen Ground Services. According to FCAA there has always been price competition between the two handlers. Some parties view the market to be quite dynamic in terms of airlines changing suppliers, others see this to be limited mainly as a result of tying agreements (e.g. code shares). For example GlobeGround mentioned that the competitiveness and captivity of the handling market is a concern. The airport operator provides the transport of passengers between the terminal and remote stands. It is further involved in ground handling through its subsidiary AirPro (see below).</p>
<b>Current position</b>	<p>There are currently three companies providing full handling services: Finnair Ground Handling, GlobeGround and Finland Airport Services ('AirPro'). GlobeGround bought Nurminen Ground Services in October 2000. Third party passenger handling services are also supplied by SAS and Air Botnia. Self handling on the passenger side is done by Finnair, Air Botnia, SAS and British Airways. No new party has entered the market or showed interest after the Directive came into force (except the takeover of Nurminen Ground Services by GlobeGround).</p> <p>Finnair Ground Handling has become a separate business unit within the Finnair company, which includes separate book keeping. Finnair sees its market share to be about 70% to 75% on the ramp, of which 30% to 35% is self handling. As it has many code-share agreements, it is the view of some parties that these are tying agreements for handling services (see Section 5). GlobeGround noted it has lost 5 or 6 airlines as a result of code share agreements. It estimates its market share at about 20% on the ramp (last year the handling business has been profitable). On the cargo side, TNT, DHL, Finnair, UPS and GlobeGround are involved in handling (there has been a legal case related to cargo between GlobeGround and SAS).</p> <p>The airport operator is involved in ground handling as well with the subsidiary Finland Airport Services ('AirPro'), which is 100% owned by FCAA. In 1995, Airpro's operations started at Helsinki with apron transportation for passengers and later other services were included: passenger trolley services, business flight handling and ticketing. At other airports in Finland Airpro is involved in full scale ground handling.</p> <p>According to GlobeGround space is difficult to find at Helsinki, mainly for historical reasons as some parties have long term lease contracts or own buildings.</p>
<b>Legal framework</b>	<p>FCAA informed us during the visit that it considers the market to be fully open and the Directive to be fully adopted in the national legislation (since 7 November 1997). Remarks were made about the lack of flexibility arising from the Directive, since it is the Finnish culture not to have detailed regulations: "in Finland potential problems are solved among the stakeholders in practise". This has appeared to work effectively. It is viewed that the coming into force of the Directive did not have much impact on the ground handling market. Those changes that took place would also have taken place without the Directive, as a result of the changing market.</p>
<b>Licensing</b>	<p>In case a new party shows interest to start up a handling business at Helsinki airport, there are certain basic criteria a handler should fulfil: this relates to safety, security, environmental issues and social standards. The airport operator does not have contracts, but licences are supplied for an unlimited period. There have no applications for self handling that have not been accepted. Sub contracting is possible. Sub contractors do not need a special licence, they only need to obtain</p>

	IDs and driving licences. Finnair does not see any reason for changing the Directive.
<b>Tender process and selection criteria</b>	There has been no tender process at Helsinki airport.
<b>Airport Users' Committee</b>	As the community at Helsinki is very small, the AOC had initiated to act as AUC as well. The AOC has a constitution; it states that all airlines can be represented. When it comes to voting, each airline has one vote. Handlers can join AOC meetings, but have no voting right. It is the AOC's view that there should be more competition at Helsinki, as there is not a market of free choice at the moment. Airlines and handlers indicated that the communication with and transparency in decision making from the airport is insufficient, and therefore the AUC/ AOC should get a stronger voice.
<b>Access fee</b>	Access fees are levied for fuelling and de-icing. Self handler and third party handlers are not levied the same charge.
<b>Centralised infrastructure</b>	After some informal discussion a list of centralised infrastructure was drawn up, it was done just to comply with the Directive, but according to FCAA it serves no other purpose at the moment. FCAA stated that it is the view of handlers that airlines will not pay for a price increase for handling services in case the costs for centralised infrastructure will be invoiced to the handler. Therefore the costs for centralised infrastructure are covered by the passenger charge (handlers are not invoiced), ranging from €3.87 to €11.10 (depending on type of flight). The passenger service charge is based on the network of 25 airports and not just on Helsinki itself. It also covers the use of passenger bridges and apron buses. This has been subject to discussion. Until January 2001 the driving of the passenger bridge was given by the airport, that used handling companies to move passenger bridges to/from the aircraft, paying these companies for each movement. Since January 2001 handling companies continued to operate passenger bridges, but they are no longer paid by the airport to do this job.
<b>Quality of service</b>	Stakeholders have seen no changes. The publication of key performance indicators of quality levels for some particular services has been subject of debate among handlers in Helsinki.
<b>Price of service</b>	Differing opinions from the stakeholders interviewed: some say prices have not changed much, others say they have dropped significantly up to 40%.

## France

Subject area	Commentary
<b>Background</b>	Airports in France are owned by the state. The Paris airport system is managed by ADP, while the French regional airports are managed by the local Chamber of Commerce (CCI). Prior to the liberalisation of the market, ground handling services providers at most airports were limited on the ramp to the airport operator and the largest carrier. Following the implementation of the Directive, only three airports, Paris-Orly, Paris-Charles de Gaulle and Nice, were limited. Early in the process regional airport operators decided to withdraw from the ground handling market. However in Paris ADP has maintained its ground handling activity.
<b>Current position</b>	<p><u>Paris Charles De Gaulle</u>: at CDG, different limitations apply depending on the terminal considered. CDG terminal 1 is limited to three third party handlers (ADP, Air France and GlobeGround) for ramp services of category 5.2, 5.4 (excluding the transport of crew and passengers and baggage between the aircraft and the terminal), 5.5 and 5.6. CDG terminal 2 is limited to the same number of providers (ADP, Air France and Europe Handling) for baggage handling (category 3) and ramp services of category 5.4 (excluding the transport of crew, passengers but including baggage), 5.5 and 5.6. Terminal 9 is limited to two providers (ADP and Swissport) for services baggage handling and ramp services of category 5.2, 5.4 (excluding the transport of crew and passengers), 5.5 and 5.6. Swissport sub contracts its ramp service to the same sub contractor as ADP, this sub contracting company being itself a subsidiary of ADP according to Aviapartner. All terminals are limited to four providers for freight and mail handling between the aircraft and the terminal (ADP, Air France, Aviapartner and GlobeGround), eleven providers for the transport of crew (to be removed) and two providers for the transport of passengers between the aircraft and the terminal (Aerial and Cariane). However in 2001 Cariane took over Aerial in CDG becoming the only provider for passenger transport. One airline remarked about CDG that as there are different licences across the terminals, this binds carriers to stay in a Terminal or stay with the airport's handling services.</p> <p><u>Nice</u>: the airport is limited to three third party handlers (Aviapartner, Air France and Swissport) for baggage handling (category 3) and all ramp handling services (category 5.4) and two self handlers for the same services. However only Air France has chosen to self handle those services.</p> <p><u>Lyon</u>: no limitation applies. As a result a large number of third party handlers, including Aviapartner, GlobeGround and Swissport, provide baggage, passenger, freight and ramp handling. The multiplication of operators on the ramp has led to safety problems (several serious accidents and one fatal accident have occurred) and the airport had to increase its level of supervision on the ramp.</p> <p><u>Toulouse</u>: no limitation applies. As a result close to 10 handlers provides ground administration and supervision (1), passenger handling (2), baggage handling (3), freight/mail handling (4), ramp handling (5), aircraft services (6), flight operations/crew administration (9) and/or surface transportation (10).</p> <p>The liberalisation of the market has generated a significant instability with airlines shifting from one provider to another. Given the little flexibility offered by French labour law and the costs of making staffs redundant, some ground handlers have started to rely extensively on temporary staffs or sub contractors in order to adapt more easily to loss (or gain) of activity. Furthermore this has also been a primary strategy to reduce labour costs. This increased level of sub contracting and use of temporary staffs has conducted to a higher staff turnover and a lower level of qualification. At the same time the number of handlers operating at each airport has increased sometime dramatically (IAHA noted France is a fair but highly competitive market, dominated by airlines handlers). As a result both security and safety issues have been arising, notably airside. Airport operators have reacted to these safety problems by increasing the level of supervision on the ramp and post 11 September security measures have also led to a more effective control of handlers and their employees. However airport operators feel that the threat of the agreement removal by the civil aviation</p>

	<p>authority does not suffice and that more regulation is required. For instance the civil aviation agreement, which is relatively easy to obtain in order not to infringe market liberalisation, could from now be delivered upon more stringent criteria. Training requirements could also be included in labour collective agreements but ideally European training, security and safety regulations and standards should be implemented.</p> <p>Social conflicts have increased since the implementation of the Directive. Labours costs have been under pressure in an increasingly competitive environment and market share shifts among handlers have generated employment instability in the industry. According to ADP few staffs are being transferred between handlers following the transfer of activity. As a result of social pressure, the representative bodies of employer's federations recently agreed with unions to amend some of the collective agreements in use in the ground handling industry. These new agreements would now make compulsory the transfer of staff but the company taking over the activity would still be free to decide on the number of staffs it wishes to take on.</p> <p>Space allocation remains a difficult exercise for airport operators given the multiplications of handlers whether designated or sub contractors. This is sometime further magnified by frequent transfers of activity between handlers that should require a constant adjustment of allocated spaces in proportion with the level of activity. In CDG terminal 1, GlobeGround has complained on the following points: small offices, lack of space for changing rooms, problems with equipments parked far from offices, no back offices available close to check-in areas and no ticketing desks available. In terminal 9, Swissport believes ADP handling is clearly favoured within the terminal. In terminal 2, Europe Handling said it would be difficult to increase its level of activity given the spaces allocated today. In Toulouse apart from Air France all handlers complained about the allocation of space, notably Aviapartner, the last handler to enter the market.</p>
<b>Legal framework</b>	<p>The Directive was enacted by the Legislative Decree 98-7 published in January 1998 and decree 98-211 published in March 1998. This was later completed by two ministerial orders dealing with the approval issued by the Civil Aviation Authority for ground handlers and the separation of accounts for airport operators. The French legislation specifies the reasons for which airports might be limited: capacity, safety or/and security. The Directive did not mention in Article 7 criteria for selecting self handlers at limited airports, while the French legislation specifies that the criteria should be the number of movements performed at the considered airport. According to the French legislation, should an airport be limited, the airport operator handling division is not required to go through a tender process and is de facto selected. Lastly it is worth noting that there is no provision in the French legislation relating to the transfer of staffs in proportion to the transfer of activity. Only if the entire activity is transferred, article L.122.12 of the labour code applies and requires the compulsory transfer of all staff.</p>
<b>Licensing</b>	<p>The airport being limited or not, an approval has to be delivered to each handler by the Civil Aviation Authority (DGAC). This includes sub contractors at limited airports. The criteria required to obtain this approval complies with Article 14 of the Directive and the approval may be withheld or withdrawn as provided in the Directive. Furthermore handlers must obtain a licence from the airport operator.</p> <p>The use of sub contractors by designated third party handlers is a way to circumvent the limitation in force when it leads to a situation where more handlers (designated and sub contractors of designated handlers) are operating limited services than the number of licences allocated for those services.</p> <p>According to the airport operator at Nice, Air France being a self-handler and a third party handler, the airline takes advantage of the fact that it can sub contract its third party handling activity to sub contract also its self-handling activity. Therefore the airline circumvents the limitations since not only it chooses as sub contractors third party handlers not selected during the tendering process but it also leads to a situation where more handlers operate than the number of licences allocated.</p>
<b>Tender process</b>	<p><u>Paris Charles De Gaulle</u>: the DGAC was in charge of the selection process for</p>

<p><b>and selection criteria</b></p>	<p>third party handlers. A tender was organised for each terminal separately. The DGAC first carried out a pre-selection based on the list of criteria described in the tender and submitted to the AUC. These criteria included experiences and references in similar activities, financial guarantees, equipment and staffing, internal quality/safety/security procedures, social and environmental policy and a business plan was required. None of the handlers we met had any complaint regarding the selection criteria and the detailed business plan required. However the tender process itself was criticized because it had been organised in two distinct phases. In terminal 1 where Air France has no flights and the Star alliance represents more than 25% of the voting rights at the AUC, a first tender was launched for one licence (ADP being de facto selected) and Air France despite being only the third preferred handlers following the AUC vote was selected by the DGAC. In a second phase a second licence was tendered and GlobeGround, thanks to the larger representation of Star Alliance airlines in the AUC, was selected by the AUC, the DGAC thereafter complying with the AUC decision. A similar two phased tender process was organised in terminal 2, where Air France represents around 75% of the voting rights at the AUC. Air France was designated for the first licence. During the second phase and because Air France former main sub contractors was part of the applicants, the airline and its Skyteam members would have withdrawn but the AUC vote still led to the designation of Europe Handling.</p> <p><u>Nice</u>: the tender process for third party handlers was organised the CCI that defined the selection criteria. Those included the experience and references of the handler, financial guarantees, quality and training policy, equipment, safety and security policy, environmental protection policy. Six handlers applied, as well as two caterers for services 5.7. This led to the selection by the CCI of Aviapartner, Swissport and Air France. The AUC was consulted. The two designated self handlers were Air France and CCM based on the number of movements operated (however only Air France performs baggage and ramp handling).</p> <p><u>Toulouse</u>: despite being a non-limited airport, Aviapartner had to go to court against the airport operator to enter the market.</p> <p>Third party handlers are designated for a period of seven years and should one cease activity before the end of this period a tender process must be relaunched to replace it. Sub contracting is allowed but the applicants to the tender process did not have to present their potential sub contractors.</p> <p>The two phased tender process was criticised by two independent handlers we met, GlobeGround and Aviapartner. As described above during the first phase of the selection process in CDG terminal 1 where Air France does not operate, the AUC vote positioned GlobeGround and Aviapartner far beyond Air France but the DGAC designated Air France. In CDG terminal 2 where Air France is dominant, the airline won easily the first tender and, according to Aviapartner, during the second tender, would have organised, with the votes of its main allied airlines, the designation of Europe Handling, its main sub contractor, to become its main competitor. Similarly in Orly West where Air France is dominant, the airline would have easily won the first tender since controlling 80% of the voting rights at the AUC. But according to Aviapartner the airline would have used its voting rights again during the second tender to select Euronetec, a large sub contractor of ADP and Air France, therefore designating one of its sub contractor to become its competitor.</p>
<p><b>Airport Users' Committee</b></p>	<p>By decree, only airlines can be members of the AUC and users voting rights at the AUC are based on passenger and freight traffic units. At the limited airports visited, the AUC was consulted at each step of the tender process from the selection criteria specification to the selection of the handlers. The DGAC/airport operator followed the AUC selection of handlers in most cases.</p> <p>Independent handlers would like to be part of the AUC. They advocate that they are discriminated against self-handlers offering third-party handling, which are represented at the AUC.</p>
<p><b>Access fee</b></p>	<p>In 1999 the ADP board of directors set up an access fee charged to third party handlers and self handlers according to their level of activity. This access fee was levied in return for "advantages gained by the handlers from the free access to</p>

	<p>ADP public property”. However this fee was considered by France’s administrative court as not linked to any service provided and was cancelled in March 2001. ADP mentioned the access fee is postponed until the French legal authorities reach a new decision. Lyon has recently cancelled the access fee. Toulouse invoices this fee (fix fee for space allocated and variable fee by passenger and/or kilos of freight) but the handlers/users have refused to pay based on the precedent set in Paris. Nice airport cancelled the so-called “access” fee and replaced it in January 2001 with fees “for service provided” that cover the investments by the CCI to guarantee that handling activities are performed safely and efficiently. There is now a fee for passenger handling paid by passenger, for baggage handling paid by baggage, for ramp handling paid m2 of apron used, for aircraft cleaning paid by passenger and for line maintenance (fixed annual subscription) but airlines would not be paying these fees.</p>
<b>Centralised infrastructure</b>	<p><u>Paris Charles de Gaulle</u>: centralised infrastructure consists of baggage sorting system in terminal 1, transfer baggage sorting system in terminal 2 C/F/M, de-icing facilities, water waste management and hydrant system. The AUC was not consulted in defining the list and the costs associated with those infrastructures were not audited. However the AUC recognises that ADP has been fairly transparent in explaining the relation between the charges levied for the use of those infrastructures and the associated costs.</p> <p><u>Nice</u>: the baggage sorting systems were defined as centralised infrastructure and the AUC was consulted.</p> <p>There are no centralised infrastructure in Lyon and Toulouse</p>
<b>Quality of service</b>	<p>In Paris according to the AUC the quality level has been stable through the implementation of the directive but some airlines complain about the quality of baggage sorting systems in some terminals</p> <p>In Nice, Lyon and Toulouse, according to the AUC the quality level has been stable</p>
<b>Price of service</b>	<p>In Paris according to the AUC the price level has slightly decreased but some specific services such as passenger bus transportation and PRM services have almost increased two folds. In Nice according to the AUC prices have slightly decreased while in Lyon and Toulouse prices have significantly decreased. Smaller handlers operating only at a few airports believe their larger competitors with extensive French and European market presence charge below cost handling fees at certain airports to their airline clients because they have handling agreements setting constant handling charges across a range of airports. This drags smaller handlers down to unviable pricing levels and jeopardize their existence.</p> <p>Overall users tend to say that there is a larger range of price/quality offers on the market since the implementation of the Directive.</p>

## Germany

Subject area	Commentary
<b>Background</b>	<p>The majority of airports in Germany are owned by a combination of the Federal Republic, the Land (state) government, and the local city. The national regulator of the German air transport sector is the Federal Ministry for Transport, Building and Housing. Provision of ramp handling was a monopoly for the airport operator at the five airports visited. On land side the market for passenger handling was already open before the Directive came into force. At the airports visited baggage, freight, ramp and fuel handling have been limited to 2 handlers (besides few exceptions).</p> <p>Frankfurt airport is owned and operated by Fraport Ag, a company which has a minority of its shares traded on the Frankfurt Stock Exchange, the other shareholders being the City of Frankfurt, the Land of Hesse and the Federal Government. Fraport has stakes in the following ground handling companies outside Germany: Ineuropa (Spain), Portway (Portugal), VAS (Austria) and Goldair (Greece). Flughafen Hamburg GmbH (FHG) is involved in handling with three subsidiaries: Groundstars (ramp), STARS (bussing and push back) and CATS (cleaning and technical services). The airport operators in Munich (FMG), Nuremberg (FNG) and Stuttgart (FSG) continued to be involved in providing ramp services after the Directive came into force.</p>
<b>Current position</b>	<p>At the airports visited the following new parties have been granted licences for the limited categories for ramp handling: in Munich and Nuremberg the new third party handler is Aviapartner, in Stuttgart this was Servisair, in Frankfurt Acciona Airport Services, and Checkpoint B won the licence in Hamburg (now owned by Acciona).</p> <p>All airports found it difficult to allocate space to the new entrants. The German Airport Association (ADV) is of the opinion that the distribution of rooms and areas was usually agreed upon, although the whole airport sites are intended for use by one ground handler. It was not always possible to offer the ground handler the prime position. Aviapartner is the opinion it received poor locations and sometimes there was an obligation to take too much space at high cost. The work council in Munich has concerns about the amount of activity on the ramp and the lack of co-ordination. IACA believes that new competitors in Germany are discriminated, as they receive poor and poorly maintained areas to park their equipment.</p> <p>According to ADV the market entry of additional service providers has led to increased competition and a better value for money for airlines and passengers. ADV is of the view that an airline's willingness to change handler is limited when it has been satisfied with an airport handlers' services (large airlines frequently fear a loss of quality) unless the ground handler's price is considerably lower. German airport operators are of the opinion that the Directive had the intended effect: new service providers have entered the market and prices have fallen. Therefore they see no need to contain structural changes to the Directive. It is Aviapartner's view that for the airport handler it is possible to combine products to clients that the third party handler cannot offer, which makes competition unfair. IAHA is concerned about the development that some German airports have started to work together to provide handling services (see Section 5).</p> <p>The third party handlers have only gained a small market share at the German airports. Estimates of Lufthansa indicate Nuremberg to be the lowest with 1% and Hanover the largest with 14%. Estimates of the new entrants market shares can be found in the table below. Aviapartner estimates the contestable market on the ramp in Germany to a maximum of 25%.</p> <p>While there was great interest from third party handlers to start operations, there was no interest for self handling on the ramp at the airports visited. Competition on passenger handling on land side has been intense as there are many different parties offering these services.</p> <p>The work councils in Germany have seen many detrimental effects to social aspects as a result of the Directive. For example the work council in Munich estimates the wages to have dropped about 20% since 1998 and the productivity</p>

	<p>(and work pressure) has gone up significantly (further discussed in Section 5). Aviapartner is of the opinion that the conditions of ground handling employees decreased only slightly (the employees of Aviapartner are not part of a union).</p> <p><u>Frankfurt:</u> There are 128 ground handlers active at Frankfurt. Fraport noted that 85% of market revenue relates to open market handling services). Fraport itself generates about 35% of revenues are from ground handling activities. The Star alliance accounts for about 65% of traffic, of which 50% is Lufthansa. One World has moved to the new entrant Acciona Airport Services. Its market share on the ramp is about 7%, but its handling business is not profitable yet. British Airways is of the opinion that Acciona Airport Services should be given a better chance: discount by Fraport on CI should not be allowed and Fraport should create a separate company with a clearer financial structure. Fraport stressed that there is no discount given on CI. Fraport mentioned that there is no cross subsidization of the ground handling department with other revenues. Fraport is of the opinion space is very difficult to find, for example it had to close four aircraft stands to accommodate Acciona Airport Services. The European Commission has forced Fraport to restrict the duration of new contracts with existing users and reduce the time it takes for users to pull out of such agreements. In order to reduce the long term contracts, Fraport then notified all its airline customers about a 60 days termination clause. BMI mentioned that Frankfurt has very high handling prices, but the quality offered is good.</p> <p><u>Hamburg:</u> According to the new entrant Checkpoint B they have reached a market share of 8% on the ramp (the business has not been profitable). Checkpoint B views it as a general problem that the national carrier and its alliance partners are strongly linked to the airport (see Section 5). It further commented that it finds that there could be a conflict of interest that the airport operator employee doing the acquisition for the three subsidiaries is also responsible for CI charges. FHG is of the opinion that there is no drastic change in working conditions or social aspects, though wages have dropped 20%. The work council expressed concerns relating to the transfer of staff and to deteriorating social and safety standards (see Section 5).</p> <p><u>Munich:</u> According to FMG it is has been difficult to find space for the newcomer, especially because approval of the authorities for creating new space is difficult. Also in Munich the One World alliance has moved to the new entrant (Aviapartner). According to FMG the Directive did not have much impact in Munich, but it has brought competition: Aviapartner offers lower prices than the airport operator. FMG has indicated a problem relating to public procurement rules, which is viewed as a competitive disadvantage to the airport handler (see Section 5). FMG mentioned it did everything in order to meet the demands of Aviapartner in terms of apron space, offices and equipment.</p> <p><u>Nuremberg:</u> FNG mentioned it negotiated lower wages for its ground handling employees and it reduced costs in order to create a competitive handling subsidiary. It has been profitable in 2001. FNG mentioned that even at an airport of the size of Nuremberg with about 3 million passengers and taking into account its traffic structure, the market would not be big enough for a third ground handling service provider. No staff from FNG was taken over by Aviapartner. The airport mentioned it had difficulty trying to find space for Aviapartner and had to create a new area. The work council is concerned about safety and the amount of activity on the ramp.</p> <p><u>Stuttgart:</u> FSG created a separate handling subsidiary, employees' wages have been frozen for the last four years. In Stuttgart Servisair got selected, but decided to leave after to their opinion FSG has drove Servisair them out of the market (see Section 5 for details); it achieved about 10% market share on the ramp. FSG mentioned it is difficult to attract employees in the environment of Stuttgart. According to the airport operator Servisair "headhunted" 7 employees from the FSG, beyond that there was no staff take over by Servisair. None have gone back to FSG after Servisair decided to leave the market, because according to the work council the employees knew this would cause too much trouble. This council further mentioned safety was never threatened and there has been no increase in handling incidents. FSG mentioned that most contracts with airlines are for three</p>
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	<p>years. Alitalia in Stuttgart mentioned the size and structure of an airport should be taken into account when limiting the number of handlers.</p>
<b>Legal framework</b>	<p>The national legislation in Germany is called the 'BADV'. Annex 5 of the BADV states how many ground handlers can be active at airports where the market is limited. In the BADV there is special clause for take-over of staff for new entrants (this is an obligation) and a clause which makes an increase in fees charged for access to airport installations possible in case new entrants have not taken over staff. The European Commission views this as an infringement on competition and has sent a reasoned opinion to the German authorities (see Section 4). There is no special provision for selecting the staff in the BADV. ADV stated that there has not yet been a case of a ground handler taking over airport staff, but the airports have been able to compensate the loss in the share of the market with staff fluctuations and the increase in traffic. On the other hand Aviapartner made clear that airport handlers will not be forced to take back staff if a customer comes back to the airport or if a handler disappears (there is no such provision in the BADV). Lufthansa's view is that the staff take over obligation it is a severe impediment to liberalization and a strong competitive disadvantage to new entrants. Under German law there is no legal opportunity to force workers to move to the new entrant. According to FMG the only thing feasible is a legal obligation of the new entrant to report to the airport the acquisition of new customers and, upon our request, to make an offer to the airport's workers and to hold information meetings with workers. If the workers refuse that offer, they remain the employees of the airport.</p> <p>At Hamburg, Nuremberg and Stuttgart the airport uses fully controlled legal entities for ground handling activities, and the airports of Frankfurt and Munich have created ground handling departments that are profit centres on its own. Fraport is of the opinion that there is no need for structural changes to the Directive (see Section 5). ADV is of the opinion that the Directive had the intended effect: new service providers have entered the market and prices have fallen. Therefore ADV sees no need to contain structural changes to the Directive.</p>
<b>Licensing</b>	<p>Under German law licences for self and third party handling should be provided for periods of seven years. Annex 3 of the BADV describes very detailed the requirements and criteria for a third party handler (though not for self handling). Aviapartner in Munich, received a four years licence (because of building of new Terminal), at the other airports handlers received licences for seven years. Besides receiving a licence from the authorities (for limited services), handlers need to sign a contract with the airport. Aviapartner made clear that according to the contract with the airport sub contracting is not allowed for ramp services.</p> <p>Some parties expressed concerns related to the insurance cover that needs to be the same for every handler, irrespective of the scale of operations (see Section 5).</p>
<b>Tender process and selection criteria</b>	<p>As the German airports had to allow for a third party handler to enter the market, tender processes had been set up. Formally the Ministry defined the selection criteria, in many cases this was prepared by the airport authority and presented to the AUC. The airport operator, the AUC and the works council each were able to give a recommendation to the local Land Ministry of Transport, which is the body that decides on selection. At a number of airports handlers could only apply for bundled services. According to Lufthansa this creates the problem that the airport defines the extent of bundling and thus has considerable influence on competition. Interested parties had to submit a business plan (including a cost model for staff and equipment), normally based on a weekly schedule of the timetable. An applicant's qualifications, references, liability and capability was evaluated. At Frankfurt, Munich and Hanover the start of operations of the new handler was delayed, as it was legally challenged by parties that did not get selected. The recommendation of the AUC has not always been followed by the local Ministries (see Section 5).</p> <p>The companies Acciona, Aviapartner, Ogden, Servisair and Swissport showed their interest at nearly all eleven airports, where tenders were being held. The winners that have secured places at several German airports are Acciona Airport Services and Aviapartner (see table below). It is a concern to Aviapartner that handlers have been chosen with strong legal relations to the airport (in Stuttgart</p>

