

Priorities for Mobility

In an exclusive meeting with CWT clients, Jacques Barrot, Vice President of the European Commission and Commissioner for Transport, highlighted the Commission's priorities as they relate to air and rail travel.

Jacques Barrot, Vice President of the European Commission and Commissioner for Transport, was a keynote speaker at the CWT global client seminar last September. Addressing an audience of more than 80 clients, suppliers and CWT professionals, Mr. Barrot underlined the need for politicians to hear the concerns of business travel professionals and invited travel managers to participate in an open, ongoing dialogue with the Commission.

Before answering questions from the audience (see Pages 22-25), Mr. Barrot provided an overview of European transport policy and the Commission's priorities for mobility.

Boost competition in aviation

"Europe has successfully created a single aviation market by restricting any government aid that distorts competition. If a state subsidizes an airline for a certain time, we can demand the reimbursement of this subsidy as a sanction in order to promote fair competition. We have come a long way, because all airlines used to be national carriers. Through measures taken in 1992 and in 1997 [see the chart below], we created a single aviation market, which has led the way to competitive, solid airlines. We still have problems, however, with certain member states and certain legacy carriers, whom I have to remind of the European "one time, last time" policy on state aid.

EU aviation policy: key milestones

Pre-1987	Protected, fragmented national markets , with legacy carriers only and bilateral agreements governing international routes
1987-1992	Start of liberalization : three successive packages of measures covering air carrier licensing, market access and fares
1997	Full cabotage : EU carriers can operate domestic routes in EU countries outside their home base
2004	Single European Sky : initiative to improve the structure of air traffic control in the EU
2008	Transatlantic Open Skies (Phase One) : any EU carrier can fly to any U.S. city and vice versa

Source: CWT Travel Management Institute

Based on information from the EU Directorate-General Energy and Transport/Air Transport Directorate

We have also developed cooperation with our neighbors. Today, we have agreements with Morocco, the Balkan States, soon Ukraine and of course the United States, with which we signed an Open Skies agreement this year. I hope to sign a similar agreement with Canada. The negotiations with the United States were difficult and lasted more than five years. It was important for us that the United States accept we no longer have national airlines but European airlines. Consequently, any European airline can connect any American city to any European city. We used to have a system of bilateral agreements, but we will now have a single agreement that covers the whole of the European Union. This will enable us to significantly boost transatlantic traffic. In addition, a few member states that had no bilateral agreement with the United States will now be able to fly to U.S. cities. Just as the single aviation market has enabled low-cost carriers to emerge, this liberalization of the transatlantic skies will pave the way for new entrants. You should find greater opportunities over the next few years."

The 27 member states of the European Union



Improve air traffic control to manage growth

“Of course, this leads to another problem, which is ensuring that the skies are managed to allow for growth in air traffic. We have a problem in Europe, as air traffic is largely still managed within national boundaries. We have been working toward a Single European Sky with more efficient cooperation among air traffic controllers. This will enable us to significantly improve air traffic management, especially since we are preparing a highly sophisticated system called SESAR (Single European Sky ATM Research), which will completely modernize air traffic control over the next 10 years.”

Make air traffic safer

“We now have a European Aviation Safety Agency which harmonizes safety rules, and I have created the black list of airlines that are deemed unsafe and banned from the European Union. This list is updated every three months. I think it has been successful in preventing numerous accidents because airlines are so afraid of being on the list, they take the necessary safety measures. And it is not just a question of airlines but of states, and in particular, some states that do not have sufficiently competent authorities. In those cases, we provide technical assistance. I would like to add that some other countries have now adopted the same system as we have in Europe. I think we have made significant progress in making air traffic safer.

We sometimes have security regulations that travelers find difficult to put up with, in particular the recent rules banning liquids in hand baggage. Experts from all 27 member states were adamant that it is best to take this precaution after the discovery in the U.K. of plans to attack airliners crossing the Atlantic, so I am maintaining it. At the same time, I hope that over the next two years, we will have machines to detect explosives in bottles.

We also have the problem of duty-free bottles, which can be confiscated when passengers take a connecting flight. To solve this, we are developing a network of airports in different countries that meet our standards so that travelers will not have to relinquish their duty-free purchases. But I have to admit, it is difficult. In addition, thanks to the Open Skies agreement, Washington and Brussels will now consult each other before taking any new safety measures.”

Help tackle global warming

“You can all sense that the fight against global warming is becoming everybody’s business. Aviation is often unfairly held to blame. Some believe a solution lies in taxing kerosene, but in Europe, we prefer to use an Emissions Trading Scheme.¹ This will encourage airlines to buy increasingly energy-efficient, less polluting aircraft. The problem is that the United States and some other countries are strongly opposed to the system. Nevertheless, the European Union believes that the right way for aviation to

¹ Aviation will be included in Europe’s Emissions Trading Scheme as of 2011. The scheme sets annual CO₂ emission allowances for industries and allows companies to buy or sell surplus credits.

contribute to the fight against global warming is to integrate aviation into the Emissions Trading Scheme. Doing so will undoubtedly produce some extra costs for air transport, but it will also provide an incentive for airlines to move toward more energy-efficient aircraft. We should not let air traffic be accused of being one of the main causes of climate change. I support 'sustainable mobility': mobility is an opportunity and we should not limit it, but we must be careful to address major environmental issues."

Reinforce passenger rights and fair access to transport

"Europe has created passenger rights. We now have rules to ensure that if overbooking is excessive, passengers have a right to compensation. There are also rules to help passengers when flights are cancelled or delayed. Of course, the problem is ensuring that airlines respect these rights. I have received too many letters from passengers who have not received a response from airlines to their complaints. Each member state should normally investigate complaints—there is a special body in each of the 27 states to do this. We are now working with these bodies and the airlines to ensure the rules are properly enforced. Nevertheless, I believe we have made progress by creating passenger rights. We have included rights for disabled passengers as well, which I consider very important. From now on, no airline or airport may deny boarding to a disabled person."

Create a single European market for rail and boost competition

"We also need a single European market for rail. We started by denationalizing the rail network, which was not only national but, quite frankly, nationalistic. In fact, there are even a number of different rail gauges across the EU, how could you possibly expect to have high-speed links in Europe? Today, we are in the process of creating a single European rail market. How? First of all, by building new lines, especially for high-speed rail. We have chosen 30 corridors in which to build the links that will enable people to travel more easily and quickly in Europe. We are also hoping to free up conventional railway lines to allow them to be used for freight. Unfortunately, we are still faced with a rail system that even has trouble imagining integrated ticketing across member states. So it is up to us to encourage the rail companies to make progress. There is already some progress with the Railteam alliance,² which is starting to offer seamless service to travelers. At the same time, we are obliged to standardize control and signaling systems for trains, which are very complex. Today, the Thalys high-speed train between Paris and Cologne needs seven different pieces of equipment to interpret signals and control speed. You can see we have a lot of work to do.



² Seven European operators of high-speed trains in Austria, Belgium, France, Germany, the Netherlands, Switzerland and the U.K. launched Railteam last summer. The goal of Railteam, which is styled like an airline alliance, is to make international high-speed rail travel easier, faster and more seamless, providing a true alternative to intra-European air travel.

I have some good news: I have obtained from the European Parliament and Council a definitive approval of the "Third Rail Package." This includes the opening up of the passenger rail market to all international competition in Europe in 2010, which is important, as it will gradually enable real competition. This will take longer than in the aviation sector for obvious reasons but it will happen. We have also standardized rules for train driving so that drivers will all have the same training, and we have created rail passenger rights. Of course, we now have to apply these rules, but it is a first and very significant victory. I am aware that it is still difficult to get a single ticket for travel between European cities. We also need to teach rail and air operators to combine their tickets. In fact, there will be a whole series of issues but I think we are on the right track."