	<p>Losch has 49% subsidiary with FSG, and Fraport and the mother company of Acciona Airport Services (i.e. Acciona S.A.) have shares in Ineuropa Handling of 20% and 80% respectively). Furthermore Aviapartner noted that Lufthansa voted for competition, but not for business: it has been used for benchmarking purposes to renegotiate prices.</p> <p><u>Frankfurt</u>: Provision of services by Acciona Airport Services was delayed for a year, because the non-selected bidders objected to the decision made by the local Ministry. Fraport did not make a recommendation to the Ministry, as they wanted to stay independent. Consequently, Swissport now is shareholder of Acciona Airport Services in Frankfurt. Despite loss in market share Fraport has so far not made use of the option to transfer staff to Acciona Airport Services: personnel was used to handle the increase in traffic volume. Acciona Airport Services views that Fraport is fair in allocation facilities to them.</p> <p><u>Hamburg</u>: The main selection criteria in the tenders were: the applicant had to be generally known and had to provide a reliable business plan. In the tender for the second licence for ramp handling (Groundstars is FHG's ramp handling entity) the AUC, the worker council and the airport operator were all in favour of Checkpoint B. Swissport and Menzies are of the opinion that weak and small competitor have been selected to limit competition. The non-selected handlers noted that they would have had a better chance if voting was done on a one airline one vote basis. When Checkpoint B started operations the interface for baggage was the aircraft. After discussions and independent consultation by an external expert this has been changed to the conveyor belt.</p> <p><u>Munich</u>: According to the chairman of the AUC price and quality have been the main criteria of choice. The chairman of the AOC in Munich would favour a neutral body to be an independent referee with regards to tender processes. FMG is preparing a new tender process for the new Terminal 2 in 2003.</p> <p><u>Stuttgart</u>: In Stuttgart Servisair got selected (favoured by the AUC), but decided to leave again after to their opinion too much frustration as a result of the airport operator's practises (see Section 5). After a new tender process the Ministry recently decided to appoint Losch Airport Services as the new third party handler. This decision is controversial according to IAHA, because of the close connection of this company with the airport operator FSG (see Section 5). Aviapartner and not Losch was preferred by the AUC.</p>
<b>Airport Users' Committee</b>	<p>At all the visited airports in Germany an AUC has been set up. All have a constitution and comprise air carriers only. Voting is not allowed by third parties, but airport operators, handlers and worker's councils can join meetings on occasions. Voting depends on MTOW shares of the air carriers represented, but an air carrier cannot exceed 49% of votes (for matters of constitution each air carrier has one vote). At all visited airports the Star alliance represents a majority of the votes. Lufthansa has had the largest vote in the selection process, but it has not moved to the selected entrant (mainly due to the scale of its operations). AUC's have been consulted both in the selection process and in the definition of centralised infrastructure. ADV is of the opinion that active participation by members is limited in the AUC. Fraport mentioned the AUC has very strong influence on decisions taken by the airport. Both handlers and work councils would like to be represented on the AUC.</p>
<b>Access fee</b>	<p>Upon selection, the applicants must conclude an access contract. The five airports levy access fees for all ground handling services, which is a percentage of turnover or a fixed price per Work Load Unit. The airports argue that they have created a business opportunity for the handlers and therefore are entitled to levying an access fee. No difference is made between third party handlers and self handlers. Access fees have been challenged in court and Lufthansa and other self handlers are not paying the access fee until the European Court of Justice has taken a decision on the admissibility of access fees, with Hanover acting as a test case. Self handlers are not forced to pay currently. Lufthansa expressed some strong opinions on access fee (see Section 3). IAHA estimates the access fee for independent handlers in Germany to be about 7% of turnover.</p> <p><u>Frankfurt</u>: Fraport is of the opinion that the right of self handling is not a right in its own, but a right granted by the airport operator (or Ministry of Transport). As</p>

	<p>a rule, the access fee is a percentage of turnover for all handling services. Acciona Airport Services mentioned that it is not allowed to show its customers the level of the access fee in their invoice.</p> <p><u>Hamburg</u>: As a rule access fees are a percentage of turnover (between 5% and 9%). Many handlers and airlines are not paying access fees at the moment (e.g. AHS Handling and Lufthansa). Checkpoint B estimates the access fee to be about 9% to 10% of total costs.</p> <p><u>Munich</u>: FMG derived the new charging base (based on Work Load Unit) from the old charging basis. Access fee reflect about 8% of turnover for the ramp handlers and 10% for passenger handlers.</p> <p><u>Nuremberg</u>: Lufthansa estimates the access fee to be about 5% of turnover.</p> <p><u>Stuttgart</u>: FSG estimates the access fee to be about 6.5% of turnover (percentage is depending on volume of business and on the handling service). According to passenger handler Aerogate the airport stopped invoicing them for access fees.</p>
<p><b>Centralised infrastructure</b></p>	<p>In general, the airports visited have comparable definitions of CI: for example all have the baggage system (or parts of it), de-icing facilities and passenger bridges taken up (see Section 3 for details). The airport operators have consulted the AUC's to draw up the list of the CI. The definitions of CI and the interfaces (see also table below) have been criticised by handlers and airlines. In some cases interfaces are the end of the building or the aircraft stand, but not at the end of the baggage conveyor belt: in Stuttgart and Nuremberg the interface is extended from the terminal up to the aircraft. This was also the case at Munich and Hamburg, but this has been changed after discussion.</p> <p>Under German law (Article 6 of BADV) prices for the use of CI should be based on correct, objective, transparent and non-discriminatory criteria. ADV argued that the new charging system for CI was introduced at all German airports based on the basis of the following principle (in their view it therefore did not lead to an increase in revenues for the airport): 'old ground handling fee' = 'new CI fee' + 'new ground handling fee'.</p> <p>Charges for CI are mainly through a CI fee, but some infrastructure is paid for through aeronautical charges (see also table below). Aviapartner feels that airports put as much price to CI as possible, limiting competition for independent handlers (see Section 5). The costs of CI as a percentage of total handling costs for an airlines vary widely in German airports; British Airways experiences a range from 10% to 60% within Germany.</p> <p><u>Frankfurt</u>: For historical reasons there are two types of CI in Frankfurt: Part A and Part B. Fraport mentioned that the change in charging for CI in April 1998 had no additional burden for the airlines (restructuring had no effect on charges), there is no discount on CI for frequent users. Modifications of CI facilities took place in 2000 and 2002 in co-operation with the AUC. Charges are set in relation to the airline, aircraft type, seats available and payload (passenger, baggage etc). Fraport made clear that their assessment of charges is audited by an independent auditor every year. According to Acciona Airport Services, Fraport uses a published list for CI charges, but airlines can have a separate agreement with the airport for certain facilities in order to benefit from a reduced charge based on the real cost of infrastructure (according to Acciona Airport Services up to 50% less than published charges). For departing baggage the interface is the edge of the building, but for arriving it is the conveyer belt (only recently, which led to a reduction in CI price of 10%).</p> <p><u>Hamburg</u>: Checkpoint B finds that the main problem at Hamburg is that the airport is using the infrastructure as a marketing tool by offering discounts to its customers. Baggage sorting and transport was part of CI, but this was changed. FHG mentioned the prices for CI are cost related. The airlines are invoiced directly.</p> <p><u>Munich</u>: FMG estimates 40% of the total handling price for airlines to be related to CI (in the future this should become 28%), Aviapartner estimates this can be up to 52% in practice. No discounts on CI are given according to FMG, while Aviapartner argued that the airport has given rebates of up to 25% on CI (a disincentive for airlines to change handler). The interface is currently at the aircraft stand, but this will change to the baggage sorting area when the new</p>

	<p>terminal is finished.</p> <p><b>Nuremberg:</b> Lufthansa estimates the cost of CI to be about 45% of the total handling costs to airlines. The interface is the aircraft stand, as the airport argued there is not enough space for two handlers to pick up baggage. Lufthansa does not agree with this, and thinks it could at least be tried to see if it works. Aviapartner estimates the access fee to be about 8% to 14% of turnover.</p> <p><b>Stuttgart:</b> CI fees are based on each handling procedure and based MTOW. FSG argued that as the initial charges were based on MTOW forecasts and traffic has gone down, the airport generates less revenue on CI than anticipated. FSG estimates the cost of CI to be about 45% of total handling costs for airlines. The interface is it at the end of the building. According to FSG this is a result of capacity constraints and also for co-ordination purposes according to FSG (the new terminal will change this).</p>
<b>Quality of service</b>	Most parties argued that there were no significant changes to the quality level of handling services provided. Quality is perceived to be high by stakeholders. ADV argued that a satisfactory quality level has been achieved, because in Annex 3 of the BADV the qualifications of handlers are laid down.
<b>Price of service</b>	According to ADV prices have decreased by 5% to 15% (less than airlines expected). Other parties estimate the drop in prices to be up to 20%. ADV noted that airport operators are not interested in underbidding the competitors with price-dumping and thereby endangering the cost recovery of the handling services; therefore, in their view a dramatic reduction in prices is not to be expected in the future.

<b>Airport</b>	<b>Applicants in tender process for ramp services<sup>1</sup></b>	<b>Estimated market share by ADV<sup>2</sup></b>	<b>Baggage interface</b>	<b>Charges for Centralised Infrastructure</b>
Frankfurt	<b>Acciona Airport Services</b> , AviaPartner, B.L.A.S., GHI, Ogden, Servisair, Swissport	2.2% <sup>3</sup>	Edge of building <sup>4</sup>	Covered by CI fee, except for flight information system and aircraft fuel station (rent charge)
Hamburg	Acciona Airport Services / GHI, Aero Groundservices, AviaPartner/ IVG Log, B.L.A.S., <b>Checkpoint B</b> , Ogden, Servisair, Swissport	11%	End of conveyer belt	Covered by CI fee
Nuremberg	<b>Aviapartner</b> , FCC, Ogen, Swissport	0.7%	Aircraft stand	Covered by CI fee, except for flight information system, de-icing system and aircraft fuel station (rent charge)
Munich	Acciona Airport Services, <b>Aviapartner</b> , Checkpoint B, Ogden, Servisair, Swissport	3.5%	Aircraft stand <sup>5</sup>	Covered by CI fee, except for de-icing system, noise protection hangar and aircraft fuel station (rent charge), and loading stand, flight information system and piloting facilities (landing fees)
Stuttgart	Aviapartner, FCC, Losch Airport Service, <b>Servisair</b>	0%	Edge of building	Covered by CI fee, except for cargo loading system (rent charge)

(1) 'Bold' parties have been selected.

- (2) Situation January 2002 (based on movements).
- (3) Acciona Airport Services estimates the market share to be 8% in January 2002
- (4) For inbound baggage the interface is the conveyer belt.
- (5) This will change when the new Terminal is finished.

## Greece

Subject area	Commentary
<b>Background</b>	<p>Historically provision of handling activities at all Greek airports was an exclusive monopoly of Olympic Airways. Both scheduled and charter carriers were highly critical of the Greek handling monopoly for many years claiming that charges were not only amongst the most expensive in Europe but service standards were poor. Such situation led all Greek newcomers (Air Greece, Cronus Airlines) to self-handling at all domestic stations, while some European carriers such as Austrian, KLM, Lufthansa and Virgin Atlantic did the same at Athens airport (Hellenikon).</p> <p>Soon after the EC's Directive introduction, even before it was enacted into Greek law, the Hellenic Civil Aviation Authority (HCAA) leads the liberalisation of handling services in Greece when it appoints a second handling agent at Hellenikon's West Terminal (non-Olympic Airways). Goldair Handling, a joint-venture between Goldair (a local holding involved in aviation business), Lufthansa (later GlobeGround), KLM (withdrew from venture later) and Frankfurt airport (Fraport), starts providing, first passenger, and later, baggage, ramp and cargo handling. In 2000, once the Greek legislation is approved, Swissport is appointed as the third handler at Hellenikon airport initially providing passenger handling to Swissair and other Qualiflyer Group's members. In 1999, another tender for baggage, ramp and cargo handling is organized by the managing body of new Athens International Airport "Eleftherios Venizelos" (AIA S.A.). AIA announces the results and appoints Olympic Airways, Goldair Handling and Swissport Hellas as third party agents for the new airport (status quo) in early 2000.</p> <p>The first regional airport to opens competition up is Heraklion in 2001 and it is followed by Thessaloniki in early 2002. The HCAA expects to open handling up at Rhodes and Corfu in late 2002 and early 2003 respectively.</p>
<b>Current position</b>	<p><u>Athens:</u> AIA has adopted 'an open access' approach to all handling activities excluding baggage (category 3), ramp (category 5), cargo handling (category 4.1, 4.2 and 4.3), catering handling (category 5.7) and fueling (category 7). In the case of restricted services, there is provision for 3 third party agents and 3 self-handled carriers. AIA launched the tender for restricted access services in September 1999 and announced the results by February 2000. For baggage and ramp, 11 different parties expressed interest and 7 were pre-qualified for final tender. Similarly, in cargo handling, 12 parties expressed interest but 7 were pre-qualified by AIA. The licences were awarded to: Olympic Airways, Goldair Handling and Swissport Hellas for a period of 7 years; and since the opening day, all three third party agents have been offering passenger, baggage, ramp and cargo services at Spata airport.</p> <p>Even though, there is provision for 3 self-handled carriers, only two Olympic Airways and Aegean Cronus are currently self-handling. AIA has made provision for 3 self-handled carriers taking into consideration the capacity and operational possibilities. Self-handlers licences are also valid for 7 years. Olympic Airways and EAT (DHL's air transport arm) are the only two carriers self-handling mail and freight.</p> <p>Today, Spata's traffic throughput is 12m passengers p.a. but its contestable market is 38% only (OA 50% + Aegean/Cronus 12%). The current share of third party market is almost evenly split between the 3 agents (OA 30%, Goldair 31%, Swissport 39%). Cargo throughput is about 105,000 tonnes and the contestable market is 53%. The market share in cargo handling is split as follows: OA 19%, Goldair 20%, Swissport 12%).</p> <p>With the transfer to Spata most handling contracts had to be re-negotiated which provided handlers with room to heavily undercut prices in order to attract carrier's accounts. All parties consulted coincide that prices have reduced by 30-40% during last year and that this price war has produced exodus of airlines from one agent to another. All handler agents confirmed that under current trading conditions they are posting large financial losses and that price stability is a critical factor for survival.</p>

	<p><u>Heraklion</u>: Despite recommendations of Heraklion airport's management and its AUC to limit baggage, ramp and cargo handling to 2 third party agents only, the HCAA tendered three licences in mid 2001. Same agents as in Spata airport were appointed: Olympic Airways (incumbent), Goldair Handling and Swissport Sud (another subsidiary different from Swissport Hellas). In addition, Olympic Airways and Aegean Cronus Airlines handle themselves.</p> <p>Today, Heraklion's airport traffic is 5m passengers p.a. split between 78% and 22% charter vs. scheduled traffic respectively. Seasonality is a key factor, with 80% of passengers concentrated during the summer season (April to October); while winter season (20%) is mainly domestic scheduled traffic. Heraklion's contestable market is estimated around 65-70% and handling market share is unevenly split as follows: OA 65%, Swissport 25% and Goldair 10%.</p> <p>Some carrier's representatives plus Swissport and Goldair claim that such unbalance distribution is due to Olympic's network discount/package price policy. OA offers all carriers operating to Greek island resort airports a 30% discount at all airports if they procure all their handling needs from OA only. If a charter carrier wishes to procure handling services from other agent different from Olympic at any Greek airport (only possible at Heraklion and Thessaloniki for time being), it automatically loses discount entitlement even though it remains using OA elsewhere. The only major charter airline that has deserted Olympic at Heraklion is Condor (in favour of Swissport) because -according to its representative- its Greek operations are mainly focused at this airport and Condor was not prejudiced by losing OA's 30% network discount.</p> <p>New handlers (i.e. Goldair and Swissport) claim that OA did not give up any room within the terminal nor airside and that they had to build up dedicated facilities (offices, changing rooms, workshops) at their own expense. Also the space allocated for parking ground support equipment is far away from apron and leads to large driving times.</p> <p>Lack of space and allocation of infrastructure are the two main issues at Heraklion. Users complain that key infrastructure such as check-in desks, out-and in-bound baggage belts, baggage make up areas, aircraft stands are both insufficient and inadequate to cope with peak demand. The airport representatives acknowledge such limitations but also highlight that corrective measure are being taken (plans for terminal extension and refurbishment). Goldair and Swissport also complain that</p> <p>Finally, Goldair and Swissport complain that OA still benefits from larger assignments of facilities (mainly check-in positions) as incumbent and they have to 'negotiated' with OA for extra desks. Furthermore, the airport management does not get involved in the day-to-day allocation of facilities and they should take a more active role as managing body to ensure a fair and best utilisation of scarce resources.</p>
<b>Legal framework</b>	<p>The ground handling activities are regulated in Greece through three pieces of legislations:</p> <ol style="list-style-type: none"> <li>1. Presidential Decree (No. 285 of 7 September 1998) that enacts the Directive into Hellenic legislation;</li> <li>2. Basic Regulation (Ministry of Transport and Communications Decision No. D3/B/555470/8714 of 15 January 1999) which outlines the responsibilities and duties of HCAA and airport managing bodies, as well as, sets the minimum licensing requirements for a handler in order to be eligible to provide handling services at any Greek airport. Moreover, it contains certain rules to which all handlers must comply during their presence and operations at Greek airports;</li> <li>3. Local Regulation which regulates the provision of ground handling activities at each Greek airport affected to Presidential Decree and Basic Regulation. The managing body of an airport or airport system produces the Local Regulation for airport(s) under its control and must be approved by Ministry of Transport and Communications before it is enforced.</li> </ol> <p>During our visits to Greek airports, several stakeholders share their concerns on current legal framework describing it as stringent and inflexible. They are</p>

	<p>particularly concern with the minimum requirements set upon handlers and self-handled carriers including ground service equipment, level of insurance coverage and bank guarantees. They would like to see such requirements relaxed and more in line with industry's practices in future.</p> <p>Also, under the current legal framework, sub contracting and pooling of ground support equipment between handlers are prohibited. Handlers would like to see a relaxation of such measures; they would like to out-source non-core activities such as cleaning as well as being able to pool specialised equipment that normally produces low demand: handling of passengers with reduced mobility (i.e. air ambulance lifts), de-icing equipment, etc.</p>
<b>Licensing</b>	<p>Greek legislation set strict procedures and minimum requirements (e.g. financial, personnel, equipment, guarantees, insurance, etc) for any handler and self-handled carrier to meet before its application/licence can be considered by HCAA. Some stakeholders complained about the large number of requirements (i.e. documentation, statements, declarations, etc) that any applicant must satisfy before getting a handling licence in Greece. In many cases, it is not only the number of documents but to the minimum levels that any applicant must meet too (i.e. insurance coverage, value of Bonne-faith guarantee, etc). These are perceived as large hurdles particularly for small parties wishing to access activities such as representation, passenger handling, etc.</p> <p>Handling agents are concerned that over sizing their real staff and equipment needs create pressure upon gaining significant volume (market share) at the beginning of operations to economically justify such investments; otherwise under utilisation creates an uncompetitive and cost disadvantage against competitors.</p> <p>Furthermore, the HCAA must check/audit that applicants comply with minimum manning levels, staffing technical qualifications required, and minimum requirements of ground handling equipment (types and number of units) as outlined on Basic Regulation. Failing to meet those could translate in serious delays to certification process. In order words, any handler wishing to operate at any Greek airport must have minimum staff hired and all equipment readily available before receiving a licence to operate. AIA noted that the managing body of the airport is the only responsible organization to grant the right for a handler to operate. Licensing on the other hand is the sole and exclusive responsibility of HCAA as the administrative Authority. To this regard the tender is launched by the airport operator, which is the responsible body to decide after consultations with AUC in the case of restricted third party handling, of the handlers to operate at the airport. Handlers conclude their agreements with the airport operator and then seek for the licensing of the HCAA in accordance with the provisions included in the Basic Ground Handling Regulation.</p> <p>New handlers complain that once applicants meet all regulatory and minimum requirements, the process of effectively issuing the licence takes a long time to complete as it requires the approval from the Minister of Transport and Communications him/herself. In the meantime, applicants are staffed and fully equipped awaiting for official authorisation to start operating. These delays translate according to newcomers into additional financial burden on top of over sizing versus under utilization pressure. For example, Aegean Cronus Airlines recently launched operations into Mykonos airport, and delays on issuing its self-handling licence mean that the first weeks of operation had to be sub contracted out to incumbent Olympic Airways Handling (only third party handler).</p> <p>Finally, licences for third party handling and self-handled carriers are for 7 years. Handlers at Spata airport are requesting AIA to consider an extension of their original licence for an extra 2 years. They claim that transfer costs associated with move from Hellenikon to Spata site, pre-opening trial expenses plus heavy discounts offered during first year of operation have represented a significant financial burden seriously undermining their business formulae, that they would require an extension to recover for such unusual events.</p>
<b>Tender process and selection criteria</b>	<p>In Greece the tender process can be divided into two stages: a pre-qualification phase plus a final tender. In the Basic Regulation it is mentioned that managing bodies may conduct a pre-qualification process before issuing an invitation to</p>