EU rail policy: key milestones

1996	<ul style="list-style-type: none"> ▣ Definition of interoperability standards
2001-2003 (First Rail Package)	<ul style="list-style-type: none"> ▣ Partial liberalization of international rail freight transport ▣ Requirement for each state to set up a national regulatory body
2004-2007 (Second Rail Package)	<ul style="list-style-type: none"> ▣ Creation of a European Railway Agency ▣ Full liberalization of international freight transport ▣ Liberalization of national freight transport (cabotage) ▣ Introduction of EU rail safety standards and licenses ▣ Updated legislation on technical interoperability
2009-2010 (Third Rail Package)	<ul style="list-style-type: none"> ▣ Introduction of rail passenger rights ▣ Introduction of a European license for train drivers ▣ Full liberalization of international passenger service market ▣ Rules to improve freight quality

Source: CWT Travel Management Institute

“The more people travel, the more we can reconcile interests”

Jacques Barrot, Vice President of the European Commission and Commissioner for Transport, answers questions from travel managers and CWT professionals.



Question: Is there any way to segment business travelers through the security process to make it more efficient for them?

Jacques Barrot: I have seen a few interesting attempts where airports have created a VIP service for business people to avoid long lines. The problem is to convince airports to create systems that will enable all business travelers to save time. Airports have to deal with a significant increase in traffic so they tend to think mainly in terms of how to manage aircraft capacity, but they should also think in terms of quality of service. I am going to try to work toward this with a few airports.

Question: Companies have no direct access to the European Commission, unlike airlines and travel agencies. What can be done to ensure that companies are consulted on important issues?

Jacques Barrot: You are right: the voice of companies that use transport is not heard enough in the Commission and we need to improve on that. Please write to me to point out any situation that seems to harm the interests of companies with business travelers. You really should not hesitate. We are there to supervise what is happening and it is much less problematic for us than for member states. Since the European Commission is independent, we can arbitrate without having to consider partisan politics. I have sworn to serve the European general interest and that means fair competition.

Question: You have talked about eliminating state subsidies in the EU. What do you think about Chapter 11 and how it helps American carriers?

Jacques Barrot: This was one of the problems we had with signing the Open Skies agreement: the fact that, in some cases, American authorities have lent significant help to companies. In fact, Chapter 11 has helped prevent some American companies from being liquidated. Within the Open Skies agreement, we have agreed that Europe would be rigorous on public subsidies and that the United States would make a similar effort. There is one point that we did not settle in the first phase of the Open Skies agreement and that is ownership. We would like there to be more freedom to invest, so that Europeans can buy American companies and vice versa. The U.S. Congress refused, with support from the trade unions. The unions were afraid European buyouts would lead to the closure of certain routes and job cuts. I think this is a short-term view and, in reality, everyone would benefit if investments were liberalized on both sides of the Atlantic.

Question: Based on the experience of emissions trading in other regions and other industries, how can Europe avoid the drawbacks?

Jacques Barrot: There are real drawbacks to emissions trading schemes but the advantages outweigh them considerably. This said, it all depends on quotas. If you fix relatively limited quotas, there is a much smaller risk of negative effects. We are leaning toward limited quotas to avoid too much trading and provide airlines with an incentive to buy cleaner aircraft. We also have a major research program across the aviation industry and we have seen real progress. In just a few years, emissions from kerosene have dropped by 30 percent thanks to lighter planes and better engines. In addition, we have a program with the U.S. Federal Aviation Administration to develop piloting and landing techniques that are much more energy-efficient. We have also seen considerable progress here. It is in our interest to act because, as you will see, environmental issues will become increasingly urgent. Aviation needs to accept a certain amount of discipline and airlines have understood this. It is the price to pay so that people can continue to fly without a guilty conscience.

Question: Do you think it will be necessary to limit the number of airlines entering the market to help stabilize the industry, balancing competition with survivability?