	<p>tender. It also provides specific guidelines for the pre-qualification and selection procedures as well as it sets the minimum selection criteria. A few stakeholders have expressed concerns about such a system as they are perceived as a hurdle to accessing handling market (see Section 5). The number of parties wishing to participate in the tender was significantly cut down particularly in the case of Spata airport. From a total of 12 parties that expressed interest, only 7 were pre-qualified for next stage and subsequently 3 appointed as handling agents. At Heraklion, 6 parties expressed interest and only 4 were pre-qualified.</p> <p>Even though guidelines for minimum selection criteria are set in the Basic Regulation, each airport managing body could add additional criteria and/or raise the minimum requirements. Also, each airport is responsible for scoring system.</p> <p>Both AIA and HCAA sustained consultation with the AUCs at Spata and Heraklion respectively throughout the tender process.</p> <p>Five tenders have been launched by AIA for the award of third party ground handling rights, more specifically:</p> <ul style="list-style-type: none"> <li>- 1 tender for categories 3 and 5 (excluding sub category 5.7) for the award of 3 rights; 11 companies expressed interest; 7 have been pre-qualified</li> <li>- 1 tender for sub category 5.7 for the award of 3 rights; 3 companies expressed interest; 3 have been pre-qualified</li> <li>- 1 tender for category 4.3 for the award of 3 rights; 8 companies expressed interest; 7 have been pre-qualified</li> <li>- 1 tender for category 7 for the award of 2 rights; 7 companies expressed interest; 6 have been pre-qualified</li> </ul> <p>In addition an equivalent number of selection processes have been launched with the award of a total of 4 self handling rights.</p> <p>AIA indicated that the tenders were conducted in accordance with the requirements provisioned in the Directive and in line to general public procurement rules. According to AIA during the pre-qualification stage there had been set definitive and clear criteria as incorporated in the relevant call for expression of interest for any European established entity to participate in the tender.</p>
<p><b>Airline Users' Committee</b></p>	<p>At both Athens and Heraklion airports an AUC has been set up. Voting system differs for Athens and Heraklion airports, traffic units (WLU) and air movements respectively; however, for the latter minor decisions can be voted on the basis of one member one vote. Representation is allowed in both cases but no party can hold more than 49% of voting rights.</p> <p>Both AUCs were consulted during the tender and selection processes. With respect to the baggage/ramp and fuel into-plane handling tender at Spata, the handlers selected by the airport company were the same as those suggested by the AUC. In the case of Heraklion's AUC it is important noting two issues: first, the AUC recommendation for appointing two third party handlers only was not taken into consideration by HCAA (3 parties have been appointed); and second, during selection procedure one of parties suggested by AUC was not chosen by HCAA (Heraklion's AUC voted in favour of OA, Goldair and Aviapartner but the latter was changed for Swissport). Spata's AUC has also approved CI's definition and the guidelines for calculating centralised infrastructure fee and its level.</p> <p>Small airport users believe their voices and weight upon decision/approval process is compromised if the largest airline (home-base carrier) is also a ground handler. Several stakeholders agree that this creates a conflict of interest and undermines the effectiveness of AUC as a forum for discussion and consultation.</p>
<p><b>Access fee</b></p>	<p>Both Athens and Heraklion airports levy access fees. At Athens access fee is based on a per departing passenger or 100 kg of freight basis and is equally charged to both third party handlers plus self-handled carriers; while at Heraklion the access fee differs: a passenger fee for self-handlers and a concession fee (2%) for third party handlers. Handlers complain that this dual system could benefit an airline that provides both third party handling plus handles itself (cross subsidy between activities). AIA mentioned that the calculation formula (per departing passenger and per 100 kg of freight) as well as the percentage attributable to each category of handling services has been consulted and agreed upon with the AUC and subsequently forms part of the relevant legislation (Article 10 of AIA Local</p>

	<p>Ground Handling Regulation). In addition the annually applicable level of the respective fee is consulted with the AUC. Up to this date, all ground-handling companies (self and third party handlers) fulfil their relevant financial obligations towards AIA. AIA also indicated that the access fees is not a purely commercial fee, but has some basis on the cost of services provided to ground handlers.</p> <p>In general, handlers pass on access and centralised infrastructure fees to clients (recharge). Some users and handlers oppose the application of access fees; airlines see them as an extra cost they must burn, while handlers believe that they are already paying for access to infrastructure through centralised infrastructure fee plus rentals.</p>
<b>Centralised infrastructure</b>	<p>Spata is the only Greek airport with centralised infrastructure defined as per its Local Regulation. CI's pricing formulae were approved by Spata's AUC and every year it is consulted about the level of the new fees. AIA mentioned that CI related with to ground handling is operated by the licensed three Ground Handlers and is only managed and maintained by AIA; the fees for the use of this infrastructure are subject to consultation with AUC. According to AIA the calculation formula is linked with the EU Directive principles for transparency and non-discrimination and is depicted in the Local Ground Handling Regulation. No centralised infrastructure has been drawn up in Heraklion but its users would like HCAA to do so, and more importantly, to see problems with constrained facilities such as baggage make up areas, out- and in-bound baggage belts, check-in desks, apron stands, improved soon.</p> <p>DHL mentioned that the national legislation, and the Athens local handling regulation has defined cargo handling inside the warehouse as a restricted activity, so that it can only be undertaken by one of the three third party handlers or a self handling airline. In DHL's view, this is in contradiction to the EU Directive. The airport operator AIA takes the view that they may decide to review the situation if the AUC asked them to do so, but other wise not. AIA pointed out that the restriction is related to the transport of cargo loads from the aircraft to the cargo terminal and not to the warehouses, which are limited by nature to four within the Airport boundaries. In AIA's view any interested party can develop warehouses and provide cargo handling services from off airport boundaries as open access handling service.</p>
<b>Quality of service</b>	<p>All parties agree that quality standards did improve significantly as result of opening up market to competition. However, some users point out that such standards have lowered in the past months arguably to cost pressures due to price war amongst handlers. AIA mentioned that quality of service increased not only as a result of competition, but this competition commenced at a new airport with modern technology and infrastructure. The airport company estimates that quality of service can be further upgraded if the managing body of the airport can officially set up the minimum standards in consultation with the airport users.</p>
<b>Price of service</b>	<p>Handling prices have suffered drastic reductions since market was liberalised. At Athens, when market was first opened at Hellenikon airport price reduced by 15% approximately; since the move to new Spata airport prices have been cut by an additional 40-50%. At Heraklion prices have also not reduced as much as in Athens, only by -20%. Many users claim that Olympic Airways has successfully sustained prices high through its network discount policy. If a charter carrier leaves OA at Heraklion airport, it automatically loses entitlement to network discount (about 30%) even though it remains an OA customer at all other Greek stations. Such approach discourages charter carrier from doing so as they overall handling costs in Greece would soar. In fact, Condor is the only large charter operator that has effectively deserted from OA because its Greek operations are mainly focus at Heraklion airport thus losing OA's discount at other airports did not represent an important threat.</p> <p>Even though carriers recognised that it would be difficult for handlers to sustain profitability under current price levels, they would not like to see handling rates rising back as they already face very expensive aeronautical charges particularly at Spata airport.</p>

## Ireland

Subject area	Commentary
<b>Background</b>	<p>Aer Rianta owns and operates Dublin, Shannon and Cork airports. The first two airports are above the thresholds of 2 million passengers and an annual throughput of 50,000 tonnes of cargo. Aer Rianta itself does not have any direct involvement in ground handling at Dublin airport. At Shannon it is involved in fuel and catering services. According to Aer Rianta the ground handling market in Dublin was already competitive before the Directive, Servisair and Aer Lingus were third party handlers. According to the chairman of the AUC in Dublin there were some restrictions for ground handlers before the Directive. Historically, Aer Lingus was the only provider of ground handling services. It is viewed by the AUC that the market is fully open since January 2001 and the major benefit from this being the ability to choose from more handlers.</p>
<b>Current position</b>	<p>The Irish legislation allows freedom to self handle for all ground handling categories, except for baggage handling, the physical handling of freight and mail between the terminal and the aircraft, ramp handling and fuel and oil handling. Aer Lingus stated that the Directive had no great impact in Dublin. It has been mainly new specialized companies that have entered the market after the implementation of the Directive at Dublin. There has been some movement of airlines changing handler. The cargo handling business of Reed Aviation was taken over by GHI.</p> <p>The major players in third party handling are Servisair, Aer Lingus, Aviance and CityJet. Aer Lingus and Ryanair perform self handling (including passenger, baggage and ramp handling) at Dublin. According to Aer Rianta this reflects almost 60% of the market. Aer Lingus and Ryanair estimate their market shares to be 30% (of which 80% self handling) and 25% respectively.</p> <p>There are nine airlines doing self handling on the ramp, but only three doing passenger handling (with seven handlers providing third party passenger handling). The financially troubled Aer Lingus is consolidating and has cancelled many third party contracts with clients as of summer 2002. This affected 12 charter and 3 scheduled operators. Aer Lingus is now concentrating on performing self handling and servicing One World partners.</p> <p>Servisair stated that it has experienced unfair allocation of stands: it happens often that its customer's large aircraft are allocated remote stands, while at the same time small aircraft are on contact stands. In this respect its concerns are operation and cost base related: disadvantages being usage of busses (with high maintenance costs), higher training costs for approved staff and delay of baggage delivery. Aer Rianta stated that stand allocation procedures at Dublin Airport are developed on a transparent and consultative basis (the rules that drive the automated stand allocation tool are made available to the carriers and are constantly reviewed in accordance with business needs).</p> <p>As Dublin is not fully slot-managed it is viewed by handlers that this leads to high peak periods. For example on Saturday morning Servisair needs to double its staff compared to weekdays. With part-time employees being very difficult to find in Ireland, handlers are in favour of a more spread pattern, which will lead to a more cost effective handling business. In light of this Aer Rianta pointed out that it has made submissions to the Commission for Aviation Regulation (CAR) to have Dublin Airport declared fully co-ordinated. The CAR decided that full co-ordination was not required.</p> <p>Servisair considered that the costs it needs to pay to the airport are not fully transparent which "leads to Aer Rianta being in a position to add on costs without justifying them". Aer Rianta mentioned that a recent study has shown that the airport charges at Aer Rianta airports are amongst the lowest in Europe. Staff wages of Servisair have gone up by about 30% over the last six years.</p>
<b>Legal framework</b>	<p>There are some differences between the Irish legislation on ground handling and the Directive. This relates to the running of the AUC, the threshold values, fees, appeals and reporting (see Section 4 for more details). Some disputes have arisen at Dublin Airport, mainly related to fees for access to airport installations (Ryanair's challenge was rejected by the High Court, but it will appeal) and in</p>

	<p>one case the allocation of a cargo warehouse facility (see Appendix E).</p> <p>Aer Rianta operates a policy of open access to the ground handling market at Dublin Airport in all categories of ground handling services. According to the airport operator the benefits from the application of the Directive at Dublin resulted in provision of competition in almost all areas of ground handling services for third party handling.</p> <p>The chairman of the AUC and Ryanair find the wording of definitions of the Directive unnecessarily difficult and suggests it is made simpler and clearer.</p> <p>All ramp handlers do their own bussing of passengers (ground handlers therefore consider that this creates inefficiencies and high costs. Aviance suggested that any new Directive leaves this activity to one external company (not necessarily a handler), as is done at for example London Gatwick or Manchester.</p>
<b>Licensing</b>	<p>Licences for ground handling are issued by the CAR. Approval from the CAR is granted if a company can demonstrate it is competent in respect of experience, financial resources, equipment, organisation, staffing, maintenance and operating procedures and is adequately insured. Aer Rianta has raised concerns about the mechanisms and procedures that are being used by the CAR in order to ensure that the criteria set out are met. Approved handlers are subject to Aer Rianta's Rules of Conduct. All licences are granted for five years. The chairman of the AUC expressed the view that qualifications of personnel should be checked more carefully, as employees need proper training before they can start working on the ramp (there was an allegation that this issue almost led to strikes of handling employees, when one handler hired staff and without proper training let them load and unload aircraft). The airport operator stated that the approval process for handlers should have more input from the airport operator in the initial stages, as in the Irish case there is little or no consultation with the airport management prior to approving companies.</p> <p>The CAR mentioned that since it took over ground handling responsibilities from the Ministry in February 2001 all requests for self handling have been approved. Handlers must operate in accordance with the Rules of Conduct for ground handling set out by the airport operator. The Rules of Conduct have been upheld by the High Court, as not all parties agree with it. Servisair considered the insurance indemnity required from ground handlers by Aer Rianta relatively high. Aer Rianta noted that it contracted independent risk assessment experts to advise it on the appropriate insurance requirements prior to the introduction of the Directive. The experts approached the issue on a similar basis to that undertaken at UK airports.</p> <p>The Irish Government sought clarification from the European Commission with regard to the definition of sub contracting as this is not explicitly dealt with in the Directive. On the basis of the advice received, sub contractors are treated in the same manner as third party handlers i.e. each must have its own approval from the Commission for Aviation Regulation. There were problems with defining the application of the ground handling regulations when Ryanair as a self handler used staff for ground handling activities from another (recruitment) company (further details can be found in Section 4 and Appendix E).</p>
<b>Tender process and selection criteria</b>	Not applicable at Dublin, as an open access policy to the ground handling market is in operation.
<b>Airport Users' Committee</b>	<p>Air carriers (airport users) can be members of the AUC. Each member has one vote. Airlines can be represented by their handlers in AUC meetings. According to Aer Rianta the AUC has been consulted on <i>inter alia</i> the following issues: applications of the Regulations at Dublin, pricing policy, service standards and procedure for allocation of accommodation. The AUC noted that its main task was to guide the airport in implementing the Directive. It views that its role became less important when the market was opened and currently attendance of members to meetings is rather poor. According to the chairman discussions on the voting mechanism have never been solved. In fact, voting has never taken place. A recommendation in the Directive regarding voting mechanisms of the AUC would therefore be appreciated.</p> <p>In general it was viewed by the users that communication from the airport is</p>

	<p>lacking. There has been little consultation by the airport with regards to building plans or operational issues. Aer Rianta objects to this suggestion, as it is of the opinion that it does consult very regularly with customers in relation to capital expenditure and operational issues:</p> <ul style="list-style-type: none"> <li>- Capex consultation is engaged in at the masterplanning stage when long term development requirements are being assessed and planned for. In addition, specific working groups are set up with stakeholders to input into the planning and design for all major capital projects. Capital expenditure plans have been discussed with airline personnel at all levels. An extensive consultation programme is currently underway regarding the masterplan for the airport and the phasing of future capital investment and all stakeholders at Dublin Airport have been invited to participate.</li> <li>- Aer Rianta principally consults on operational issues through the AOC meetings which are generally held on a monthly basis. Members of the AUC are also members of the AOC.</li> <li>- Finally, Aer Rianta noted that despite invitations from the airport authority to AUC members to submit items for the agendas for AUC meetings, suggestions for discussion of either operational or capex issues have never been forthcoming.</li> </ul> <p>The chairman of the AUC believes that there is a restriction for new companies that want to enter the market in Dublin, due to a perceived problem with space for ground handling equipment: the airport should invest in more facilities and discuss this closely with airlines and handlers. Aer Rianta noted that extensive discussions are currently taking place with stakeholders regarding future developments at Dublin Airport.</p>
<b>Access fee</b>	<p>Aer Rianta levies access (or concession) fees for fuel and catering services at Dublin. These fees are charged on the basis of a throughput fee per litre and as a percentage of turnover respectively. Prior to the Directive Servisair had to pay an access fee of 12.5% of its (cargo) turnover. Ryanair considers that there is no justification for the access fee on fuel, as Aer Rianta does not provide any infrastructure that would justify this levy.</p>
<b>Centralised infrastructure</b>	<p>According to Aer Rianta the infrastructure differs from airport to airport and therefore it is the right that it should be up to the airport authority to determine CI and who should manage it. There are no charges for access to CI at Dublin airport at present. Furthermore, Aer Rianta noted that space at airports is limited and handlers have to understand the need to share facilities and make more efficient use of them. Aircraft movements and passenger numbers have increased over the last number of years. This has led to a corresponding increase in the amount of equipment required airside by handling agents to service these aircraft, which has in turn led to an increased demand for airside equipment parking. Allocation of accommodation is organised by a special procedure at Dublin. It has tried to avoid the dedicated use of facilities. Aviance considers that the space for equipment parking and ULD storage needs to be focused on.</p> <p>A company raised the issue of Aer Rianta's allocation of a cargo warehouse facility. It was decided by the CAR that the facility had to be re-tendered (after it was awarded to another company).</p> <p>Servisair indicated that the outbound baggage hall is too small for the handlers to deal with baggage from the belt. In fact, it is waiting for an accident to happen there. According to Aer Rianta the baggage hall was designed in compliance with building standards. Airline health and safety personnel also had input into the design of the building.</p> <p>While the annual rent of check-in desks is perceived to be fair by Servisair, the cost of additional rent of desks is believed to be very high. Aer Rianta believes the current rates are below the rates pertaining at peer airports and do not reflect full cost recovery. Servisair considers that its cash flow is much constrained as it has to pay the annual rent of check-in desks up front for a year. Besides the check-in desk charge (about € 15,000 per year; includes use of baggage system), there is one additional fee paid by all handlers: an annual ground handling administration fee. This fee was introduced after the Directive (currently € 3147.50) and together with the check-in desk charge has been challenged (so far</p>

	<p>unsuccessfully) in court by Ryanair. The High Court found this case in favour of Aer Rianta, though Ryanair has appealed the decision.</p> <p>Aer Rianta mentioned the price list for accommodation at Dublin Airport has been benchmarked against properties in downtown Dublin and also with airports in the UK: prices have been found to be very competitive with respect to those pertaining at the UK airports. Still the users of the airport consider rents for rooms high at Dublin Airport compared to UK airports.</p>
<b>Quality of service</b>	<p>Aer Rianta stated that the overall performance of processing passengers, freight and aircraft depends on the collaboration and co-operation of all parties present at the airport. In its view a key issue for consideration is the degree of influence and control that the airport can exert over the service standards where the product/service is being delivered by another agency. Aer Rianta issues Rules of Conduct to Ground Handlers. A Draft Service Level Agreement has also been compiled by Aer Rianta and was distributed to the AOC for discussion and agreement. Despite (numerous) attempts on Aer Rianta's behalf, no significant discussions have taken place to date in respect of this Draft. Servisair, Aer Lingus and Ryanair argued that they support SLAs, but these cannot be signed as long as the facilities offered are not adequate to achieve the SLAs. Ryanair would also like to see proper staffing levels of security checks first. Aer Rianta noted that Dublin Airport's target processing times are set following consultation with the users and are comparable with European airport standards. In recent months Aer Rianta has issued a new bye-law in an effort to effect an improvement in service quality at check-in</p> <p>According to Aer Rianta any amendment to the Directive should consider the inclusion of a clause allowing Member States, in consultation with airport authorities and other interested parties, to define minimum standards for service quality at a local level.</p>
<b>Price of service</b>	<p>The airport operator is not directly involved in ground handling at Dublin airport therefore has no insight in how prices for handling services have developed the last couple of years, but it said that the market has been very competitive. Estimates of prices changes by other stakeholders range from -5% to +10%.</p>

## Italy

Subject area	Commentary
<b>Background</b>	<p>In Italy three airports have been visited: Rome-FCO, Milan-MXP and Naples. The airports are operated by ADR, SEA and GESAC respectively. Three airports in Italy are restricted. These are Rome-FCO, Milan-MXP and Catania. Naples initially applied for limitations on the ramp side in 1998 but eventually became fully liberalised in November 2000. Ground handlers, AUCs and to some extent airport operators complain about the lack of a clear institutional framework and the lack of a strong and efficient regulator in Italy able to organise, regulate and monitor the liberalisation process.</p>
<b>Current position</b>	<p>Rome-FCO airport is restricted on the ramp side to three self-handlers and three third party handlers: ADRH, Alitalia Airport and EAS. ADRH is the ground handling arm of Aeroporti di Roma (ADR). In March 2000, ADR spun off ADRH into a separate company, 49% of which was bought by the Menzies group. Alitalia Airport is a 100% owned subsidiary of Alitalia and performs self-handling for Alitalia since July 2000 and 3rd party handling since October 2001. EAS is a third party handler, now independent from its mother airline Air One. British Airways doubts if there would be airlines that would have voted for this new entrant, if they had the opportunity to select the new handler. On the passenger side there are nine self-handlers and one independent 3rd party handler (ARE). Regarding cargo, due to the size of the current terminal, ADR is the only authorised third party handler. ADR pointed out that the transportation of cargo and mail between station and aircraft has been tendered. At present the cargo warehouse at Rome FCO is considered a CI since it has the requirements and it is run by ADR as the only third party handler. A new cargo city is under construction and after completion the cargo market will be liberalised according to ADR. Alitalia runs her cargo warehouse for self-handling.</p> <p>In the Milan airport system while Linate is fully opened to competition, Malpensa is restricted to three third party handlers and three self-handlers on the ramp side. Under the current situation, SEA handling and ATA are the two only providers of ground handling services on the ramp. No tender has taken place. SEA offers the full range of ground handling services. Since October 2001, ATA handling is operating as an independent 3rd party handler at Malpensa (and Linate) performing both passenger and ramp (aircraft, baggage and cleaning) handling services. On the passenger side there are two other third party handlers, Globe Ground and ICTS, and three self-handlers, British Airways, KLM and United. Regarding cargo handling, MLE (SEA) and ALHA are providing third party handling while FedEx is self-handling.</p> <p>Despite being a non-restricted airport, Naples is still awaiting for its first independent ramp handlers to enter the market. Currently, GESAC handling, the fully owned handling subsidiary of the airport concessionaire GESAC controls 100% of this market. However, Aviation Service, a subsidiary of Meridiana, recently got a licence to perform self-handling and 3rd party handling at the airport and is expected to start handling Meridiana flights in the coming months. The situation is similar regarding cargo handling but the opening of a new facility in 2002 should allow new entrants. On the passenger side, Alitalia Airport is performing self-handling, while GESAC cater for the remaining share of the market.</p> <p>Stakeholders indicated that there are problems related to sub contracting (see Section 5). For example according to Alitalia Airport, ADR normally sub contracts operations, while sub contracting is not permitted for the two designated third party handlers (Alitalia Airport and EAS). Alitalia believes this is an unfair practice and a serious discrimination against the other third party handlers at the airport. ADR indicated that none of the handling activities carried out by ADRH are subcontracted and ADR itself does not carry out handling activities.</p>
<b>Legal framework</b>	<p>The Directive was enacted by the Legislative Decree 18/99 of 13 January 1999. The civil aviation authority, ENAC, is in charge of the implementation of the decree. The main difference between the national legislation and the directive can be found in Article 14 of the decree relating to social protection of workers. This</p>

	<p>article imposes the transfer of workers (under the same terms) between ground handling companies in proportion to the transfer of activity. Our understanding is that Article 14 expired in August 2001. There seem to be a wide confusion regarding the validity and the application of this article; stakeholders are requiring clarifications on this issue. Another source of concern appears to be Article 20 of the national legislation, which ensures that actual contracts in force at the airport can remain in place until expiration. A provision of Article 13 imposes to ground handling providers a registered capital greater than 25% of their revenues. Some stakeholders perceive this provision as a barrier to entry into the market. As mentioned in Section 4, the European Commission has opened an infringement procedure against Italy on the basis of Article 226 of the EC Treaty, as it is viewed that the Articles 13 and 14 of the Italian national legislation incorrectly transpose Article 18 of the Directive while Article 20 contains transitional measures that are not permitted by the Directive.</p> <p>Alitalia Airport mentioned that the problems they encounter mainly stem from the fact that ENAC does not act as an independent authority, with the same “readiness” and “toughness” shown by such authorities as the Antitrust, the Telecommunication and the Gas and Electricity.</p>
<b>Licensing</b>	<p>In Italy, restrictions are granted for a period of 4 years by ENAC (2 years, extendable to 4). This is in line with the provisions of article 9(6) of the European directive.</p>
<b>Tender process and selection criteria</b>	<p>Rome was the first and is the still the only airport where a tendering process was launched and completed. ENAC is responsible for the organisation of the selection procedure required by the directive under article 11. During this procedure, ENAC is assisted by an independent commission composed of experts in transport and law. The first phase of the procedure is a call for tender followed by a pre-selection. In the second phase the required documentation is provided to the bidders and the final supplier of ground handling services selected. These suppliers are selected for a period of 4 years. If after the first 4 years period, ENAC decides upon request of the airport to limit the number of suppliers for another period, a new selection procedure has to be launched.</p> <p>In Rome, regarding self-handling, ENAC decided that only the three largest airport users in terms of movements, among those who applied, would be allowed to self-handle. For 3<sup>rd</sup> party handling, three providers had to be selected. In July 2000, the tender documents were published in the Official Journal. In the first phase 16 bidders submitted an offer but only 10 were short-listed. Four selection criteria were developed for the second phase of the selection: the skills and experience of the personnel, the ground equipments to be used, the quality and efficiency of the organisation of the handling activities and the bidder had to be ready to start within 75 days. The selection process ended in July 2001 Alitalia Airport and EAS being the successful bidders (ADRH was <i>de facto</i> selected). ENAC told us that ADR and the AUC were involved during the entire selection process and in designing the contract for the successful bidders.</p> <p>At Malpensa, similarly to Rome, the three airport users allowed to self-handle on the ramp are the three largest in terms of movements (however to date none of them is self-handling). Regarding third party handling, representatives of ENAC have not specified a starting date for the tender procedure. It is expected however that the process will be similar to the one developed for Rome but additional criteria might be added to assess the ability of the bidders to accept staffs transfer from SEA and ATA, because Article 14 of the Italian law was expected to be ruled as non-conform with the European directive. It is interesting to point out that ATA understanding is that it does not have to go through the selection process according to Article 20 of the Italian law because it was already present in 1998.</p>
<b>Airport Users' Committee</b>	<p>Particular issues have been discussed with AUC's, but not much factual information about the AUC has been gathered so far. In Rome the AUC said that none of its recommendations were taken into consideration regarding the selection process. It also stated that it is against concession or access fees to access common infrastructures, pointing out that this fee is not cost-related and more similar to a royalty paid by the handlers to the airport concessionaire. All</p>

	interviewed AUC's complained on the way the list of centralised infrastructure and associated charges were developed citing the lack of information provided by the airport and transparency of charging mechanism in order to justify the cost related basis of the charges levied. Due to this lack of transparency, the AUC in Naples believes that airlines are being charged twice for certain services, once via the centralised infrastructure charges and a second time via the airport charges.
<b>Access fee</b>	Rome and Milan are the only airports among those visited to currently levy an access fee. Both airports say that this fee is levied for the usage of common airport facilities. In Rome this fee is based on 3% of the turnover for third party handlers. A charging mechanism is being developed for self-handlers, currently it is based on 3% of an estimation of the revenue a third party handler would potentially generate handling the same number of flights and passengers. Furthermore ADR is extending this fee to any services included in the Annex to the ground handling Directive. In Milan the access fee is based on Work Load Unit.
<b>Centralised infrastructure</b>	In August 2000, the CIPE guidelines for the definition of centralised infrastructure and airport charges were published. ENAC is responsible to review at each airport the list of centralised infrastructure and associated fees and to ensure the CIPE guidelines are followed. ADR pointed out that in the CIPE guidelines airport charges and charges for a list of infrastructures of exclusive and common use are defined, without any link with the CI definition process. According to ADR this list includes all the CI as defined in Rome-FCO and also other infrastructures whose charges must be cost-related and watched over by ENAC. The three airports visited have different definitions of centralised infrastructure, they have only the following in common: baggage transportation and general information services to the public. Besides the comments from the AUC on centralised infrastructure mentioned earlier, EAS also complained because ADR handling does not invoice the charges for it separately, making it difficult for airlines to assess clearly the independent handlers offers. In Malpensa ATA is complaining because centralised infrastructure is not invoiced according to the unit costs published by SEA, leading to higher costs.
<b>Quality of service</b>	The views of stakeholders were different with regard to changes in quality levels, some have seen no change and some have seen increases.
<b>Price of service</b>	Stakeholders estimate that price have dropped 10% to 30%.

## Luxembourg

Subject area	Commentary
<b>Background</b>	<p>In Luxembourg the airport administration and the CAA are two state administrations and both report to the Minister of Transport, whereby the airport is a service provider (e.g. ATC, fire department) and the CAA the regulator. Luxembourg Findel airport is owned by the government. Before the Directive came into force, the only handler at Luxembourg was Luxair, providing full range of handling services. The airport operator is not involved in ground handling activities. Luxembourg airport is under the 2 million passengers threshold value and therefore has not opened up this market yet. Luxair is the only passenger handler, though passenger self handling for other airlines is possible. Cargo traffic exceeds the threshold in the Directive and a second party (CSLux) has been selected after a tender process. CSLux is a partnership between three companies: Skymaster, Caisse Centrale Raiffeisen and private investors (Novia has sold the stake it had).</p>
<b>Current position</b>	<p>Luxair accounts for about 65% of passenger traffic, but has little cargo transport (1% of throughput in Luxembourg), while it is by far the largest provider of cargo handling services. Luxair is the largest shareholder of Cargolux, which controls about 75% of the cargo carrier market at the airport. Cargolux (largest cargo carrier) and China Airlines (second largest cargo carrier) together account for 90% of the cargo market according to CSLux.</p> <p>According to the CAA the handling market has not been very dynamic, not much airlines have changed cargo handler since the entrance of CSLux. Some airlines chose for CSLux in the beginning, but after some months went back to Luxair. For example Cargolux transferred some handling services (about 10% of their business) to CSLux and China Airlines transferred most handling services as well. Cargolux stated that Luxair got this business back as they lowered their price and increased the quality. CSLux is of the opinion that a new pick-up fee by Luxair (they build up pallets and deliver this) and political reasons (Luxair 34% shareholder of Cargolux) caused the change back to Luxair.</p> <p>Luxair mentioned that there was pressure on them when CSLux entered the market, as they had higher labour costs, stronger unions and higher investments (and thus exposed to higher risk), but they could not lower the price much. None of the forwards moved to CSLux, as Luxair argued they have 30 years experience. Luxair stated that wages of employees have gone up significantly the last couple of years (about 9% last year). The handling business of Luxair has become less profitable, while CSLux is struggling to break even.</p> <p>In Luxembourg some building plans will change the handling situation. In February 2001 Lux-Airport (Société de l'Aéroport de Luxembourg S. A.) has been established. This company will realize the following: build a terminal for small aircrafts (currently under construction). After completion the construction of a new main Terminal starts (beginning of 2004). This main Terminal is scheduled to be operational by the end of 2007. According to Lux-Airport this is planned not to change anything in handling concessions before the new main Terminal is in operation. Lux-Airport mentioned that by then all handling activities in the new Terminal will be open for public tender.</p>
<b>Legal framework</b>	<p>The CAA is of the opinion that they have adopted a very pragmatic approach to the implementation of the Directive, but the overall impact of it has been very limited. The main benefit the CAA sees as a result of the Directive is that it has opened up competition. On the other hand it has found many practical difficulties in the implementation, relating to the infrastructure and space for accommodating a second handling agent. CAA mentioned that for instance this meant that they had to physically split the cargo handling operation, which is not very efficient but was the only option available.</p> <p>Luxair sees no benefits from the Directive, only disadvantages: pressure on handling prices while at the same time unions push up the wages. It also finds that in general the incumbent handlers are hindered in expansion, because the argument from the authorities is always: 'look at the competitor'.</p> <p>For passenger handling the CAA is in favour of more competition and an extra</p>

	handler.
<b>Licensing</b>	The licence of CSLux is supplied for a period of 7 years by the CAA. Sub contracting does currently not exist according to the CAA, but approval is necessary from the CAA (potential limitations are related to security and safety). According to the CAA the new entrant did have capacity and space constraints in the usage of airport facilities, but CSLux mentioned that the airport fully co-operated in their start-up of business. In the end CSLux was provided with the old Luxair handling facilities. Luxair mentioned that they co-operated with this, but found it difficult to give up the premises as it was finally written off and that is when they start making money on it. According to the CAA there are no problems with integrated cargo carriers. Cargolux mentioned that there are no express carriers (the airport is closed at night).
<b>Tender process and selection criteria</b>	In 1999 there has been a tender process for one third party cargo licence (restricted to one because of space limitations). There were about 8 parties interested. The Ministry of Transport (of which the CAA is part) set up the criteria and decided. The AUC or AOC had not been consulted officially, but the CAA did give a presentation to the cargo operators to inform them about their preference. One of the selection criteria was provision of bundled services for efficiency purposes, though parties could apply for particular services. Other criteria were related to safety, security and (local) experience. Cargo Services Luxembourg (CSLux) got selected. Most employees of CSLux came from Novia.
<b>Airline Users' Committee</b>	According to the CAA the AUC has not been created yet, but the AOC (called AROC in Luxembourg) assumes this role if required. The AROC has not been involved in the tender process, but the tender has been fair according to the chairman. The AROC would like to be recognized by the authorities as AUC as well, in this way it would have more influence on decisions taken by the authorities.
<b>Concession/access fee</b>	There are no access fees.
<b>Centralised infrastructure</b>	Centralised Infrastructure consists of the fuel farm, the baggage sorting system, de-icing and water purification. The CAA remarked that this definition only includes the examples in Article 8 of the Directive. The two handlers both pay a rental fee, which covers the costs for use of infrastructure. Luxair has built its own cargo warehouse on property of the government. Luxair now leases this piece of land. After 25 years the building will be bought by the government for book value. CSLux uses the old facilities of Luxair and pays a rental fee for it. The calculation and the height of the fees are different for the two companies and are determined by the CAA. CSLux estimates the rental fee to be about 10% to 15% of total costs.
<b>Quality of service</b>	The CAA is in favour of quality levels to be safeguarded, the airport operator does not have a tool to correct handlers currently. No significant changes to quality have taken place according to the CAA, but as a result of competition quality has improved according to Luxair.
<b>Price of service</b>	No significant changes according to the LCAA. Luxair and CSLux mentioned prices have been frozen.

## The Netherlands

Subject area	Commentary
<b>Background</b>	<p>Amsterdam Airport Schiphol is operated by Schiphol Group. Shareholders are the Dutch State, the City of Amsterdam and the City of Rotterdam. Until 1993 Schiphol accommodated two third party ground handlers providing full services (KLM and Aero Groundservices) and an additional two full freighter handlers. At that time KLM's market share was 75% and Aero Groundservices' market share was 25%. Martinair has been a self handler for many years. In 1993 Ogden was allowed to enter the market. It bought itself market share, which led to a huge drop in handling prices (15% to 50%) and to competition. When the Directive came, Schiphol group decided to fully open the market, which in their view destabilised the market, forcing some handlers to stop operations (while to their opinion competition was already in place). For example Aero Groundservices sold its passenger handling business to GlobeGround, but kept the cargo handling.</p> <p>KLM is of the opinion that it has not been the Directive that led to a destabilised market, but insufficient capacity provided in time by the airport operator, the growth of the airline industry, difficulties in finding ground handling employees and low margins for airlines have led to pressures on prices and quality of services of handlers. It is viewed by the airport that with the introduction of the Directive it has lost its filter function between supply and demand of handling services. In 1999 Dutchport and Aviapartner entered the market. The contestable market on the ramp is estimated to be about 30%, of which market shares of GlobeGround, Aviapartner, Menzies and KLM are roughly 20%, 25%, 25% and 30% respectively. As competition is tough and margins are low, independent handlers struggle to make profit. Recently Dutchport has withdrawn from the ground handling market in Amsterdam, because of financial difficulties. Aviapartner and Schiphol Group believe that the handlers all seem to have the strategy that the one with the longest breath eventually will win. Schiphol group is involved in marshalling and bussing of passengers to remote stands.</p>
<b>Current position</b>	<p>KLM estimates their handling market share to be 65% to 70%, of which 20% to 25% is handling for its alliance partners. About 40% of the total Schiphol market is KLM self handling (i.e. KLM flights). The number of cargo handler changed from 5 to 6 handlers after the Directive came into force. For all categories of ground handling the market is open in Amsterdam.</p> <p>Schiphol Group mentioned that the opening up of the market led to a price competition, eroding quality, safety and training standards: a stable market has not been achieved yet. Furthermore, it was made clear that the number of incidents increased in the beginning (but slightly decreased in the last two years) and therefore Schiphol Group finds itself forced to put forward additional rules and regulations, supervising staff and sanctions for misconduct. KLM expressed the view that if an increase of ground handlers is not followed by an increase of facilities, this leads to "symptoms of scarcity".</p> <p>GlobeGround remarked that the handling market has been very dynamic (many airlines have changed handler), but on the contrary Martinair mentioned that as a result of alliances the market has been quite static. Martinair further argued that open market entrance is detrimental to the continuity and investment in quality of handlers.</p> <p>There have been no applications for self-handling after the Directive came into force, the number of self handling airlines even reduced (in the view of Schiphol Group because of the additional choice of third party handlers).</p> <p>According to Aviapartner there is an eternal triangle between airport, airline and handler. For higher quality more manpower is needed, which increases costs. If airlines are not willing to pay for higher quality, then that is where it ends. Then the airport should not interfere in this by imposing quality standards. KLM and other parties argued that airport's role is one of facilitating, focusing on safety, environmental issues and infrastructure at the airport without interfering in the relation between handlers and airlines.</p> <p>Handlers find it difficult to find employees in AMS and to commit to long run</p>

	<p>contracts for employees, because this inflicts a financial risk. Many employees are foreigners and part-timers. In general absence due to sickness is also high (more than 10%), creating additional problems.</p> <p>Schiphol Group mentioned that the opening up of the market led to a price competition, that eroded quality, safety and training standards. Therefore, Schiphol Group finds itself forced to put forward additional rules and regulations, supervising staff and sanctions for misconduct. The Dutch CAA is of the opinion that safety, quality and working conditions of ground handling employees need further attention. It has initiated audit inspections of a number of ground handlers in order to assess the current situation and to draw policy conclusions.</p>
<b>Legal framework</b>	<p>Stakeholders believe that all aspects of the Directive have been taken up in the Dutch legislation. The Directive has been fully implemented in The Netherlands. Some articles in the Dutch legislation require a specific role from the Minister of Transport, Public Works and Watermanagement in co-operation with the airport operator: definition of centralised infrastructure and the setting up of criteria for new ground handling entrants. Schiphol Group argued that the support it gets on ground handling matters from the Dutch CAA is very limited. Specifically with regard to the Local Ground Handling Agreement (LGHA), as prepared by Schiphol Group. The LGHA describes the procedures and criteria for entrance of handlers. Schiphol requested the CAA to acknowledge this regulation, but the CAA is of the opinion that this is not their responsibility and Schiphol could create its own 'house rules'. The CAA mentioned that the airline has the primary responsibility for safety and quality (JAR OPS and FAR 121 provide the necessary conditions), while basically the handler is a sub contractor of the airline. The SGUC (see below) is of the opinion that with the LGHA Schiphol Group takes on authorities that belong to the Minister (CAA). KLM views the LGHA as it currently stands as a restriction of the open market and supports the reserved position of the CAA.</p> <p>Most handlers have SLA's taken up in the contracts with customers which includes financial penalties.</p> <p>Schiphol group stated that it has problems in the fair allocation of dedicated facilities because of the Dutch law regarding the protection of tenants: handlers will not give up their premises if their handling volumes decline. Handlers complained about the space provided. Aviapartner believes that Schiphol Group could not provide them with the necessary space on landside, airside or cargo warehousing, which came as a surprise to them when they entered the market. (nothing in the contract with Schiphol Group was specified on this subject) Aviapartner solved this problem on its own with the incumbent parties, thereby taking part in a shadow market. SGHC is of the opinion that the Directive should make it possible for handlers to receive proper space and facilities, overruling the national law protecting tenants. Globeground finds that Schiphol Group cannot on one hand advocate free competition and on the other hand put pressure on the handlers to co-operate for example in terms of pooling of equipment and de-icing to fit in new entrants: there is no more room for newcomers and depending on the capacity the number of handlers should be limited. It is KLM's view that Schiphol Group never considered constraints to market entrance given the available space. In this respect Schiphol Group pointed out that there are opposing objectives between number of handlers and airline satisfaction: though an increase in number of handlers leads to an increase in choice for airlines but it decreases operational efficiency and asset utilisation. These opposing objectives need to be balanced.</p> <p>GlobeGround indicated that one of the problems with the liberalisation is that one of the partners in this process is a monopolist and behaves like it. Schiphol Group takes decisions, that influence the handlers directly, but without some form of prediscussion: GlobeGround has the feeling decisions are already taken when they get consulted, therefore a Directive should achieve that a user and/or handler committee has more influence and power.</p> <p>KLM argued that in light of stronger co-operation between airlines, it would like to see the provision of handling services to their partners to be regarded as self</p>

	handling and not third party handling (e.g. joint venture with Northwest). The Directive should take this into account.
<b>Licensing</b>	Schiphol has set up criteria for applicants of handling services, which are laid down in the Local Ground Handling Agreement. Among others the criteria relate to: safety and environment plan, provision of a bank guarantee (2% of annual turnover), ISO certificate (within two years of entrance) and a business plan. Some of the criteria are believed to be cost increasing by KLM. Licences are supplied for indefinite periods, but each 3 years Schiphol Group evaluates if a handler still qualifies for having a licence. Other than Schiphol Group there is no other authority involved in the licensing process, but SGUC has not been consulted in admission of Aviapartner and Dutchport.
<b>Tender process and selection criteria</b>	Not applicable at Schiphol, as an open access policy to the ground handling market is in operation. Schiphol Group found it 'unethical' for the incumbent handlers to have a tender process.
<b>Airport Users' Committee</b>	Schiphol Group has been active in setting up the AUC, called Schiphol Ground Handling User Committee (SGUC). Airlines are represented only. The board consists of seven members and the SGUC has its own constitution. When it comes to voting each airline has one vote. It is viewed by the board that not all members see the benefits from the SGUC, they find the daily operation more important than policy issues. Three major issues have been put on the agenda so far. Firstly, the interpretation of the above mentioned LGHA. It is felt by the SGUC that Schiphol Group has not "sufficiently" involved SGUC in the discussion about the contents of RAS. Secondly, Schiphol Group wanted to hear from the users (i.e. airlines) what the minimum quality standards should be. The SGUC replied only with a recommendation, because it is their view that this is matter between (and the responsibility of) handler and airline only. It is perceived by KLM that Schiphol Group interferes with the relation of the handler and the airline as client. Thirdly, the proposed new list of centralised infrastructure as part of the new contracts. Besides the SGUC, there also is a committee consisting of handlers only (SGHC). It is this SGHC that helped smaller handlers to be listened to more carefully by Schiphol Group.
<b>Access fee</b>	Fees have to be paid for fuel supply (volume based) and for third party catering services (percentage of turnover). Schiphol Group mentioned this fee is not related to providing ground handling activities, but it relates to a commercial activity. KLM noted that "as long as fees are not cost-related, such one sided monopolistic fees on essential airline activities should be prohibited".
<b>Centralised infrastructure</b>	The airport operator has not defined centralised infrastructure, as the community did not want this (there was also no support from the CAA). For example KLM is of the opinion that a definition of CI is of no use when the airport provides sufficient infrastructure. A use related fee is charged to the handlers for faeces/waste disposal and 400Hz ground power equipment. Other fees for use of aviation related infrastructure are charged directly to airlines through the airport charges. Schiphol Group wants to change the list of centralised infrastructure. This is subject to discussion among the stakeholders. It is viewed by the handlers that it is presented in a way whereby Schiphol Group has the right to levy costs for the use of some infrastructure for which currently the handlers are not invoiced. Airlines and handlers do not find it transparent which facilities are covered by aeronautical charges and which should be paid by the handler or by the airline. How Schiphol Group will change the charging policy in the future is also not clear. KLM and Aviapartner mentioned that the focus on creating higher revenues can also be explained by their plans for privatisation. SGHC suggested that charges and tariffs should be in conformity with the market and should be monitored and benchmarked regularly.
<b>Quality of service</b>	It is viewed by most parties that quality has decreased, though it one party remarked that there is improvement.
<b>Price of service</b>	It is viewed by most parties that prices have decreased.

## Portugal

Subject area	Commentary
<b>Background</b>	<p>The major airports in Portugal (including both Lisbon (LIS) and Faro (FAO)) are owned and operated by ANA, Aeroportos de Portugal SA, a company wholly owned by the Government of Portugal. Until 1997/98, ANA was also responsible for air navigation services and the regulation of the air transport sector in Portugal, but a restructuring saw these activities being separated. The national regulator of the Portuguese air transport sector is INAC.</p> <p>Provision of passenger, ramp and cargo handling was a monopoly at mainland Portuguese airports (LIS, FAO and Oporto (OPO)). TAP, the state-owned national carrier, had exclusive rights for third-party passenger and ramp handling. Access to ramp for self-handling was limited (3 carriers in LIS and 2 in FAO and OPO); while many carriers, mainly European, had traditionally undertaken passenger self-handling. Cargo handling was also restricted to TAP and the airport's managing body, ANA, which provided import and export goods handling respectively.</p>
<b>Current position</b>	<p>In July 2000, ANA established a joint venture company, Portway, with Fraport Ag to undertake ground handling. Fraport was selected after a competition organised by an investment bank to find a strategic partner for ANA, which holds a 60% share in Portway.</p> <p>Number of third party providers of baggage, ramp and cargo activities limited to two at both airports: one incumbent (TAP), and Portway.</p> <p>Number of self-handlers for baggage and ramp limited to two and three at FAO and LIS respectively because of constrained space and facilities. TAP self-handles at both airports, and Portugalia in LIS. Therefore only one self-handling available.</p> <p>Cargo handling at both airports is undertaken by TAP (for export only ) and Portway (for import only).</p> <p>Number of self-handling parties airside has remained almost unchanged. Main difference is appearance of new passenger third-party agents, previously restricted to TAP only; most organizations previously engaged on representation activities are also licenced to provide passenger handling nowadays (e.g. Servisair, PTS, Air Pass).</p>
<b>Legal framework</b>	<p>Decree-Law No. 275/99 which enacts EC Handling Directive into Portuguese Legislation was published on 23 July 1999. It is a comprehensive piece of legislation that in addition to enacting all recommendations outlined on EC Directive, it provides further detailed regulation in terms of licensing. It also provides a transitory regime that protects rights of all incumbent operators for both self- and third-party handling.</p>
<b>Licensing</b>	<p>There are two different licensing processes. The first one, led by INAC as regulator, grants access to activity according to service categories as outlined on EC Directive. The second licensing process is led by ANA, and grants access to market (airport). The Decree-law clearly outlines all requirements and criteria for the first licensing, but does not provide any guidelines regarding the second licensing process. Both processes are lengthy and tedious in order to comply with all formalities demanded. There have been cases when a service provider has been licenced by INAC to undertake a certain service, but ANA later denies access to market. Moreover, the market access licence issued by ANA is subject to the approval of ANA's Board, which can deny an applicant's licence. For example, Portugália has been licensed for INAC to undertake activities 5.1 and 5.7, but those have not been granted as part of its licence issued by ANA for Lisbon. Other passenger handling agents have complained about the time taken to obtain a licence from ANA</p>
<b>Tender process and selection criteria</b>	<p>No tender process has yet taken place in Portugal.</p> <p>Because of its ownership, Portway has the right to operate without having to tender, while the Portuguese enabling legislation offered some protection to the incumbent handlers, both 3<sup>rd</sup> party and self handlers.</p> <p>A tender competition to appoint an independent handler at LIS was planned by</p>

	<p>INAC for Autumn 2001, but was delayed because of 11 September, and may now take place in October 2002.</p> <p>TAP's market share at FAO is below 25% so it is an independent handler (as defined by the Directive). Both handlers are licensed until 31 December 2003. ANA considers that there is no demand from other handlers to enter the ramp handling market, so currently sees no need to organise a tender competition. Selection criteria have been discussed between INAC and ANA, but have not been finalised.</p>
<b>Airport Users' Committee</b>	<p>At LIS, AUC was set up in March 2000. Five meetings have been held since. Its constitution specifies that at least annual meetings should be held. AUC comprises only air carriers operating at LIS. No representation allowed by third parties. For example, Servisair was nominated in writing as representative by two airlines operating at LIS, but this was not accepted by the AUC. AUC strongly refuses recent charge rises enforced by ANA. It would like to see a definition of centralise infrastructure and better oversight of handler activities by INAC.</p> <p>At FAO, AUC was established by initiative of ANA in 2000. Only air carriers with own representation at FAO are allowed on the Committee. This means that only two airlines (BA/GB Airways and TP) are members, as all other carriers (mainly charter airlines) at FAO do not have own staff. Charter carriers would like to see their representative agents being part of AUC, but this is not allowed. Charter carrier's representatives question AUC's effectiveness.</p>
<b>Access fee</b>	<p>INAC levies fixed fees for licensing operators. For example, Portugália paid Euro 9,000 for its self-handling licence for LIS, OPO and FAO.</p> <p>ANA levies the following access fees:  Self handling: Euro 0.15 per WLU  Third-party handling: 3.5% of annual turnover</p> <p>There are also separate charges for facilities such as check-in desks (on a part- or fixed-time basis) and air bridges.</p>
<b>Centralised infrastructure</b>	<p>No centralised infrastructure has yet been defined for LIS and FAO. ANA has made suggestions to INAC, but had not received a response at the time of our visit. The AUCs would like to see facilities such as baggage handling systems (BHS), loading bridges and other declared as centralised infrastructure. ANA would consider adding ramp space and passenger buses to the definition of centralised infrastructure. It believes there is some confusion regarding process of defining centralised infrastructure and levying appropriate fees.</p>
<b>Quality of service</b>	<p>All users agree that quality has improved since introduction of second ramp handler (i.e. Portway) in 2000. Use of Service Level Agreements (SLA) has become a standard between airlines and ground handlers. This was not the case before liberalisation. However, there are different views to the extent of such improvement, particularly in relation to standards applied at FAO (leisure traffic) during peak times.</p>
<b>Price of service</b>	<p>Charges for ground handling services have been reduced, although in some cases, not as much as originally anticipated. Some stakeholders believe that prices for some handling activities have reduced as much as 50%, while others believe that overall handling charges have drop by 10% only.</p>

## Spain

Subject area	Commentary																														
<b>Background</b>	<p>Spanish airports authority decided upon liberalising handling market in the early 1990s. The main features of Spanish liberalisation process launched by Aena in 1991 can be summarised as follows:</p> <ul style="list-style-type: none"> <li>- Introduction of a second handling agent at all airports with traffic above 1m passengers p.a. (16 in total).</li> <li>- Self-handling rights were protected at all airports.</li> <li>- Incumbent (Iberia) was granted a concession for 7 years in 1993.</li> <li>- Tender for second operators were held between 1994 and 1997 starting with airports with higher contestable market. Canary Island airports were tendered first starting with with Las Palmas in 1994. Second operator concessions were granted for an initial period of 7 years.</li> <li>- Madrid and Barcelona airports were the two last airport tendered in 1997 mainly due to its limited contestable market size.</li> <li>- Price (level of discount) was main criterion for selection.</li> <li>- Process protected workforce rights (aimed at avoiding unemployment) by introducing staff transferring procedures from incumbent into start-up handlers. During the first three years workforce will be transfer based on market share changes up to a maximum of 35%.</li> <li>- Due to issues arising from staff transferring process, Aena extended the original 7 years concessions with another 2 years (9 years in total).</li> </ul> <p>The following table show details about the liberalisation process for each of the visited airports.</p> <table border="1" data-bbox="467 953 1341 1178"> <thead> <tr> <th>Airport</th> <th>Second handler</th> <th>Starting date</th> <th>Constestable market</th> <th>Workforce transfer</th> </tr> </thead> <tbody> <tr> <td>Barcelona</td> <td>Eurohandling</td> <td>02/04/97</td> <td>19.91%</td> <td>12.7%</td> </tr> <tr> <td>Fuerteventura</td> <td>Eurohandling</td> <td>06/11/95</td> <td>87.95%</td> <td>37.0%</td> </tr> <tr> <td>Madrid</td> <td>Ineuropa</td> <td>02/04/97</td> <td>20.72%</td> <td>14.4%</td> </tr> <tr> <td>Palma de Mallorca</td> <td>Ineuropa</td> <td>05/11/96</td> <td>78.70%</td> <td>35.0%</td> </tr> <tr> <td>Tenerife Sur*</td> <td>Ineuropa</td> <td>07/11/94</td> <td>85.39%</td> <td>30.0%</td> </tr> </tbody> </table> <p>* The license awarded to Ineuropa at Tenerife Sur (South) is part of a license to operate at Tenerife North</p> <p>Staff transfer became an important issue very early in the process. According to most of the parties interviewed the actual transferring process proved to be difficult in some cases (i.e. basis for staff selection, recognition of labour liabilities by new employers, etc) and triggered a long legal dispute between workers and handling agents. Soon after the first transfers took place, in most cases involuntarily from incumbent into new handling companies (Ineuropa, Eurohandling and Iberhandling) transferred employees start to face changing working conditions, loosing benefits (prerogatives), and in some cases no pay rises. Many went to court to challenge the transfer process and demand its nullity. Some applications were made on an individual basis other on a collective way (by station or union), but all handlers and airports were affected. The legal review has taken a long time to complete and the outcome has been contradictory; while some local courts have sentenced that the original transfer was genuine, others have ordered the return of the staff back into Iberia. Today when Aena prepares to re-tender Iberia's handling licence, there are still a few cases awaiting judgement. In some cases the staff transfer has proven a difficult process for most stakeholders interviewed (i.e. handlers, workforce, carrier) and has had impact upon labour relationships, workforce stability, generated an additional burden for handlers, and to a lesser extent, poorer service standards. As some tenders are up to re-tender soon, handlers are concerned on whether staff transfer rights would be preserved, and what would happen to those outstanding court cases.</p>	Airport	Second handler	Starting date	Constestable market	Workforce transfer	Barcelona	Eurohandling	02/04/97	19.91%	12.7%	Fuerteventura	Eurohandling	06/11/95	87.95%	37.0%	Madrid	Ineuropa	02/04/97	20.72%	14.4%	Palma de Mallorca	Ineuropa	05/11/96	78.70%	35.0%	Tenerife Sur*	Ineuropa	07/11/94	85.39%	30.0%
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<b>Current position</b>	<p><u>Madrid Barajas</u>: Ineuropa was appointed as second handling agent in Madrid in 1997. Three main scheduled carriers (Iberia, Air Europa and Spanair) handled themselves at Barajas. Therefore the contestable market is estimated to be about 50% of total traffic</p>																														

	<p>(36m passengers per year.). Market share between Iberia and Ineuropa is evenly split (50:50). Iberia's total market share (including self-handling and alliance partners) is estimated to be 80%.</p> <p>Cargo is a non restricted activity at Barajas excluding loading and off-loading and transportation to and from the ramp. There are several cargo warehousing agents beside Iberia Cargo and Ineuropa (currently Ineuropa does not undertake activities as third party cargo handler at Madrid Barajas): integrators such as DHL/EAT (Swifair), FedEx, TNT (Panair) self handle on the ramp.</p> <p>Users are concern to critical levels of apron congestion being experienced at Barajas (large volume of vehicles circulating plus equipment parking areas). They claim the level of accidents/incidents on the ramp is relatively high. Barajas airport is aware of such problems and will be implementing new driving and circulation procedures soon.</p> <p><u>Barcelona</u>: Eurohandling was appointed as second handler in 1996. Similar to Madrid, the size of contestable market is limited, 41% only, due to large proportion of self handling activity (Iberia: 48% and Spanair 11%). Air Europa (8% traffic share) is handled by Eurohandling where the airline has shareholding. Handling market share is split between Iberia and Eurohandling on 13% and 28% respectively. A key factor for Eurohandling's success is securing low-cost airline's contracts (easyJet, Go, Basiq Air, etc).</p> <p>During our visit to Barcelona, most airport users complained about poor service standards which has been deteriorating during the last few years.</p> <p>Barcelona airport presents some infrastructure constrains: lack of check-in desks, boarding gates for non-Schengen flights and congested baggage make up areas. Handlers claim that such limitations have a direct impact on the service standards being achieved.</p> <p><u>Palma de Mallorca</u>: Palma airport has the largest contestable market in Spain: about 14m passengers per year (73% of traffic) despite being the home base for Air Europa and Spanair. Ineuropa was appointed as second handling agent in 1996, and has a larger market share than Iberia.</p> <p>Palma airport's infrastructure is rated by users as good and constrain-free. The only area that presents some limitation is the in-bound baggage claims during peak days only. Despite seasonality effect, users believe that Palma airport generates enough traffic throughout the year around to be able to afford a third ramp handling agent.</p> <p><u>Tenerife Sur</u>: Ineuropa is the second handling agent at Tenerife Sur "Reina Sofia" airport and was appointed in 1994. Tenerife has the largest contestable market percentage wise in Spain: 84%. Total throughput was 9.5m passengers in 2001. Most scheduled traffic into Tenerife concentrates on other island's airport: Los Rodeos (Northern area). Tenerife Sur's terminal faces some congestion particularly during peak days. In-bound baggage system and number of boarding gates are two most critical infrastructures according to handlers and users.</p> <p>Similarly to Palma, users believe that Tenerife Sur airport generates enough traffic even during weaker winter season to be able to appoint another third party handler.</p> <p><u>Fuerteventura</u>: As seen on other tourist airports, Fuerteventura airport has a large contestable market: 73%. However, its traffic throughput was 3.5m passengers in 2001 and more sensible to seasonality than other Spanish airports. Eurohandling start operating as second ramp handler in 1995. Market share is almost evenly split between Iberia and the newcomer: 60:40.</p> <p>Traffic seasonality has a major effect upon handlers during the winter as they reduce significantly during winter season. Moreover, they claim that finding and hiring staff is an issue as at most small resort airports (e.g. Ibiza and Menorca) and they therefore suffer from staff shortages plus higher operating costs (recruiting costs, training, uniforms, etc). IACA mentioned that the application of the Ground Handling Directive works quite well at some airports and expects three handling agents at certain airports.</p>
<b>Legal framework</b>	<p>The Directive was incorporated into Spanish law through Royal Decree 1161/1999 of 2 July 1999 and subsequent modifications on Royal Decree 99/2002 of 25 January 2002. It is remarked that the national regulation on the opening of ground handling market was set at 1 million passengers or 25,000 tonnes of cargo, lower than the threshold set by the Directive (initially at 3 million passengers or 75,000 tons of cargo). By June 1997, all 16 Spanish airports with traffic above 1m passengers p.a. threshold had a second ground handling agent for ramp services (baggage and ramp).</p>
<b>Licensing</b>	<p>Any organisation or individual wishing to enter handling market (including self handling)</p>

	<p>in Spain must hold a valid licence. The Directorate General of Civil Aviation (DGAC) is responsible for issuing such licences. Applicants must meet certain requirements (i.e. legal, financial, etc) depending on service categories before DGAC can approve their applications.</p> <p>Users have no complaints on the licensing process though they argue that procedures and processing times were long at the beginning. However, they realise that it was a new system for all parties involved including DGAC itself and the authority had to license over 600 parties on a short period of time.</p> <p>Aena as managing body only checks that the handler's licence entitles them for service category wishing to get access to that they comply with safety &amp; security standards, airport airside procedures, sufficient insurance coverage, etc.</p>
<b>Tender process and selection criteria</b>	<p>Aena conducted first tender processes between 1994 and 1996 when a second handler at all airports above 1m passenger per year throughput was appointed. The process launched at airports with larger contestable markets (Canary Island airports were first) subsequently moved onto rest of airports with large proportion of self-handling activity. Hence Barcelona and Madrid airports were the last two airports to be tendered.</p> <p>Selection criteria during first tender process focused on three main aspects: handling experience and know-how, financial strength and proposed level of discount. The latter was the main selection factor; second licences were granted to successful bidders that offered the largest discount levels.</p> <p>The new legal framework, which enacts the EC Directive into Spanish legislation, provides general guidelines for new tenders and selection criteria.</p> <p>As Iberia handling licence expires by end of 2002, Aena is organising first tender process under new legislation to take place later this year (last quarter 2002).</p>
<b>Airport Users' Committee</b>	<p>The liberalisation of handling activities in Spain started in 1993 and the legal framework used then did not account for a body where airport users could voice their views/concerns on handling issues (AUC). Therefore, users were not consulted until the introduction of new legislation in 1999. The new legal framework makes provision for AUCs to be established and consultation to take place on several issues as outlined on in the Directive.</p> <p>Despite initiatives/calls from Aena upon Spanish airport users to organise themselves and establish local AUCs, only Madrid airport has a committee legally recognised by DGAC. Palma de Mallorca and Tenerife Sur airports have formed their respective committees but their constitution laws have not been approved by DGAC yet (expected soon). The process by which airport users organise themselves into local AUCs is in its early stages at the rest of Spanish airports.</p> <p>Airport users in Spain complain about little consultation between Aena and AUCs though; all parties contacted criticise Aena's lack of consultation before introducing new centralised infrastructure fees in January 2002.</p> <p>During consultation process with airport users we came across with some mis-definitions in terms of the scope and duties of the AUC. While some members associate AUC's handling duties with other non-handling operational issues, others acknowledge similar duty to an AOC; but probably the single most peculiar case was found at Madrid. Madrid's AUC is lobbying for a wider 'Association of AUCs' which would be able to counter balance arguments from Aena at the same level playing field, but it is also seeking a larger scope beyond handling issues.</p>
<b>Access fee</b>	<p>No access fee are levied by Aena to any handling service category excluding category 11 (catering) which is treated as a commercial concession. In case of in-flight kitchens Aena levies a percentage of turnover.</p> <p>Handlers and representation agents pay for certain items such as ID passes, vehicle licences, etc. to get access airside. These are perceived by some handling and representation agents as indirect access fee though.</p>
<b>Centralised infrastructure</b>	<p>Centralised Infrastructure is defined through a Ministerial regulation for all Spanish airports. Almost all infrastructures and facilities within passenger terminal building and airside are declared as CI.</p> <p>Aena introduced a new centralised infrastructure charge (locally known <i>H Tariff</i>) in January 2002. This new charge is levied upon third party handlers and self-handled carriers equally on a passenger and movement basis. Stakeholders complain about new H Tariff claiming that charges are too high and that they are no cost related. Some users believe that they are now victims of a double charging system. According to them Aena</p>

	<p>was already re-covering investments and maintenance costs on some handling infrastructure through other aeronautical and non-aeronautical charges. For example, they claim that check-in desks charges were recovering cost of out-bound baggage systems already.</p> <p>Users also complain about lack of consultation from Aena before introducing new tariffs.</p>
<b>Quality of service</b>	<p>Users agree that service standards have improved since second handler agents were appointed. The entrance of competition can be interpreted as a catalyst for a radical on change on the incumbent's (Iberia Handling) attitude towards customers and hence service. Several of Iberia's customers coincide in pointing out that they have become more flexible and customer oriented. Also the introduction of SLAs as part of handling contracts is a common practice and it has enable guaranteeing quality standards. In the past, Iberia would refuse to accept SLAs as part of handling contracts with carriers. Aena always includes SLAs in contracts between Aena and handlers.</p> <p>Some stakeholders highlight that standards tend to somehow deteriorate during busy summer season particularly on peak days at resort airports. Handlers overstretch resources during peak days which has a direct negative effect upon service standards. Flight delays are common due to lack of manpower and support equipment according to users. They also coincide in pointing out that service standards deteriorate during summer time due to infrastructure shortages (check-in desks, baggage claim units) at a few constrained airports.</p> <p>Many users complained about poor quality being offered by both handlers at Barcelona airport. Even though overall quality standards did improve as result of liberalisation, they claim that service levels have been <u>gradually deteriorating during the last few years.</u></p>
<b>Price of service</b>	<p>As mentioned earlier, one of the key factors pursued by Aena when liberalising Spanish handling market in 1993 was to significantly reduce prices. Moreover, during tender process the proposed discount level was a key criterion for new handlers selections. Stakeholders consulted during our visits confirmed that handling prices came down sharply soon after new handlers started trading. The impact of price reductions has varied significantly depending on two factors: contestable size and how sensible clients are to price changes. These conditions have translated that larger discounts are experienced at tourism/resort airports such as Palma and Tenerife Sur than at main scheduled ones. Several stakeholders coincided in agreeing that the average handling prices reduced by 20% at these two airports.</p> <p>Additionally, Iberia Handling used to charge aircraft pushback, passenger coaching, airline representation on a separate basis, they normally offer this as part of a basic handling package nowadays. This could be translated as additional discount to carriers. Some airline representation agents complain that Iberia is trying to drive them out of business by offering carriers free representation.</p> <p>For categories 3, 4 (transport) and 5 with a limited number of handlers Aena sets maximum prices (ceiling) that handling agents could charge to carriers as part of a handling regulatory framework.</p> <p>Finally, some users coincide that independent handlers are on a competitive disadvantage compared to Iberia. The latter is presented at all Spanish airports open to commercial traffic and is therefore able to negotiate handling charges for a large number of stations. Although users have no evidence that this has helped Iberia to keep prices high, they believe Iberia has somehow avoided larger discounts by providing similar handling prices at all airports even those not open to competition yet.</p>

## Sweden

Subject area	Commentary
<b>Background</b>	<p>Stockholm Arlanda is operated by the Swedish CAA (SCAA), that is both the airport operator and the authority. In 1995 the handling department of SCAA was turned into an independent company called Novia (at the end of 2002 it was sold and it is currently owned by Aviapartner and Maersk). In the same year SCAA selected Servisair to start full range handling services with help of a public procurement (start of operations in January 1996). SCAA indicated that from then onwards the ground handling market started to change. Stakeholders mentioned Servisair offered low prices to buy market share, but also made large losses. The quality of the services provided in the following price competition decreased accordingly. At the end of 1998 it was decided to open the market fully, though it was not until April 2000 that the Directive was implemented in the national legislation. The airport operator no longer provides handling services, except for the transport of passenger between the terminal and remote stands and marshalling. Handlers generally believe competition has been tough at Arlanda.</p>
<b>Current position</b>	<p>Servisair, Novia and SAS Handling have been the three main suppliers of handling services at Arlanda. SAS controls about 55% to 60% of the market (40% to 45% self handling), Servisair and Novia have approximately 30% and 10% market shares on the ramp. Novia handles smaller airlines, including two major charters and all the national postal services. These three handlers are allowed to provide services of categories 1 to 5 (except de-icing), 6, parts of 7, 9 and 10 (except transport of passenger between the terminal and the aircraft). As is the case in Copenhagen, the Novia holding has been put into liquidation, as it perceives to be driven out of the market.</p> <p>DHL and FedEx are self handling (category 5). Furthermore there are two additional third party handlers in this category: Air Cargo Center (SAS provides cargo third party handling as well) and ISS Aviation (de-icing). There are three third party fuelling companies and four companies providing catering services. Air Cargo Center noted that ground handling competition at Arlanda has been fair, there are no barriers. Novia mentioned that airlines tend to negotiate only on prices and expect the quality to be good. Recently Skyways started self handling on the ramp.</p> <p>SCAA remarked that ground handlers tend to strive for concentration on specific terminals in order to make operations efficient and to be most competitive. Therefore SCAA believes the airport operator is squeezed between the demands of the handlers and the more optimal solutions according to general traffic flows. (if airlines change handler the situation is further complicated). In case handler(s) decide to leave the market the continuity of handling services is a concern for the airport operator (see Section 4 and Section 5). The AOC is in favour of clearer EU guidelines for aeronautical charges in relation to ground handling charges (CI and access fees).</p>
<b>Legal framework</b>	<p>SCAA stated that Stockholm-Arlanda's ground handling market is totally open. It is SCAA's view that as the handling market in Stockholm is fully liberalized and potential entrants do not have to apply for the full range of services, it is possible for handlers to 'cherry pick' from the handling services. Several parties made comments about how the Directive should take up changes. Novia finds a good idea if handlers are prevented from operating with losses for several years, because they believe this spoils the market for other handlers. Furthermore, in their view attention should be paid to the protection of employees, making it more difficult to move staff (i.e. make redundant or part time). Novia also argued that for airlines who provide third party handling services it is easier to absorb costs in the company (despite the obligation to separate accounts) than for handlers: the separation of accounts should become more important in the Directive. Skyways indicated that there have been detrimental effects for ground handling employees in Arlanda: split shifts and part time work.</p>
<b>Licensing</b>	<p>SCAA demands a licence from any company that wish to operate at the airport. Companies must have a certain degree of quality, especially related to safety in</p>

	<p>order to receive a licence. The level of quality is checked by SCAA, before providing a licence.</p> <p>There are no limitations in the licence period for self handlers. SCAA mentioned it considers all transportation of goods between the aircraft and terminal are considered as ramp handling.</p> <p>There is a special board (represented by somebody from the airport authority, a lawyer from the Ministry and one airport user) that decides about approval for applications for self handling. There are no limitations for sub contractors, they only need to apply for a licence from the SCAA. SCAA indicated that in order to achieve a fair allocation of, in the contract with handlers reference is made to sharing of facilities.</p>
<b>Tender process and selection criteria</b>	No tender process has taken place since the Directive came into force.
<b>Airport Users' Committee</b>	<p>The AUC is a newly set up committee at Arlanda. According to SCAA there is ongoing consultation between SCAA and the AUC, for example about the ground handling fee (what infrastructure is included and how it is calculated). Furthermore the standard agreement of SCAA for licences for ground handlers has been sent for consultation to the AUC. Handlers argued that it is important for the airport operator to consult with them as well: for example when decisions are made relating to the baggage system, it is not the airlines (represented in the AUC), but the handlers who use the system. The chairman of the AUC mentioned that there is not really additional value from the AUC as the AOC is the body that is consulted by the airport. According to the AUC the main issue discussed (and the actual reason for setting up the AUC, which was not done by the airport but by the airlines) was the introduction by the airport of the infrastructure charge. The AUC supports more transparency from the airport and more consultation, especially on issues for which the airlines are paying (in)directly. SAS found it a concern that the SCAA did not want to discuss the infrastructure fee with the airlines initially, as the airport viewed it was a business relation between the airport and the handler.</p>
<b>Concession/access fee</b>	<p>Since 1 May 2001 SCAA distinguishes two different fees: one is related to "the flight itself" and the other "not necessary for the flight itself". The former is a ground handling fee, it covers the costs for the infrastructure used by the handler; i.e. for passenger handling, ramp services as well as certain technical services. The latter is not paid for the use of airport facilities, but can be seen as licence for having access to the market, i.e. for catering and cleaning (based on a percentage of turnover). Aircraft maintenance and freight and mail handling are currently not subject to an access fee. Not all airlines and handlers agree with the level of the fee. Servisair indicated to have concerns about some other fees as well (e.g. waste disposal and ground support fees). SAS is of the opinion that the airport has moved costs items to "non-regulated areas", which "waters out the spirit of the regulation of the total charges".</p>
<b>Centralised infrastructure</b>	In February 2001 SCAA has drawn up a list of centralised infrastructure, which among others includes the baggage system, the main power system and the airport support tunnel. As described above, the SCAA issues a cost based ground handling fee. It is divided into two parts, one to be paid on a per passenger basis and the other on a MTOW basis. The handlers are invoiced directly for it.
<b>Quality of service</b>	Handlers have seen no changes (if any quality increased), while airlines and the airport noticed decreases in quality levels. The airport operator expressed the view that SLAs should be established in order to keep the quality at a desired level. In their view this could be a EU wide minimum service level, and this could mean that some sort of sanction should be established.
<b>Price of service</b>	Most stakeholders agree that prices have dropped, estimates range from -10% to -30%.

## United Kingdom

Subject area	Commentary
<b>Background</b>	<p>There are fourteen airports in the UK that currently exceed the 2 million passenger threshold value, of which Heathrow, Manchester, Birmingham and Belfast International have been visited.</p> <p><u>Belfast</u>: The airport operator (BIAL) at Belfast International stated that they found the market to be liberalised before the Directive was implemented in the UK. At that time Servisair and British Airways provided ramp services. When easyJet started operations to/from Belfast in September 1998 it brought a new handler to the market (Reed Aviation). British Airways has decided to leave the handling market (except for cargo handling), leaving no self handlers on the ramp. Servisair's market share is about 60% on the ramp, the rest is Aviance (it took over Reed Aviation) with easyJet as main customer. Although BMi handling has been taken over by Aviance, BMi kept providing passenger handling services, but it is handled by Servisair on the ramp.</p> <p><u>Birmingham</u>: Birmingham International Airport is the UK's fifth largest airport, handling around 8 million passengers per year through its two terminals. The airport operator (BIA) stepped out of baggage and ramp handling and marshalling when the Directive came into force. The baggage handling (including personnel) was taken over by MAS (now Aviance) and Servisair in line with TUPE employment legislation. BIA is the only party providing bussing (sub contracted to NSP), as it stated the handlers have no interest in this (airlines are not invoiced for this service). For safety and security reasons marshalling services are again supplied by the airport.</p> <p><u>London-LHR</u>: The airport operator at Heathrow (BAA Heathrow) is not involved in providing handling services. Prior to the Directive the number of full handling licences was 6, and there were an additional 3 self handlers. At that time all handlers were airlines or owned by airlines. Stakeholders mentioned the market was reasonably open and there was sufficient choice in handlers for airlines. Some parties indicated that when the Directive came out BAA Heathrow first tried to limit the number of self handlers to 5 (i.e. licence the incumbent self handlers) and to allow one independent third party handler. The reason for this were concerns about the congestion on the ramp. According to BAA Heathrow the airlines and the airport were in favour of this restriction, but as there were some airlines objecting to this, the CAA did not allow this and the market was fully opened. Passenger handling is an open market.</p> <p><u>Manchester</u>: According to Manchester Airport (MA), the airport operator, the ground handling market is fully liberalised in Manchester. It started in 1992, when it was decided to start with opening the market. About 7 handlers were active at that time. Since 1997 there has been consolidation, which has now left 4 major handlers. Servisair, Globeground and Ringway handling are the main third party handlers. Airlines carrying out some elements of self handling are: British Airways, BMi and American Airlines. The airport is involved in handling through its 100% subsidiary Ringway Handling. It is separated from MA, which is monitored by the CAA. Ringway's market share is currently 55% on the ramp. In order to be able to compete, Ringway noted it had to lower its wages by about 35% in the early 1990's. According to Aviance its employees wages have been frozen for the last couple of years.</p>
<b>Current position</b>	<p><u>Belfast</u>: According to BIAL and Servisair the market has not been dynamic in terms of airlines changing handler, though it has been remarked that it has been competitive in terms of pricing. BIAL's only involvement in handling is marshalling and bussing. In this respect there have been some human resource issues, because ground handling employees refused to provide this service, as that did not see this being part of their job and according to BIAL handlers can cherry pick the interesting handling services. Currently BIAL does not invoice airlines for providing these services (covered by aeronautical charges). BIAL and the chairman of the AOC raised concerns about activities such as bussing, marshalling and handling of disabled people, they believe it should be more clearly defined in the Directive as to whose responsibility this is. The handlers</p>

	<p>would not mind supplying this service, but not <i>pro deo</i>. Operation of air bridges has also been subject to some debate. BIAL stated that in general it has some safety concerns with the ongoing pressure from airlines on prices and turnaround times, but not at Belfast International where staff are perceived to be experienced. Handlers are closely monitored by BIAL (training records, driving licences and queue lengths). BIAL estimates the critical mass for a handler to be about 1 million passengers per year and therefore it is of the opinion that more than three independent handlers would be detrimental in Belfast. BIAL and Servisair indicated that there have been no problems with regard to space, though Aviance found it difficult to find space when its operations started to grow. BMi has concerns about congestion on the ramp. Servisair has not been able to make the business profitable in the last couple of years; wages of ground handling employees have stayed relatively unchanged.</p> <p><u>Birmingham</u>: The main handlers in Birmingham are Aviance, Servisair and Groundstar. British Airways is handling itself and its partners. Two years ago Groundstar entered the market and according to one party it undercut prices (Ryanair is now its main customer). Groundstar argued that though finding space has been difficult, the airport has fully co-operated with its start of operations. BIA noted that it is becoming difficult to have enough space to park equipment on the ramp. According to BIA it is difficult to recruit proper staff, given the local employment situation and the nature of the “behind the scenes work” that handling employees undertake. Some handlers raised the issue that they find it unfair that they are only allowed to buy fuel from BIA, especially as the charges have been increased significantly. All parties were of the opinion that there is no more room for an extra handler or for more competition: a fifth handler would dilute the market.</p> <p><u>London-LHR</u>: Of all the airports in the EU London-LHR accommodates the largest number of handlers. In the four terminals there are 13 providers of third party ramp services. Several major airlines provide third party handling: e.g. British Airways, American Airlines and Air Canada. New entrants after opening up the market were for example AFSL and Servisair. Stakeholders mentioned it initially led to price dumping of the entrants, which the self handlers providing third party handlers could not follow. According to United Airlines this is because it has a higher cost base. American Airlines mentioned that their handling staff are on higher wages (wages have gone up by 30% over the last 6 years) than the staff of the new independent third party handlers. The price erosion stopped after 11 September 2001, when a higher insurance cover became necessary for the handlers (increase of price by about 20% according to United). Airlines providing handling services already had sufficient liability cover in place, and therefore did not increase their third party handling prices.</p> <p>BAA Heathrow mentioned that the implementation of the Directive had effects that were not in line with the aims of the Directive. The community (airlines) does not benefit from additional handlers it has have sufficient choice already. It was pointed out that it created space and capacity problems which is detrimental to the handling operation and it has increased costs. An example of this is the accommodation of Globeground in Terminal 1. The number of vehicles and GSE has increased significantly. Swissport for example needs to park its equipment at four different locations that are widely separated from each other. All handlers need to justify each vehicle on the ramp and need a specific licence for it. In this respect United Airlines is in favour of including in a revised Directive the requirement that if handlers lose market share, they need to change their GSE base accordingly. The market has been very dynamic at London-LHR: 82 ground handling changes have taken place according to BAA.</p> <p>BAA Heathrow has its own ‘police’ operating at the airport, that follows traffic closely and can give fines if necessary. According to some handlers (e.g. American Airlines, United and Swissport) the number of handlers should be restricted to reduce ramp congestion, make better use of equipment and increase safety. There have been several joint initiatives at Heathrow to promote best practise and improve ramp discipline. There is an AUC subcommittee (representatives of handlers, airlines and BAA) to promote best practise and</p>
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	<p>improve ramp discipline. A joint strategy developed by the airlines, handlers and BAA (through the AUC) has led to the development of a Heathrow Aircraft Turnaround Plan. It provides a framework for all airlines and ramp service providers to operate in accordance with the Health and Safety Executive's (HSE) guidance document in order to improve safety. It describes in detail how a turnaround should be carried out. Servisair in Manchester noted that HSE had recognised the dangers associated with a number of individual service providers in attendance around an aircraft turnaround (i.e. handling agent, caterers, fuelers) without any one body co-ordinating the various activities.</p> <p><u>Manchester:</u> Servisair, Globeground and Ringway Handling are the main third party handlers in the three Terminals (controlling 90% of the market). Ringway Handling sub contracts passenger handling to Servisair. Airlines carrying out some elements of self handling are: British Airways, BMI and American Airlines. All ramp handling is carried out by third party handlers, although approximately 50% of the market is within long term handling arrangements by among others British Airways, BMI and Lufthansa. The fuel at Manchester is supplied by an open consortium (MASHCO) with all the main fuel suppliers and British Airways as members.</p> <p>Some parties are of the opinion that Ringway Handling has a monopoly in Terminal 3. Margins of the business have been very low for handlers at Manchester, and most have lost money. Ringway and the chairman of the AUC argued that the impact of the Directive has been very limited and that it has been the market forces that have driven changes. It is the view of Ringway that only the airlines and the passengers have benefited from the competition at Manchester. The chairman of the AUC said that competition really started when Terminal 2 was opened in 1995.</p> <p>Ringway has seen staff turnover increase from 4% to 5% to about 15% to 20%. Therefore more attention has been paid to recruitment and training, and costs have significantly increased.</p>
<b>Legal framework</b>	<p>Information about the UK legal framework can be found in Section 4. It is perceived by stakeholders that the UK was already liberalised before the Directive was implemented. The CAA expressed the view that specific regulation should only be contemplated where it can be demonstrated that the total costs associated with a regulatory measure are outweighed by its offsetting benefits (more details in Appendix F).</p> <p><u>Belfast:</u> The impact of the Directive is perceived to be limited. BIAL indicated that there is lack of standardisation regarding implementation of the Directive across the EU. BIAL would support changing the Directive into a Regulation. BIAL mentioned that the UK legislation does not specify any staff transfer, in the UK this is covered by the TUPE regulation.</p> <p><u>Birmingham:</u> According to BIA the Directive made the increase in competition faster. One of the main benefits of the Directive according to BIA is that it resulted in the termination of its unprofitable baggage handling business, as this was made the responsibility of the handlers. Aviance stated that in this way the airport solved its problem, but neither of the two handlers that took over had any experience of it. British Airways is of the opinion that marshalling should not be the responsibility of the ground handlers, given the special expertise and safety issues (cf. there is only one fire department).</p> <p>BIA is of the opinion that the customer service side is not catered for in the Directive (see Section 5). British Airways mentioned that the airport might make it more difficult for the handlers with an age related policy, leading to an extra cost burden (see Section 5).</p> <p><u>London-LHR:</u> BAA Heathrow argued that the speed of implementation has been too quick at Heathrow. It was necessary to educate the community (airlines), because they were not familiar with the regulations. Practical difficulties were caused breaking up existing contracts (e.g. cargo sheds). According to the BAA the principle of fair allocation of facilities is good, but has proven to be difficult in practise (see Section 5).</p> <p><u>Manchester:</u> MA mentioned that the number of handlers has increased however the number of alliances and sub contract arrangements has also increased which</p>

	<p>has actually reduced the real level of competition. Both MA and Ringway Handling stated that they have seen no benefits from the Directive, as the market was already open. It created bureaucracy, which the UK did not need. It argued that MA may not be strictly compliant, because bussing is sub contracted by the airport to Ringway Handling (other handlers do not want to provide this service), though the costs are borne by MA. Servisair expressed the view that the airport should consult the airlines to determine a maximum number of handlers allowed to operate.</p>
<b>Licensing</b>	<p><b>Belfast:</b> According to BIAL the handlers have a five years licence. Handlers have to comply with the bye-laws and the terms of conditions. Furthermore, before start of operations a new entrant needs to fulfil some operational and financial criteria. BIAL would like to take up in the contracts with the handlers that if they loose business they also have to give up property.</p> <p><b>Birmingham:</b> Criteria to be granted a licence are related to security, health, safety, operational procedures and financial stability. Licences are granted for a maximum of seven years.</p> <p><b>London-LHR:</b> New entrants that want to apply for a ramp licence need to show BAA a letter of intent from an airline, need to have 3 years experience at an airport with more than 1 million passengers and operational, safety, security and equipment criteria need to be met. Furthermore, they need to achieve a 5% market share in the relevant Terminal, the so-called Disproportionate Impact Small COmpany (DISCO) clause (though this is not a strict condition according to BAA Heathrow). One airline mentioned that this 5% market share condition initially led handlers to offer cheap prices to secure their position. BAA mentioned that the impact on other users is important when a business plan is evaluated. For this purpose a simulation model has been developed, which will be used to quantify the impact of changes of handlers. This will be used in the selection process. If a possible new entrant fulfils these criteria they need to present their business plan to the Terminal AOC. The AOC executive then gives a green or red light. The BAA Heathrow Ground Handling Approval Board finally decides. There also is an appeal mechanism. It has occurred that handler has been denied, for example KLM Ground Services move into Terminal 3 was stopped (already active in Terminal 4), because this would lead to too much commuting traffic on the ramp. According to BAA the licensing mechanism was much welcomed by the airlines. A handler can lose its licence if it continuously fails to comply with an action plan and time limit for rectification of its performance (a special review process is implemented for this purpose). Loss of licence has so far not happened.</p> <p><b>Manchester:</b> Only full licences are issued (cherry picking is not possible, but sub contracting is possible) and these are open ended (MA argued that there is no use limiting contracts in an open market). It has been agreed with the AUC that licences include minimum standards with respect to health, training, safety and SLAs. According to MA this fills a gap in the current Directive. British Airways considers that the airport should not interfere in the relation between handler and airline. In the MA Terms and Conditions a clause is included for airlines, which ensures they can only contract handlers with a licence. Not all handlers have signed this licence yet (e.g. Servisair, Aviance). There have been no requests for self handling, but because Manchester operates an open handling market, there is no specific process of airlines applying to self handle.</p>
<b>Tender process and selection criteria</b>	<p>There have been no tender processes, as the airports have an open market policy.</p>
<b>Airport Users' Committee</b>	<p><b>Belfast:</b> There is no official AUC. It is believed by the community that here is no need for it, as the AOC can act as AUC. Ground handlers are represented as well in the AOC (but not according to the constitution), and have voting rights except on cost issues directly affecting the airlines. According to the chairman the AOC acts as a consulting body for the airport, but this has not come full circle yet.</p> <p><b>Birmingham:</b> The AUC and the AOC have one constitution. Airlines and ground handlers are represented and each has one vote (except for matters with financial implications for airlines, handlers cannot vote). According to the chairman of the AOC the opinion of the AOC is always taken into account and through open</p>

	<p>dialogue decisions are made which benefit the majority.</p> <p><u>London-LHR</u>: The AUC is an active body with the overall responsibility for discussing and reviewing the Ground Handling Licence and the Approvals Process. The AUC meets every quarter with an Annual General Meeting every July. In terms of the consultation required for the BAA Heathrow's Approvals Process, as the AOC's meet every month it was agreed that the AUC would delegate these consultation powers to the Terminal AOCs. In the AOC each airline has one vote, in the AUC voting is based on the number of slots, but this rarely takes place. Airlines can be represented by their third party handlers.</p> <p><u>Manchester</u>: In the early days the major issue in the AUC (airlines represented only) was the opening of the market. According to the AUC the users chose to open the market completely, while the airport was in favour of a maximum number of handlers. Over recent months SLAs have been an important issue. The chairman of the AUC mentioned that the users will not benefit from more handlers at the airport. Besides the AUC for airlines, there is also a platform for ground handlers.</p>
<b>Access fee</b>	<p><u>Belfast</u>: Handlers have to pay an access fee, which is a percentage of turnover (remained unchanged after implementation of the Directive). According to Servisair, access fees are for historical reasons, no clear reason has been given by the airport for levying such a fee. Aviance commented that it finds the access fee relatively high compared to other airports in the UK (e.g. Luton 2% and Liverpool 1.5%) and does not find the fee transparent. Self handlers on land side do not pay access fees, but pay rent for check-in counters. There is also a relatively small administration fee. Aviance would like to see more transparency in charges: "publish them all to create a level playing field".</p> <p><u>Birmingham</u>: Handlers need to pay an access fee. This fee differs from one handling category to another. British Airways is not charged for self handling. BIA and handlers estimate this to be about 6% of handler's turnover.</p> <p><u>London-LHR</u>: No access fees. There is an administration fee of GBP 1,900 per year, which is the same for all handlers.</p> <p><u>Manchester</u>: No access fees.</p>
<b>Centralised infrastructure</b>	<p><u>Belfast</u>: There is no definition of CI. Servisair would like to see this clarified. Handlers have to pay for parking their equipment on the ramp, which Servisair thinks should be abolished (standardisation in the EU is recommended), and for rent of check-in desks. There is also a fee for the baggage processing area. Handlers providing cargo handling pay a fee per kilo of cargo throughput.</p> <p><u>Birmingham</u>: CI is not defined. Airlines are invoiced a ground handling system charge of GBP 0.19 per departing passenger to recover the costs of investments. Check in desks and Fixed Electrical Ground Power Supply are the only facilities handlers have to pay for at the airport.</p> <p><u>London-LHR</u>: No definition of CI. As a rule use of facilities is charged directly to the airlines. United estimates that 10% of the handlers costs are related to use of facilities (American: 20%).</p> <p><u>Manchester</u>: According to MA, CI has not been formally defined but is taken to be as set out under the Directive. There are charges for facilities to handlers, but according to MA these are not covering the costs at the moment: check-in desk charge and baggage sortation charge. MA mentioned that such charges are part of the 'relevant activities' as defined under the UK Airports Act as subject to regulatory scrutiny and are covered by a requirement for transparency and monitored by the regulator, the CAA.</p> <p>The airport operator stated are no limits on which facilities can be used by which handlers, other than the allocation of equipment parking areas, check-in desks etc between handlers. Ringway Handling estimates its cost for facilities to be much less than 10% of total costs.</p>
<b>Quality of service</b>	<p><u>Belfast</u>: According to BIAL there are no quality issues. EasyJet is in favour of SLAs if they work two ways. EasyJet has a financial incentive scheme for its ground handling staff to stimulate the ground handling business. Most parties are of the opinion that the quality level has not changed at Belfast.</p> <p><u>Birmingham</u>: According to BIA the quality level has eroded as a result of competition, though safety and security have not been affected. BIA would</p>

	<p>support a clause on quality levels in the Directive. BIA has an incentive scheme for handlers (related to baggage delivery). If a handler reaches its target it gets a discount on the access fee. According to Aer Lingus quality has gone up, but not directly as a result of the Directive but because passengers want more value for money.</p> <p><u>London-LHR</u>: It is generally viewed that service levels have suffered. According to BAA at Heathrow it is difficult to get SLAs signed, especially by self handlers. They argued that penalties should be an option, if costs are imposed on others.</p> <p><u>Manchester</u>: MA has concerns about the quality levels and wants to introduce minimum quality standards. MA is also concerned about safety, accidents have increased. Aviance and Servisair are of the opinion that incidents have increased, as a result of competition. In one case this led to a fatal injury. Servisair suggests that some party must take control of the management of a turnaround as there are so many different parties involved and parked around the aircraft; the Commission should consider taken up health and safety guidelines in the Directive.</p> <p>MA argued that the high staff turnover of handlers creates training issues (e.g. for driving of busses on the ramp). Ringway noted that quality has improved as a result of competition, but there is no more money to get better quality. There is a ramp safety team, which acts as a local police force. In light of SLAs Servisair noted that it would have no problem in signing an SLA with the airport as long as there were reciprocal arrangements with the airport (provision of sufficient resources/ facilities).</p>
<b>Price of service</b>	<p><u>Belfast</u>: Servisair believes prices have increased with 7% and Aviance thinks they have dropped by 5%.</p> <p><u>Birmingham</u>: Most parties argued that prices have stayed relatively the same.</p> <p><u>London-LHR</u>: Stakeholders mentioned that prices have dropped.</p> <p><u>Manchester</u>: According to MA prices have dropped from 1992 to 1997 and since then have gone up by 10%. The current prices are about 10% below the 1992 level (20% according to Aviance). The threat of new market entrants is keeping prices down. Aviance would find it useful if a revised Directive could include a limit on prices.</p>

## Appendix E Comments Commission for Aviation Regulation

### **Lack of awareness of legislative regime**

E.1 The Commission for Aviation Regulation (CAR) is of the opinion that not all (self) handlers are aware of the approval procedure in place. Parties seeking approval to engage in ground handling activities are often not fully appraised of the legislative requirements. Many incumbent handlers do not understand the requirements for an approved handler, and are not aware of the fact that fulfilling these requirements is condition to be an approved handler. It is viewed that this is not the result of lack of available information, but the handlers' casual attitude to the legislative requirements. The requirement of separation of accounts serves as an example for this.

### **Separation of accounts**

E.2 The Directive requires the separation of accounts for the managing body of an airport, the airport user or the supplier of ground handling services. Despite its efforts, the CAR finds it extremely difficult for handlers to comply with this requirement. For some companies handling only represents only a small part of their operations, others find it a waste of time and do not understand why the CAR would require details of account separation.

### **Sub contracting**

E.3 The CAR was presented with a situation where an approved ground handler sub contracts some of its activities to another ground handler to assist them. While the self handler argued that their sub contractor did not require approval for the small part of handling activities as this would be covered by the approval granted for self handling, the CAR took the view that this was contrary to both the scheme and the letter of the Directive. Therefore, both parties required approval. The reasoning was based on the definition of 'supplier of ground handling services' in the legislation, which in the CAR's view clearly includes the sub contractor in this case.

### **Recruitment companies**

E.4 The CAR was also presented with a situation where a self handler hires or is supplied with staff from a recruitment company. The CAR is of the opinion that staff from a recruitment company would not need to apply for approval, as they are not engaged in the provision of ground handling services. It is the responsibility of the ground handler that staff is properly trained, which in any event is a condition for approval for a ground handler.

### **Insurance**

E.5 The CAR stated that the Directive is vague with regard to the level of insurance cover required for ground handling activities. The CAR would support the introduction of guidelines with regard to insurance and to the level of insurance depending on the ground handling activities carried out.

### **Access to airport installations**

E.6 In the Irish legislation there is an additional requirement that the airport manager must seek approval of the CAR prior to imposing fees pursuant Article 16(3) in the Directive (access to airport installations). Article 16 has been the subject of litigation in the Irish Courts. A self handler challenged the basis for the imposition of certain charges by the airport manager. The airport manager sought to argue that there is a distinction between charges and fees and that the measures which were the subject of judicial review, were charges and not fees; therefore, Article 16(3) did not apply in their view.

E.7 The airport manager argued that where they impose 'charges' for access to check-in desks, such 'charges' do not relate to airport installations and therefore Article 16(3) does not apply and approval is not required. In arguing that check-in desks are not airport installations, the airport manager relies on an argument that only those facilities to be found airside are considered to be 'airport installations'. Such a distinction between airside and landside is not borne out by the Directive as no definition of the term 'airport installations' is provided.

E.8 CAR also advised that the airport manager had introduced what was designated as an administrative fee in respect of the airport manager's role in implementing the Directive. This is not regarded by the airport manager as a ground handling fee pursuant to Article 16 (3). This topic has been the subject of litigation in the Irish courts (referred to at 1.6) on the basis that it ought to have been regarded as a fee recognised under Article 16 (3).

E.9 The High Court found this case in favour of Aer Rianta. Aer Rianta noted that the court judgement expressly states that the charges in question "are not in respect of access to airport installations" and that "the obligation to inform the Minister in writing pursuant to Article 14 of the Irish regulations does not arise".

## Appendix F Comments UK CAA

### Implementation in the UK

F.1 The Directive was implemented in the UK by means of the Airports (Ground handling) Regulations 1997 as amended by the Airports (Ground handling) (Amendment) Regulations 1998. The UK regulations followed closely the provisions of the Directive although there were some articles where action by Member States was voluntary that were not introduced in the UK. These included articles 14 (Approval) and 18 (Social and environmental protection). Consequently the UK did not introduce a system of licensing of suppliers of ground handling services.

F.2 The UK CAA was given a number of important roles. Since the Directive was implemented in the UK, the CAA has considered three cases to decide the number of airside third party handling companies where airports applied for restrictions under Article 6 (decisions can be found on CAA's website). This relates to London LHR and Gatwick airport that applied to limit the number of handlers for some categories. A number of airports have asked the CAA to decide on the reservation of the centralised infrastructure under Article 8 of the Directive.

F.3 There have been no applications from (or formal complaints on) UK airports for exemptions under Article 9. Consequently at all the relevant airports users should have a choice from among at least the minimum number of handlers provided for by Articles 6 and 7.

### Impact of Directive

F.4 According to the CAA the number of handlers now operating at the airports cannot give a wholly accurate picture of the impact of the Directive, as the ground handling market in the UK was already relatively competitive before the Directive came into force. The number of airside third party handlers at a selection of the above UK airports is shown in the table below (Source: UK CAA).<sup>1</sup>

	Passengers in 2001 (million)	Third party handlers airside
Heathrow	60.4	13
Gatwick	31.1	3*
Manchester	19.1	4
Stansted	13.7	3
Glasgow	7.2	3
Edinburgh	6.0	4
Aberdeen	2.5	3
East Midlands	2.4	2

\* Fourth handler will be appointed after a tender process

<sup>1</sup> Not necessarily all providing the full range of handling services nor operating at each terminal at multi-terminal airports.

F.5 The CAA has not been routinely involved in the selection process for additional handlers at UK airports so does not possess comprehensive information on the selection criteria that have been used; those criteria have been determined by the airports but subject to the requirements of the Directive.

F.6 The CAA has no direct evidence of the impact of the Directive on employment, prices and quality of services. Though it is remarked by the CAA that the trend towards consolidation may have had an impact on employment, prices and quality unrelated to the operation of the Directive.

#### **CAA's comments on the Directive**

F.7 It is the CAA's general approach is that specific regulation should only be contemplated where it can be demonstrated that the total costs associated with a regulatory measure are outweighed by its offsetting benefits. The CAA is of the opinion that the ground handling Directive necessarily does not meet this test in particular given the moves towards competitive provision of ground handling at UK airports that were evident before the directive was introduced and the development of general competition law in the form of the Competition Act 1998. The Directive has imposed compliance costs in the UK on airports, airlines and on suppliers of ground handling services without at the same time producing real and measurable benefits.

F.8 It is not clear what scope the managements at airports where Member States have not limited the number of handlers under Articles 6(2) or 7(2) have to impose constraints of any kind on access, in particular for airside handling, by new ground handling companies.

F.9 A number of measures have been taken by airports in an effort to manage the situation on the airside where issues of safety and congestion arise. These have included: the issuing of and charging for airside vehicle passes and airside parking charges, access fees and also prospective ground handlers need to provide evidence of contracts with airlines for a minimum amount of airport or terminal business.

F.10 Article 15 of the Directive provides for rules to be imposed on suppliers of ground handling services to ensure the proper functioning of the airport. This is, however, subject to the proviso that such rules may not in practice reduce market access or the freedom to self-handle to a level below that provided for in the Directive.

F.11 The precise composition and role of the Airport Users' Committee is not set out with sufficient clarity. This can result in different interpretations at different airports. At some airports, airlines without a permanent staff presence have appointed their ground handling agents to represent them on local committees. This can give rise to possible conflicts of interest. The role of the AUC in deciding on the appointment of handlers is also not fully specified.

F.12 The CAA questions the continuing need for Article 4 in its present form. It sees an argument for airports to separate out their ground handling activities from their other businesses, these is much less of a case on competition grounds for airlines or for ground handling companies to be subject to the same requirements.



## Appendix G Postal survey

**Table 1: Change in number of self handlers**

Airport	Ground administration and supervision	Passenger handling	Baggage handling	Freight and mail handling	Ramp handling	Aircraft services	Fuel and oil handling	Aircraft maintenance	Flight operations and crew administration	Surface transport	Catering services
Bordeaux-Mérignac	0	0	0	0	0	0	0	0	0	0	0
Berlin-Schönefeld	0	0	0	0	0	0	0	0	0	0	0
Berlin-Tegel	0	0	0	0	0	0	0	0	-1	0	0
Hahn	0	0	0	0	0	0	0	0	0	0	0
Dusseldorf	-1	-1	0	0	0	0	0	0	-1	0	0
Leipzig-Halle	0	0	0	0	0	0	0	0	0	0	0
Köln-Bonn	0	0	0	0	0	0	0	0	0	0	0
Shannon	0	0	0	0	0	0	0	0	0	0	0
Porto-Sà Carneiro	1	0	0	0	0	0	-2	-1	-3	0	1
Alicante	-1	-1	0	0	0	0	0	0	0	0	0
Bilbao	0	1	1	1	1	1	0	1	1	1	0
Gran Canaria	2	1	0	1	1	0	0	7	2	1	0
Ibiza	4	3	-1	0	6	6	0	6	7	6	0
Lanzarote	0	-1	0	0	0	0	0	0	-1	0	0
Malaga	1	1	0	3	3	1	0	2	1	1	1
Sevilla	1	0	0	1	1	0	0	2	2	2	0
London-Gatwick	0	0	0	0	0	0	0	0	0	0	0
London-Stansted	0	0	0	0	0	0	0	0	0	0	0
Luton	1	1	1	1	1	1	0	1	1	0	1
Newcastle	0	0	0	0	0	0	0	1	-1	0	0
Aberdeen	-2	-1	0	0	0	0	-1	1	1	0	1
Bristol	0	0	0	0	0	0	0	0	0	0	0
Edinburgh	-1	-1	0	0	-1	-2	0	0	-1	0	0
Glasgow	0	0	0	0	-1	0	0	0	0	0	0

**Table 2: Change in number of third party handlers**

Airport	Ground administration and supervision	Passenger handling	Baggage handling	Freight and mail handling	Ramp handling	Aircraft services	Fuel and oil handling	Aircraft maintenance	Flight operations and crew administration	Surface transport	Catering services
Marseille-Provence	7	4	4	10	10	7	8	11	6	5	6
Bordeaux-Mérignac	2	0	0	2	1	2	0	-1	0	0	0
Strasbourg-Entzheim	0	0	0	0	0	0	0	0	0	0	0
Berlin-Schönefeld	1	0	1	0	0	0	0	0	0	0	0
Berlin-Tegel	0	0	1	0	1	1	0	0	0	0	1
Hahn	0	0	0	2	0	0	0	0	0	0	-2
Dusseldorf	-1	-1	0	-4	1	2	0	0	-1	0	0
Leipzig-Halle	0	0	0	0	0	0	0	0	0	0	0
Köln-Bonn	2	2	0	1	1	0	0	0	2	1	0
Shannon	2	2	0	1	3	1	2	1	2	1	2
Porto-Sà Carneiro	0	-1	0	0	0	1	0	2	0	-1	0
Alicante	1	1	0	0	0	2	1	0	1	1	0
Bilbao	0	1	0	0	0	2	0	0	0	0	0
Gran Canaria	5	5	0	2	1	3	0	2	1	2	0
Ibiza	9	2	1	1	1	2	0	0	0	1	0
Lanzarote	2	1	0	0	1	1	0	0	2	0	0
Malaga	3	5	2	1	3	1	1	1	1	3	2
Sevilla	4	2	0	1	0	2	1	0	4	2	1
London-Gatwick	1	1	1	1	1	0	0	0	1	0	0
London-Stansted	1	2	1	0	0	1	3	1	1	0	1
Luton	2	0	2	2	2	2	0	0	0	2	1
Newcastle	1	0	1	1	1	0	0	0	0	0	0
Aberdeen	3	3	0	0	1	0	-1	0	2	0	0
Bristol	0	1	0	0	0	0	1	0	0	0	1
Edinburgh	0	2	1	0	2	-1	-1	2	1	0	1
Glasgow	0	0	0	0	0	-1	0	0	0	0	0

**Table 3: 'Has the handling market been dynamic?'**

<b>Airport</b>	<b>Airport operator</b>	<b>AUC</b>	<b>Ground handler</b>
Paris-Orly	Yes (except alliances)		Cariane: Yes
Bâle-Mulhouse			Swissport: Yes
Bordeaux-Mérignac	Yes (4 changes)		
Strasbourg-Entzheim	No		Aviapartner: No
Berlin-Schönefeld	No		
Berlin-Tegel	Yes		
Hahn	Yes (2 to 5 changes)		
Dusseldorf	Yes (6 changes)	Yes	Aviapartner: Yes
Hannover-Langenhagen			Aviapartner: Yes Hannover Ground Aviation Service: Yes
Leipzig-Halle	No	No	PortGround: No
Köln-Bonn	No	No	Aviapartner: Yes
Shannon	Yes		
Torino-Caselle			Sagat: No
Porto-Sà Carneiro			PGA: No
Alicante	Yes		
Bilbao	Yes (2 changes)		Iberia: Yes
Gran Canaria	No		
Ibiza	No		Ineuropa Handling: Yes
Lanzarote	No		ACE: No Arrecife: No
Malaga	No		
Sevilla	No		
Göteborg-Landvetter		Yes	
London-Gatwick	Yes (>8 changes)	Yes	
London-Stansted	Yes		ASIG: Yes (6 changes)
Luton	Yes		
Newcastle	Yes		Servisair: Yes
Aberdeen	No		Servisair: Yes
Bristol	No		
Edinburgh	No		Aviance: No Servisair: No
Glasgow	No		Air Services Ltd: Yes Aviance: Yes Execair: Yes Servisair: Yes

**Table 4: Price developments since implementation of the Directive**

<b>Airport</b>	<b>Airport operator</b>	<b>AUC</b>	<b>Ground handler</b>
Paris-Orly	No comment		Cariane: Higher (Directive)
Marseille-Provence	-15% (Industry)	Lower (Industry)	
Bordeaux-Mérignac	Lower		
Strasbourg-Entzheim	Unknown		Swissport: -20% (Directive) Aviapartner: -20% (Directive and industry)
Berlin-Schönefeld	Increase (Industry)		
Hahn	Decrease (Industry)		
Dusseldorf	-20% (Industry)	-5% (Directive)	Aviapartner: -20% (fear of Directive)
Hannover-Langenhagen			Aviapartner: -20% (fear of Directive) Hannover Ground Aviation Service: -20% to -30% (Industry)
Leipzig-Halle	-10% (Directive and industry)	No change	PortGround: decrease
Köln-Bonn	-7% (Directive and industry)	Decrease (Industry)	Aviapartner: -20% (fear of Directive)
Shannon	No change		
Torino-Caselle			Sagat: -15% (Directive and industry)
Porto-Sà Carneiro	No comment		PGA: increase (Directive)
Alicante	-20% to -25% (Directive and industry)		
Bilbao	-20% to -25% (Directive and industry)		Iberia: -20% (Industry)
Gran Canaria	-20% to -25% (Directive)		
Ibiza	-20% to -25% (Directive and industry)		Ineuropa: -15% (Industry)
Lanzarote	-20% to -25% (Directive and industry)		Nordic: N/a
Malaga	-20% to -25% (Directive)		
Sevilla	-20% to -25% (Directive and industry)		
Göteborg-Landvetter		Decrease (Directive and industry)	
London-Gatwick	No insight	No change	Inflight Cleaning Services Ltd.: -10% (Directive)
London-Stansted			Stansted Airport Limited: -30% (Directive and industry) ASIG: -20% (Directive and industry)

Luton	-10% (Directive and industry)		
Newcastle	Decrease (Directive)		Servisair: -15% (Industry)
Aberdeen	No change		Servisair: decrease (Directive and industry)
Bristol	N/C		
Edinburgh	Decrease (Industry)		Aviance: -5% (Industry) Servisair: -20% (Directive and industry)
Glasgow	No change		Airline Services Ltd.: Anticipated changes due to progress in service standards. Avance; no change Execair: +10% (Industry) Servisair: -25% (Industry)

**Table 5: Quality developments since implementation of the Directive**

<b>Airport</b>	<b>Airport operator</b>	<b>AUC</b>	<b>Ground handler</b>
Paris-Orly	No comment		Cariane: increase (Directive)
Marseille-Provence	No change	No change	
Bordeaux-Mérignac	Decrease		
Strasbourg-Entzheim	Increase (Industry)		Swissport: decrease (Directive) Aviapartner: decrease (Directive and industry)
Berlin-Schönefeld	No change		
Hahn	No change		
Dusseldorf	No change	+10% (Directive and industry)	Aviapartner: no change
Hannover-Langenhagen			Aviapartner: no change Hannover Ground Aviation Service: decrease (Industry)
Leipzig-Halle	No change	No change	Aviapartner: no change
Köln-Bonn	No change	No change	Aviapartner: no change
Shannon	Increase (Directive and industry)		
Torino-Caselle			Sagat: no change
Porto-Sà Carneiro	Increase (Directive)		PGA: no change
Alicante	Increase (Directive and industry)		
Bilbao	Increase (Directive and industry)		Iberia: +10% (Industry)
Gran Canaria	Increase (Directive)		
Ibiza	Increase (Directive and industry)		Ineuropa: Increase

Lanzarote	Increase (Directive and industry)		Nordic: N/a
Malaga	Increase (Directive)		
Sevilla	Increase (Directive and industry)		
Göteborg-Landvetter		Decrease (Industry)	
London-Gatwick	No change	No comment	Inflight Cleaning Services: -10% (Directive)
London-Stansted	Decrease (Directive and industry)		ASIG: no change
Luton	+10% (Industry)		
Newcastle	No change		Servisair: no change
Aberdeen	No change		Servisair: increase (Industry)
Bristol	No comment		
Edinburgh	No change		Aviance: -10% (Industry) Servisair: increase (Industry)
Glasgow	Increase (Industry)		Airline Services: increase (Industry) Aviance: +10% (Industry) Servisair: +25% (Industry)

**Table 6: Tender process**

Airport	Has there been a tender process?	How many licences have been tendered?	To which services did this relate? <sup>1</sup>	Number of applicants?	Who defined selection criteria?	Did the interested party have to apply for bundled services?	Which body made the selection decision?
Paris-Orly	Yes	5	3/ 4/ 5	5	DGAC	Yes	
Marseille-Provence	No						
Bordeaux-Mérignac	No						
Strasbourg-Entzheim	No						
Berlin-Schönefeld	Yes	1	1/ 3/ 5	3	Local Ministry	No	Local Ministry
Berlin-Tegel	Yes	1	3/ 4/ 5	7	Airport operator	Yes	Local Authority
Hahn	No						
Dusseldorf	Yes	4	5/ 6/ 8/ 10	4	Local Ministry	Yes	Ministry of Economics
Leipzig-Halle	Yes	1	3/ 5/ 6	4	CAA	Yes	CAA
Köln-Bonn	Yes	1	4/ 5	5	Local Ministry	Yes	Local Ministry
Shannon	No						
Porto-Sà Carneiro	Yes	0			INAC		
Bilbao	Yes (but in 1996)	2	1 to10		Aena	Yes	
Gran Canaria	Yes (but in 1994)	2	1 to10		Aena	Yes	
Ibiza	Yes (but in 1996)	2	1 to10		Aena	Yes	
Lanzarote	Yes (but in 1996)	2	1 to10		Aena	Yes	
Malaga	Yes (but in 1997)	2	1 to10		Aena	Yes	
London-Gatwick	Yes	4	1/ 2/ 3/ 4/ 5	8	AUC	Yes	AUC/GAL joint decision
Luton	No						
Newcastle	Yes		1/ 2/ 3/ 4/ 5/ 6		Airport operator	Yes	
Aberdeen	No						
Bristol	No						
Edinburgh	Yes	2	1/ 2/ 3/ 4/ 5/ 6 /9	2	Airport operator	No	
Glasgow	No						

(1) According to categories in Annex to the Directive

**Table 7: Airport operator's involvement in ground handling**

Airport	Does the airport operator provide handling services?	Does this distort competition?	Is there a separate entity to offer handling services?	Do you think there is any form of cross subsidization?	How is the separation of accounts safeguarded (according to airport operator)?
Paris-Orly	Yes		Yes		ADP separated its accounts before the Directive came into force. ADP accountants are responsible for the separation of accounts.
Marseille-Provence	No				
Bordeaux-Mérignac	No				
Strasbourg-Entzheim	Yes	Aviapartner: Yes	No		CAA responsible for checking the separation of accounts.
Berlin-Schönefeld	Yes		No		
Berlin-Tegel	Yes		Yes		Meeting of shareholders and board of directors
Hahn	Yes		Yes		Use of certified accountant
Dusseldorf	Yes	AUC: Yes, high market share and long term contracts	Yes	AUC: Yes, suggestion	Own profit centre and separation of revenue and costs. Safeguarded by finance department and controlling system, also checked by the AUC.
Hannover-Langenhagen	Yes	Hannover ground aviation service: No	Yes	Hannover Ground Aviation Service: No	By CAA
Leipzig-Halle	Yes	PortGround: No	Yes	ProtGround: No	Separate investment
Köln-Bonn	Yes	AUC: Yes	Yes	AUC: Unknown	Separate business unit (profit centre), checked by independent accountant
Shannon	Yes		Yes		Direct revenues and costs are allocated to the individual business area. Indirect costs are apportioned based on the outputs of a cost attribution model. Checked by external auditors.

Torino-Caselle	Yes	Sagat: No	Yes		Different companies
Porto-Sà Carneiro	Yes	PGA: Yes	Yes	PGA: Probably	
Alicante	No				
Bilbao	No				
Gran Canaria	No				
Ibiza	No				
Lanzarote	No				
Malaga	No				
Menorca	No				
Sevilla	No				
Göteborg-Landvetter	No				
London-Gatwick	No				
London-Stansted	No				
Luton	No				
Newcastle	No				
Aberdeen	No				
Bristol	No				
Edinburgh	No				
Glasgow	No				

**Table 8: Airport Users' Committee**

<b>Airport</b>	<b>Does it exit?</b>	<b>New committee</b>	<b>Constitution</b>	<b>Voting</b>	<b>Representation</b>
Paris-Orly	Yes				
Marseille-Provence	Yes	No	Yes	Based on traffic units	Airlines
Bâle-Mulhouse	Yes				
Bordeaux-Mérignac	Yes				
Strasbourg-Entzheim	Yes				
Berlin-Schönefeld	Yes				
Berlin-Tegel	Yes				
Hahn	No				
Dusseldorf	Yes	Yes	Yes	Based on MTOW	Airlines and airport operator
Hannover-Langenhagen	Yes				
Leipzig-Halle	Yes	Yes	Yes	Based on MTOW	Airlines
Köln-Bonn	Yes	Yes	Yes	Based on MTOW	Airlines
Shannon	Yes				
Torino-Caselle	Yes				
Porto-Sà Carneiro	Yes				
Alicante	No				
Bilbao	No				
Gran Canaria	No				
Ibiza	No				
Lanzarote	No				
Malaga	No				
Sevilla	No				
Göteborg-Landvetter	Yes	Yes	No	One member one vote	Airlines and airport operator
London-Gatwick	Yes	Yes	Yes	Based on ATMs, passenger numbers and cargo	Airlines
London-Stansted	Yes				
Luton	Yes				
Newcastle	Yes				
Aberdeen	Yes				
Bristol	Yes				
Edinburgh	Yes				
Glasgow	Yes				

**Table 9: Profitability of ground handlers**

<b>Airport</b>	<b>Profitable?</b>
Paris-Orly	Cariane: No
Bâle-Mulhouse	Swissport: No
Strasbourg-Entzheim	Aviapartner: No
Dusseldorf	Aviapartner: No, market too small
Hannover-Langenhagen	Aviapartner: No, market too small Hannover ground aviation service: No
Leipzig-Halle	PortGround: No
Köln-Bonn	Aviapartner: No, market too small
Torino-Caselle	SAGAT: No
Porto-Sà Carneiro	PGA: Yes
Bilbao	Iberia: Yes
Ibiza	Ineuropa Handling: Yes
Lanzarote	Nordic: N/a
London-Stansted	ASIG: Marginally
Newcastle	Servisair: Yes
Aberdeen	Servisair: Marginally
Edinburgh	Aviance: Yes Servisair: Marginally
Glasgow	Airline Services: Yes Avance: Yes Execair: Yes Servisair: Marginally

**Table 10: Factual frustration**

Airport	Airport Operator	AUC	Ground Handler
Paris-Orly			Cariane: No
Bâle-Mulhouse			Swissport: No
Bordeaux-Mérignac	No		
Strasbourg-Entzheim	No		
Berlin-Schönefeld	No		
Berlin-Tegel	No		
Hahn	No		
Dusseldorf	No	No	Aviapartner: Yes
Hannover-Langenhagen			Aviapartner: Yes Hannover ground aviation service:No
Leipzig-Halle	No	No	PortGround: No
Köln-Bonn	No	No	Aviapartner: Yes
Shannon	No		
Torino-Caselle			Sagat: No
Porto-Sà Carneiro			PGA: Yes
Alicante	No		
Bilbao	No		Iberia: No
Gran Canaria	No		
Ibiza	No		Ineuropa Handling: No
Lanzarote	No		
Malaga	No		
Sevilla	No		
Göteborg-Landvetter		Yes	
London-Gatwick	No	No	
London-Stansted	No		
Luton	No		
Newcastle			Servisair: No
Aberdeen	No		Sesrvisair: No, access fees
Bristol	No		
Edinburgh	No		Aviance: No Servisair: Yes, costs as opposed to restrictions
Glasgow	No		Air Services: No Aviance: No

**Table 11: Contestable market**

<b>Airport</b>	<b>Passenger handling</b>	<b>Ramp handling</b>	<b>Cargo handling</b>
Paris-Orly	Cariane: 100%	Airport operator: 83% (Orly South) and 12% (Orly West) Cariane: 100%	
Bâle-Mulhouse	Swissport: 25%	Swissport: 25%	Swissport: 50%
Bordeaux-Mérignac	Airport operator: 25%	Airport operator: 25%	Airport Operator: 25%
Strasbourg-Entzheim	Airport operator: 47.4% Aviapartner: 50%	Airport operator: 47.4% Aviapartner: 50%	Airport operator: not significant Aviapartner: 40%
Hahn	Airport operator: 100%	Airport operator: 100%	Airport operator: 100%
Dusseldorf	Airport operator: 70% AUC: 40% Aviapartner: 50%	Airport operator: 20% AUC: 5% to 10% Aviapartner: < 25%	Airport operator: 40% Aviapartner: Up to 50%
Hannover-Langenhagen	Aviapartner: 50% Hannover ground aviation service: 40%	Aviapartner: < 25% Hannover Ground Aviation Service: 35%	Aviapartner: Up to 50%
Leipzig-Halle	Airport operator: 100% AUC: 100% PortGroud: 100%	Airport operator: 100% AUC: 100% PortGround: 25%	Airport operator: 100% AUC: 100%
Köln-Bonn	Airport operator: 50% AUC: 50% Aviapartner: 50%	Airport operator: 10% AUC: 10% Aviapartner: < 25%	Airport operator: 60% AUC: 60% Aviapartner: up to 50%
Shannon	Airport operator: 52.6%	Airport operator: 60%	Airport operator: 73.5%
Torino-Caselle	Sagat: 100%	Sagat: 100%	Sagat: 100%
Alicante	Airport operator: 70%	Airport operator: 65%	Airport operator: 45%
Bilbao	Airport operator: 40% Iberia: 15%	Airport operator: 50% Iberia: 15%	Airport operator: 65% Iberia: 15%
Gran Canaria	Airport operator: 80%	Airport operator: 75%	Airport operator: 40%
Ibiza	Airport operator: 65%	Airport operator: 45%	
Lanzarote	Airport operator: 70%	Airport operator: 55%	Airport operator: 20%
Malaga	Airport operator: 75%	Airport operator: 70%	Airport operator: 70%
Sevilla	Airport operator: 35%	Airport operator: 40%	Airport operator: 40%
Göteborg-Landvetter	AUC: 50%	AUC: 50%	AUC: 50%

London-Gatwick	Airport operator: 21m passengers AUC: 21m passengers	Airport operator: 153,000 ATMs AUC: 153,000 ATMs	Airport operator: 190,000 tonnes AUC: 190,000 tonnes
London-Stansted	Airport operator: 86% ASIG: 20% to 25%	Airport operator: 75% ASIG: 20% to 25%	Airport operator: 50%
Luton	Airport operator: 60%	Airport operator: 60%	Airport operator: 80%
Newcastle	Servisair: 100%	Servisair: 100%	Servisair: 100%
Aberdeen	Airport operator: 50% Servisair: 54%	Airport operator: 75% Servisair: 100%	Airport operator: 100% Servisair: 100%
Bristol	Airport operator: 0%	Airport operator: 0%	Airport operator: 0%
Edinburgh	Airport operator: 80% Aviance: 50% Servisair: 55%	Airport operator: 90% Aviance: 75% Servisair: 70%	Airport operator: 100% Servisair: 100%
Glasgow	Airport operator: 60% Aviance: 60% Servisair: 50%	Airport operator: 80% Aviance: 100% Servisair: 100%	Airport operator: 20% Aviance: 75% Servisair: 25%

**Table 12: Self handling**

Airport	Number of applications	Number of approvals	Number of rejections	Criteria in case of limitation of self handlers	Limit for period of self handling licence	Problems encountered as a result of definition of self handling
Paris - Orly	4	4	0	Based on volume of activity	5 years	No
Marseille-Provence	11	11	0		No	No
Bâle-Mulhouse						No
Bordeaux-Mérignac	0					
Strasbourg-Entzheim	2	2	0		No	No
Berlin-Schönefeld	1	1	0	Not enough space for equipment	No	No
Berlin-Tegel	1	1	0	Constraints of available space, decentralized check-in system	No	No
Hahn	0					N/a
Dusseldorf	0				7 years	No
Leipzig-Halle	0				7 years	No
Köln-Bonn	0			Space and capacity		Yes (EAP)
Shannon	3	3	0	N/a	5 years	No
Torino-Caselle						No
Porto-Sà Carneiro	8	8	0	No limits	No	PGA: Yes, with regard to 'majority holding' (see Section 4)
Alicante	N/a					
Bilbao	1	1	0	Security, capacity of infrastructures or space available	7 years	Iberia: Yes, with regard to sub-chartered flights under a flight code that is normally self-handling

Gran Canaria	2	2	0	Capacity, space, security	7 years	No
Ibiza	4	4	0	Capacity of infrastructures, space available and security etc	7 years	No
Lanzarote	2	2	0	Capacity of infrastructures, space available and security	7 years	No
Malaga	1	1	0	Capacity, space, security	7 years	No
Sevilla	n/a					
Göteborg-Landvetter				Airport capacity, CUTE member		No
London-Gatwick	1	1	0	Safety, security, capacity and available space	In negotiation	No
London-Stansted	1	1	0	None	No	No
Luton	3	3	0	Space	No	No
Aberdeen	1	1	0		No	Servisair: airlines handling franchise partners not included in third party handling: not paying access fees
Bristol	0			N/a	No	No
Edinburgh	0			Vehicle equipment parking airside and baggage hall facilities capacity	7 years	Servisair: airlines handling franchise partners not included in third party handling: not paying access fees
Glasgow	2	2	0	Baggage facilities capacity and vehicle parking airside	7 years	Servisair: airlines handling franchise partners not included in third party handling: not paying access fees

**Table 13: Capacity and space problems**

Airport	Did new entrants have any capacity or space constraints?	Have there been problems with suppliers already operating at the airport?	Have you had problems to allocate new handlers?	Are there any hindrances for the access of suppliers to the market?	Are you aware of any preferential treatment of handling customers of the airport?
Paris-Orly	Airport operator: Yes, the space allocated to each handler is proportional to its volume of activity. Cariane: No	Airport operator: No Cariane: No	Airport operator: Yes	Airport operator: No Cariane: No	Cariane: No
Marseille-Provence	Airport operator: No AUC: No	Airport operator: No AUC: No	Airport operator: No	Airport operator: No AUC: No	AUC: No
Bâle-Mulhouse	Swissport: No comment	Swissport: Yes, insufficient number of check-in counters		Swissport: No	Swissport: N/a
Bordeaux-Mérignac	Airport operator: Yes, space constraints	Airport operator: Yes	Airport operator: Yes	Airport operator: No	
Strasbourg-Entzheim	Airport operator: No	Airport operator: If new entrance, capacity or space constraints	Airport operator: If new entrance, capacity or space constraints	Airport operator: If new entrance, capacity or space constraints	
Berlin-Schönefeld	Airport operator: Yes	Airport operator: No	Airport operator: Yes	Airport operator: No	
Berlin-Tegel	Airport operator: Yes	Airport operator: No	Airport operator: Yes	Airport operator: No	
Hahn	Airport operator: No	Airport operator: No	Airport operator: No	Airport operator: No	

Dusseldorf	Airport operator: No, space allocation at the apron for ramp handling is limited even if only one third part handler is operating AUC: No Aviapartner: Yes, poor locations, sometimes obligation to take too much space at high cost	Airport operator: No AUC: No Aviapartner: No	Airport operator: No	Airport operator: No AUC: No Aviapartner: not really, concession contracts	AUC: No Aviapartner: No
Hannover-Langenhagen	Ground handler: Aviapartner: Yes, poor locations, sometimes obligation to take too much space at high cost Hannover Aviation Ground Service: Yes	Aviapartner: No Hannover Aviation Ground Service: Yes		Aviapartner: not really, concession contracts Hannover Aviation Ground Service: N/a.	Aviapartner: No Hannover Aviation Ground Service: No
Leipzig-Halle	Airport operator: Yes AUC: No PortGround: Yes, regulations on use of airport	Airport operator: No AUC: No PortGround: No	Airport operator: No	Airport operator: No AUC: No PortGround: No	AUC: No PortGround: No
Köln-Bonn	Airport operator: No AUC: No Aviapartner: Yes, poor locations, sometimes obligation to take too much space at high cost	Airport operator: No AUC: No Aviapartner: No	Airport operator: Yes, in 1998 the airport filed an exemption request caused by capacity constraints. The airport had to build up additional staging areas.	Airport operator: Yes, due to the limitations according to BADV AUC: No Aviapartner: Not really, concession contracts	AUC: No Aviapartner: No

Shannon	Airport operator: No	Airport operator: Yes, space fore cargo handling limited- one supplier requires extension to premises.	Airport operator: Not yet	Airport operator: No	
Torino-Caselle	Sagat: No	Sagat: No		Sagat: No	Sagat: No
Porto-Sà Carneiro	Airport operator: Yes		Airport operator: Yes		
Alicante	Aena: No	Aena: Yes	Aena: No	Aena: No	Aena: No
Bilbao	Aena: No Iberia: No	Aena: No Iberia: No	Aena: No	Aena: No Iberia: No	Aena: No Iberia: N/a
Gran Canaria	Aena: Yes / subject to space availability	Aena: Yes	Aena: No	Aena: Yes / rules that handlers must comply with	Aena: N/a
Ibiza	Aena: No Ineuropa: Yes	Aena: No Ineuropa: Yes	Aena: No	Aena: No Ineuropa: No	Aena: No Ineuropa: N/a
Lanzarote	Aena: No	Aena: No	Aena: No	Aena: No	Aena: N/a
Malaga	Aena: No	Aena: No	Aena: No	Aena: Yes /minimum requirements	Aena: N/a
Sevilla	Aena: No	Aena: No	Aena: No	Aena: No	Aena: N/a
Göteborg-Landvetter	AUC: Yes, Servisair has insufficient premises	AUC: No		AUC: No	AUC: N/a
London-Gatwick	Airport operator: No AUC: Yes, capacity and space constraints demand management	Airport operator: Yes, reallocate facilities already used by existing handlers through the transition period. AUC: Yes, check-in and parking problems but have been resolved.	Airport operator: Yes, these were managed through the transition period of introducing another handler	Airport operator: No AUC: Yes, limitation on the number of airside handlers to 4.	AUC: N/a

London-Stansted	Airport operator: Yes, cargo space restriction due to no new construction of space for new entrants initially. ASIG: Yes, facilities to operate from are inadequate.	Airport operator: Pre-Directive – No Post-Directive – Yes, due to space constraints	Airport operator: Yes, in all areas with new handlers as initial entrants	Airport operator: No other than accommodation ASIG: Yes, if into-plane companies want to supply services to unhandle the into wing price of fuel and will not supply fuel separately.	ASIG: No
Luton	Airport operator: Yes, shortage of space	Airport operator: No	Airport operator: No	Airport operator: No	
Newcastle	Airport operator: No Servisair: Yes			Servisair: Yes, a licence is required	Servisair: BA seems to get priority.
Aberdeen	Airport operator: No Servisair: No	Airport operator: No Servisair: No	Airport operator: No	Airport operator: No Servisair: Yes, apron congestion for additional GSE.	Servisair: N/a
Edinburgh	Airport operator: No AUC: No Aviance: No Servisair: No	Airport operator: No AUC: Yes Aviance: No Servisair: Yes, difficulties have been experienced with available property, equipment parking and staff car parking	Airport operator: Yes, airside accommodation	Airport operator: Yes, Space for equipment and accommodation airside AUC: No Aviance: No Servisair: No	AUC: N/a Aviance: No Servisair: No
Glasgow	Airport operator: No Airline Services: No Aviance: No Servisair: Not at start Execair: No	Airline Services: No Aviance: No Servisair: No	Airport operator: No	Airline Services: No Aviance: No Servisair: No	Airline Services: N/a Aviance: N/a Servisair: N/a

**Table 14: Access fees**

<b>Airport</b>	<b>Are certain handling services subject to an access fee</b>	<b>Charging base</b>	<b>Do all (self) handlers pay this access fee</b>	<b>Remarks</b>
Paris-Orly	No			The access fee was cancelled by French legal authorities in March 2001
Marseille-Provence	Yes	Percentage of turnover	Airport operator: No AUC: No CCI: No	Charged for on access to airport installations, though handlers do not pay
Bordeaux-Mérignac	Yes	Percentage of turnover	Airport operator: No	Applies to all of the 11 handling categories
Strasbourg-Entzheim	Yes	Percentage of turnover	Airport operator: No	Applies to all of the 11 handling categories
Berlin-Schönefeld	Yes	Number of passengers	Airport operator: Yes	Applies to all of the 11 handling categories
Berlin-Tegel	Yes	ATMs, number of passengers, freight tonnage and percentage of turnover	Airport operator: No (but for fuel and catering services same charge)	Applies to all of the 11 handling categories
Dusseldorf	Yes			Aviapartner: self handlers do not pay access fees
Hannover-Langenhagen	Yes	ATMs and number of passengers	Aviapartner: No Hannover Aviation Ground Service: Yes	Aviapartner: self handlers do not pay access fees
Leipzig-Halle	Yes	Percentage of turnover	Airport operator: Yes AUC: No	Applies to all of the 11 handling categories
Köln-Bonn	Yes	Number of passengers and freight tonnage	Airport operator: Yes AUC: Yes	Applies to all of the 11 handling categories Aviapartner: self handlers do not pay access fees
Shannon	No			
Torino-Caselle	Yes	Percentage of turnover	Sagat: Yes	Does not apply to all of the 11 handling categories SAGAT: passenger, ramp and cargo handling: 5.7% of turnover

Porto-Sà Carneiro	Yes	Percentage of turnover	Airport operator: Yes	Applies to all of the 11 handling categories Strong protests from airlines in Portugal to access fees
Alicante	Yes	Percentage of turnover		Applies to category 11 only
Bilbao	Yes	Percentage of turnover		Applies to category 11 only
Gran Canaria	Yes	Percentage of turnover		Applies to category 11 only
Ibiza	Yes	Percentage of turnover		Applies to category 11 only
Lanzarote	Yes	Percentage of turnover		Applies to category 11 only
Malaga	Yes	Percentage of turnover		Applies to category 11 only
Sevilla	Yes	Percentage of turnover		Applies to category 11 only
Göteborg-Landvetter	Yes	Number of passengers	AUC: Yes	Applies to DCS
London-Gatwick	No			
London-Stansted	No			
Luton	Yes	Percentage of turnover (8%)	Airport operator: Yes	Applies to all of the 11 handling categories
Newcastle	Yes	Number of passengers	Servisair: Yes	
Aberdeen	Yes	Percentage of turnover	Servisair: No	BAA: no payment for self handlers
Bristol	Yes	Number of passengers	Airport operator No	For ramp handling only
Edinburgh	Yes	BAA: percentage of turnover Aviance: number of passengers/baggage Servisair: 6% of turnover	AUC: No Servisair: Yes Aviance: Yes	BAA: no payment for self handlers Aviance: applies to passenger and baggage handling Servisair: applies to ground administration, passenger, baggage, mail and freight and ramp handling
Glasgow	Yes	BAA: 6% of turnover	BAA: No Airline Services Ltd.: Assumed so Servisair: Yes	BAA: no payment for self handlers Servisair: applies to ground administration, passenger, baggage, freight and mail and ramp handling, aircraft services

**Table 15: Centralised infrastructure**

<b>Airport</b>	<b>CI defined</b>	<b>Charging Base</b>	<b>Users consulted?</b>	<b>Problems</b>
Paris-Orly	Yes	Cost related	Yes	No
Marseille-Provence	Yes	Number of passenger and usage	No	No
Bâle-Mulhouse	Yes	No separate charges	Yes	No
Strasbourg-Entzheim	Yes	Covered by passenger security charge	Yes	No
Berlin-Schönefeld	Yes	Based on number of passengers, MTOW or usage	Yes	No
Berlin-Tegel	Yes	Parts are covered by aeronautical charges and the access fee, other elements based on number of passengers and MTOW	Yes	Yes
Hahn	Yes	Cost related	Yes	No
Dusseldorf	Yes	Cost related	Yes	Yes, Aviapartner notes the airport has put as much price to CI (see Section 4)
Hannover-Langenhagen	Yes	Usage related	Yes	Yes, Aviapartner notes the airport has put as much price to CI (see Section 4) Hannover ground aviation service: No
Leipzig-Halle	Yes	Cost related	Yes	Yes, AUC noted there is insufficient information about CI
Köln-Bonn	Yes	Based on aircraft type	Yes	Yes, Aviapartner notes the airport has put as much price to CI (see Section 4)
Shannon	No	No charges		
Torino-Caselle	Yes	Based on number of passengers and ATMs	Yes	No
Porto-Sà Carneiro	No	No charges		
Alicante	Yes	Movement basis	No	
Bilbao	Yes	Movement basis	No	
Gran Canaria	Yes	Movement basis	No	
Ibiza	Yes	Movement basis	No	
Lanzarote	Yes	Movement basis	No	
Malaga	Yes	Movement basis	No	
Sevilla	Yes	Movement basis	No	

Göteborg-Landvetter	Yes	Based on number of passengers and ATMs	No	Yes, according to the AUC there were problems with regard to the definition of Ground Power Unite and remote parking
London-Gatwick	No	No charges		
London-Stansted	Yes	Parts are covered by aeronautical charges and other elements are cost related	Yes	Yes, according to ASIG at other airports where oil companies own the facilities, there is difficulty for other fuel suppliers to gain access to the final storage facility.
Luton	Yes	No set formula at present	Yes	No
Newcastle	Yes	Depending on usage	Yes	Yes
Aberdeen	No	No charges		
Edinburgh	No	No charges		
Glasgow	No	No charges		

**Table 16 List of centralised infrastructure**

Airport	Centralised Infrastructure								Remarks
	Baggage transportation system (or parts of it)	De-icing facilities	Passenger bridges	Fixed power installations (400Hz)	Fuel system	Facilities for water supply and/or toilet servicing	Check-in desks	Marshalling	
Paris-Orly						X			
Marseille-Provence	X					X			
Bâle-Mulhouse	X		X						CUTE, public announcement, passenger transportation on ramp
Strasbourg-Entzheim	X								
Berlin-Schönefeld	X	X	X			X			Aircraft stands and communication network
Berlin-Tegel	X	X	X	X	X	X			Waiting rooms, communication network, noise protection unit, aircraft stands and stand equipment
Hahn	X	X			X	X	X		Aircraft stands and airport information system
Dusseldorf	X	X	X			X	X		Aircraft stands, stands equipment and communication system
Hannover-Langenhagen	X		X	X	X				Apron
Leipzig-Halle	X	X	X			X		X	Apron, GPU and flight information system
Köln-Bonn	X	X	X		X	X			GPU, stationary aircraft air conditioning, communication system and aircraft stands
Shannon									Not defined
Torino-Caselle	X	X						X	Loading bridge, Flight Information Display System, BIDS, passenger paging and CUTE
Alicante	X	X	X	X	X	X	X	X	Terminal buildings, security check points, FIDS and public announcement systems, power supply systems,
Bilbao	X	X	X	X	X	X	X	X	

Gran Canaria	X	X	X	X	X	X	X	X	telephone network, baggage make-up areas, GSE parking areas, water treatment plants, engine test area, aircraft cleaning platform. CI is defined by Decree for all Spanish airports
Ibiza	X	X	X	X	X	X	X	X	
Lanzarote	X	X	X	X	X	X	X	X	
Malaga	X	X	X	X	X	X	X	X	
Menorca	X	X	X	X	X	X	X	X	
Sevilla	X	X	X	X	X	X	X	X	
Göteborg-Landvetter	X	X	X		X	X			
London-Gatwick									Not defined
London-Stansted	X		X	X	X	X	X		Flight movement control system, Flight Information Display System, apron and equipment
Luton	X	X	X		X			X	
Newcastle									N/a
Aberdeen									Not defined
Bristol									Not defined
Edinburgh									Not defined
Glasgow									Not defined

**Table 17: Costs relates to use of infrastructure and facilities**

<b>Airport</b>	<b>Estimate of the costs related to the use of infrastructure and airport facilities as a percentage of total costs</b>
Paris-Orly	ADP: No comment
Marseille-Provence	AUC: 10% CCI: 2.5%
Bâle-Mulhouse	Swissport: No comment
Bordeaux-Mérignac	Airport operator: No idea
Strasbourg-Entzheim	Airport operator: None
Berlin-Schönefeld	
Berlin-Tegel	Airport operator: N/A
Leipzig-Halle	Airport operator: Unknown
Köln-Bonn	Airport operator: 28-50% AUC: 40-45%
Shannon	Airport operator: N/A
Torino-Caselle	Sagat: 20%
Alicante	N/a
Bilbao	N/a
Gran Canaria	N/a
Ibiza	Ineuropa: 6%
Lanzarote	N/a
Malaga	N/a
Sevilla	N/a
Göteborg-Landvetter	AUC: No information
Luton	Airport operator: Very small – about 5%
Newcastle	Servisair: 10% to 5%
Aberdeen	Servisair: 6% of turnover plus rental of property and parking areas
Edinburgh	Aviance: Approximately 15% Servisair: 6% of turnover plus 10% to 12% total cost AUC: about 20%
Glasgow	Aviance: 7% Servisair: 6% concession and a further 14% for property Execair: Less than 6%

**Table 18: Changes in social aspects and training**

Airport	Airport operator		AUC		Ground handler	
	Change in social aspects?	Change in training standards/ education level?	Change in social aspects?	Change in training standards/ education level?	Change in social aspects?	Change in training standards/ education level?
Paris-Orly	Yes	No			Cariane: No	Cariane: No
Marseille-Provence	No	No	Difficult to evaluate	No		
Bâle-Mulhouse					Swissport: Yes, very restrictive salary increases	Swissport: Yes, training reduced to minimum
Bordeaux-Mérignac	Yes, Strikes	Yes				
Strasbourg-Entzheim	No	No			Aviapartner: Yes, frozen salaries	Aviapartner: No
Berlin-Schönefeld	Yes	Yes				
Berlin-Tegel	N/a	N/a				
Hahn	No	No				
Dusseldorf	Yes, more flexible working time, lower wages	No	Yes	Yes	Aviapartner: Yes, gain in productivity	Aviapartner: No
Hannover-Langenhagen					Aviapartner: Yes, gain in productivity Hannover Aviation Ground Service: Yes	Aviapartner: No Hannover Aviation Ground Service: No
Leipzig-Halle	Yes, new labour contract	No	Yes	No	PortGround: Yes, new labour contract	PortGround: No

Köln-Bonn	Yes, less full time jobs, lower entrance salary	No	No	No	Aviapartner: Yes, gain in productivity	Aviapartner: No
Shannon	No	Yes, more input by airport authority in terms of audit/review of training				
Torino-Caselle					Sagat: Yes, increase of temporary and part-time contracts, decrease in salaries	Sagat: No
Porto-Sà Carneiro	No comment	Yes, more training			PGA: Unkonwn	PGA: Unkonwn
Alicante						
Bilbao					Iberia: No	Iberia: No
Gran Canaria						
Ibiza					Ineuropa: Yes, improved	Ineuropa: Yes, improved
Lanzarote					Nordic: N/A	Nordic: N/A
Göteborg-Landvetter			Yes, more staff on temporary contracts	Yes, due to external rules and regulations		
London-Gatwick	No evidence	No evidence	No	No		
London-Stansted	None	Yes, incorrect use of equipment			ASIG: No	ASIG: Yes, airport company showing greater focus and actively encouraging operators to work with them
Luton	Yes, movement of labour	Yes, continuity of standards				
Newcastle	No	No			Servisair: No	Servisair: Yes, better

Aberdeen	Yes, high employee turnover rate	Yes, improved due to joint training initiatives on the ramp			Servisair: Yes, lower salaries to compete in market	Servisair: Yes, market requirements
Bristol	Yes, job security					
Edinburgh	Yes, more temporary employee contracts	Yes, more structured training and manuals	Yes	Yes	Aviance: No Servisair: Yes, ability to attract calibre of staff required diminished against inability to pay appropriate salaries	Aviance: Yes, more demands of hasher training from airlines Servisair: Yes, NVQs to attract employees against competitive market – more multi-functional training to reduce cost
Glasgow		Yes, better			Airline Services: No Aviance: No Servisair: Yes, salaries kept low in order to compete in market Execair: No	Airline Services: No Aviance: Yes, setting up of a training department Servisair: Yes, more multi-functional training Execair: No

**Table 19: Sub contracting**

Airport	Does sub contracting exist	Presented during tender	Approval from		Problems encountered
			Airport operator	CAA	
Paris-Orly	Yes	No		Yes	No
Marseille-Provence	Yes	N/a	Yes		No
Bâle-Mulhouse	Yes	N/a	Yes		Unknown
Bordeaux-Mérignac	Yes	Yes	Yes		No
Strasbourg-Entzheim	Yes	Yes	Yes		No
Berlin-Schönefeld	Yes	No	Yes		No
Berlin-Tegel	No				
Hahn	Yes	N/a	Yes (No case yet)		No
Dusseldorf	Airport operator: Yes AUC and Aviapartner: No	Airport operator: No Aviapartner: Yes	No(Aviapartner: Yes)		No
Hannover-Langenhagen	Aviapartner: No Hannover ground aviation service: Yes	Yes	Yes		
Leipzig-Halle	Yes	Yes	Yes (according to article 14 chapter 1 of the directive) from airport authority		No
Köln-Bonn	Airport operator: Yes Aviapartner: No	Yes	Yes		No
Shannon	Yes	N/A	Yes, sub contractors subject to same process as Third Party Handlers i.e. require approval from the Commission for Aviation Regulation before operating		No
Torino-Caselle	Yes	No	No	No	No

Porto-Sà Carneiro	No	N/a	Yes		N/a
Alicante	Yes	No	Yes (from DGAC and Aena)		No
Bilbao	Yes	Airport operator: No Iberaia: Yes	Yes (from DGAC and Aena)		No
Gran Canaria	Yes	No	Yes (from DGAC and Aena)		No
Ibiza	Yes	Airport operator: No Ineuropa: Yes	Yes (from DGAC and Aena)		No
Lanzarote	Yes	Airport operator: No	Yes (from DGAC and Aena)		No
Malaga	Yes	Yes	Yes		No
Sevilla	Yes	No	Yes (from DGAC and Aena)		No
Göteborg-Landvetter	Yes	No	Yes		Yes, poor quality
London-Gatwick	Yes	No	Yes		No
London-Stansted	Yes	No	Yes		Yes, inadequate service levels
Luton	Yes	No	Yes		No
Newcastle	Yes	Yes	Yes		No
Aberdeen	Yes	No	Yes		No
Bristol	Yes	Yes	Yes		No
East-Midlands					
Edinburgh	Yes	No	Yes		Yes, confusion relating to ground handling licence application
Glasgow	Yes	No	Yes		No

**Table 20: Changes in safety and security**

<b>Airport</b>	<b>Airport operator</b>	<b>AUC</b>	<b>Ground handler</b>
Paris-Orly	Yes, problems arise as material and person present on the runway increase		Cariane: No
Marseille-Provence	No	No	
Bâle-Mulhouse			Swissport: No
Bordeaux-Mérignac	Yes, no real serious incident but lack of staff creates hazards		
Strasbourg-Entzheim	No		
Berlin-Schönefeld	Yes		
Berlin-Tegel	No		
Hahn	No		
Dusseldorf	No	No	Avipartner: No
Hannover-Langenhagen			Avipartner: No Hannover Aviation Ground Service: No
Leipzig-Halle	No	No	PortGround: No
Köln-Bonn	Yes, 8% more ground traffic accidents	No	Avipartner: No
Shannon	No		
Torino-Caselle			Sagat: No
Porto-Sà Carneiro	Yes, less incidents		PGA: Unknown
Bilbao			Iberia: No
Ibiza			Ineuropa: Yes
Lanzarote			Nordic: N/A
Göteborg-Landvetter		Yes, due to external rules and regulations	
London-Gatwick	No	No	
London-Stansted	Yes, Security breaches, safety, issues due to lack of expertise, mixing of segregated passengers		ASIG: No
Luton	No		
Newcastle	Yes, slight increase in accidents		Servisair: Yes, better
Aberdeen	Yes, greater amount of AAL management time is spent to ensure that standards and safety is maintained		Servisair: Yes, market requirement
Edinburgh	No	No	Aviance: Yes, there is now an even brighter spotlight on security of all aspects Servisair: No
Glasgow	Yes, better		Airline Services: No Aviance: Yes, DLTR Directives Servisair: No Execair: No

**Table 21: Results of Directive**

	<b>Positive results</b>	<b>Negative results</b>
<b>Airport operator</b>	More competition	Space problems: too many handlers on limited space
	More choice for handlers	Management of the apron more inflexible, resource allocation is more restricted
	Stimulated new economic impetus	Dominance in AUC by national carrier
	Better customer orientation	
		Decrease of service level (not covered by the Directive)
	Cost reducing pressures leads to lower prices	Dilution of profit and performance
	Quality programmes to ensure service levels	Obligation of airport operator to guarantee the running of operation restricts competition with third party handlers
	Formal procedures to be followed by handling companies have been beneficial in terms of safety and security	Tendencies toward uncontrolled market access, with no limitation, difficult to have a good evaluation of the suppliers
		Difficulties in case of separately ordered service parts to meet the logistic requirements
		Additional staff trainings and supervision needed
		Process to limit handlers is very stringent.
		Handlers have been disincentivised from making long-term investments or devising long-term strategies due to short-term airline contracts and commitments.
		Extra demand for access to airside has security and space implications as well as the allocation of scarce resources to satisfy all handlers.
		Additional administration and supervisory work load for managing body.
	Handlers are constantly seeking ways to reduce costs and sometimes these measures have a impact upon service standards.	
	Self-handling operators make use of infrastructure or resources that could have a greater utilisation from third party handlers.	

		If several agents provide different services to same carrier (i.e. representation, passenger, baggage/ramp, etc) a great deal of coordination is required to ensure acceptable standards
		Directive required airport operators to put a large amount of management resources into ensuring compliance without seeing any specific benefits.
<b>Airport Users' Committee</b>	Better handling products	Limited capacity at airport
	Lower prices	Some handlers have bought market shares and then failed to deliver either a fully healthy product or a viable alternative.
	Higher productivity	
	More choice for handlers	
	Less monopolistic behaviour	
<b>Ground handlers</b>	Efficiency improvement programs	Market rates driven down by competition
	Lower prices for airlines	Lower profitability for both airports and handlers
	More choices for airlines	Less attractive employment conditions
	More choices for employees	Not one single handler has economies of scale
	Opened access to closed markets for third party handlers, removed airport monopoly activities	Strong competition may endanger the quality of services and creates safety and security problems
	Approached market conditions within Europe standard of services.	High expenditure for Tender procedure
	Started a focus on the abuses in the industry	Additional expenditure for separation of accounts
	Ground handlers are being respected and consulted on airport procedures	In some countries the national legislation protects only airports and staff, not the new entrants.
	Have a sense of security in the industry and therefore being a better employer.	Airlines are able to under cut third party handlers by at least the level of the access fee, which airport companies are unable to resolve on level playing field.
		Directive open to too much interpretation, leading to inconsistent application of the intended principles of the directive.
		Airport operator still required to maintain their profit margin and therefore increases ancillary charges to compensate

## Appendix H Methodology for estimating contestable market

In order to estimate the contestable market we obtained the monthly capacities and the number of air traffic movements (ATMs) offered by schedule carriers from each airport concerned from the Official Airline Guide (OAG).<sup>2</sup> We used this to estimate the annual figures offered by scheduled carriers. We grouped them into existing alliances, such as Star Alliance, One World and Sky Team. In this analysis we assumed that the home carrier would self-handle all of its own flights and those flights of its alliance partners. Thus we could work out the number of passengers and ATMs to be handled by the home carrier. We subtracted the annual figures of passenger and ATMs by the figures explained above to be able to give an estimate of the contestable ground handling market at each airport. In order to produce an accurate estimation in-line with the current market, we have made the following assumptions in the exercise:

- Home carrier at an airport – a carrier that has more than 25% of the total number of ATMs at an airport was considered to be the home carrier of that airport. Charter carriers were not considered as home carrier even if their total ATMs exceeded the 25% threshold. In cases where two or more airlines exceed this threshold, the airline with the highest share of total ATMs number was considered to be the home carrier.
- Load factor – after a study on IATA's World Air Transport Statistics report, we assumed the load factor for all schedule flights to be 70%.
- Lufthansa and Condor – given the links between Condor and Lufthansa, we paid special attention to the German charter market. We assumed that Lufthansa would handle all Condor flights in German airports, and are therefore not part of the contestable market.
- Charter flights in Spanish airports – scheduled charter flights operated by German charter airlines such as Condor, are considered to be part of the contestable market even if the total number of their flights exceeds the 25% threshold. Furthermore, for charter destinations such as Palma de Mallorca and Tenerife, where operations are dominated by charter flights, the number of charter flight exceeds the flights operated by the scheduled Spanish carrier Iberia. However, these charter airlines tend not to self-handle. Therefore we assumed Iberia to be the home carrier at these airport

At certain airports there might activity from a second alliance, for example at London-LHR, Paris-CDG and Frankfurt. In such situations the size of the contestable market could be reduced even further. We have taken this into account in our estimates of the contestable market.

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<sup>2</sup> The annual capacity is an estimation based on the OAG figures in May 2001. It has been chosen to avoid the winter season and the peak summer season.