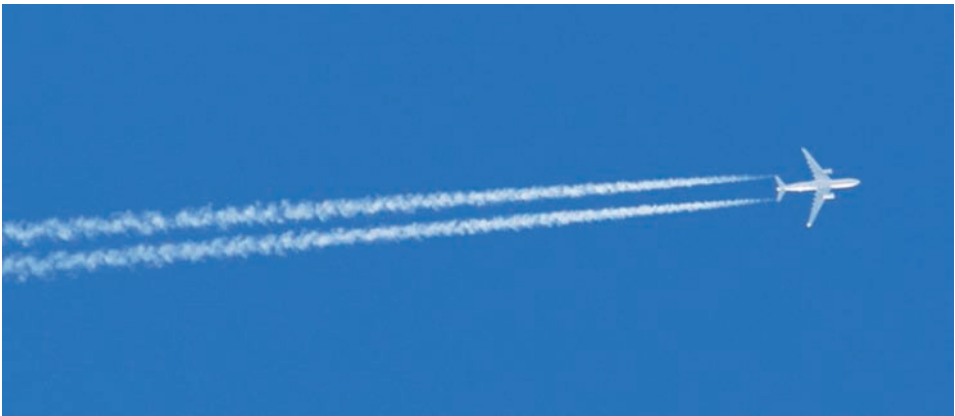
Jacques Barrot: We need to leave the market open. We need new airlines, given the growth forecasts for worldwide traffic. But we need to be very strict not just about the quality of planes and the quality of pilots but about airline management. Air transport is too important and has too much impact for us to authorize badly run airlines. In other words, we need to let airlines enter a booming market but we need to firmly endorse safety requirements. The European Aviation Safety Agency needs to be unbending about safety and we need competent administrations to monitor it. We have seen how important this is in new, fast-growing member states. Competition is necessary but we need to be fully attentive to quality and we are obliged to regulate.

Question: Could you provide an update on regulation regarding global distribution systems (GDSs) in Europe? Can the situation change if European airlines maintain a stake in Amadeus?

Jacques Barrot: We are reviewing our guidelines on the relations between airlines and GDSs. The current rules are quite complex. We do not want to get rid of the rules but we do want to make them more operational so we can ensure they are applied. The question is whether we need to cut the ownership link between airlines and GDSs. That is a real issue and we need to weigh how difficult that would be. I propose that, in my conversations with the presidents of companies that hold major stakes in GDSs, and in one GDS in particular, I see whether they could withdraw in order to provide fair competition among the GDSs. For me, this is an extension of everything we are doing to promote fair competition.

Question: What power do you have to limit the growing number of air taxes?

Jacques Barrot: We are making a proposal that will bring greater transparency for airport charges—airports and airlines need to talk on a clear and transparent basis. We have told them that if they cannot manage this, we will require them to call in a mediator. Under our proposal, each member state will have to have a mediator to reach an agreement between airlines and airports. This is only part of the story, however, as there is another debate continuing over payment for security measures. We have a major problem with member states because the European Parliament wants clear rules on who pays for security: the state, the airline, the airport or the traveler? There is real conflict between member states, who say that Europe should not interfere with their business, and the European Parliament, which wants the state to take on more of the cost. We will find a solution, but it is complex because each member state has its own way of managing security. Finally, all the different taxes should be clearly indicated on each ticket.¹



¹ At the end of November, the European Union agreed to oblige companies to include all taxes and charges in advertised air ticket prices to customers. The European Parliament is expected to approve these measures.

Question: Are you working on increasing service from Europe to China?

Jacques Barrot: I have asked the member states for a mandate to start negotiations with China, not to arrive at exactly the same model as the Open Skies agreement with the United States but at least to liberalize routes between Europe and China. We should reach an agreement but we are not there yet. The rapid development of this market requires liberalization and greater competition so we are pursuing it. I also have some hopes for the Indian market because the Indian minister is very concerned about liberalizing air traffic. But we are having difficulties with China. Some member states that I will not name are very happy with their existing bilateral relations with China because it prevents new entrants. It is a real problem and I am not sure I have very strong support from all the airlines. All the same, I hope that, from the Chinese side as well, the desire to create more numerous, competitive relations will take the upper hand and we will sign an agreement one day. At a time when growth in China and Asia are exploding, it is paradoxical to be a bit limited in terms of mobility.

A final word...

Jacques Barrot: In closing, I would like to say: please do not hesitate to contact me. I insist. I am a politician and I am here to advance mobility in Europe and worldwide. Because mobility is the symbol of freedom. It is the means for exchange and consequently a great virtue. It would be paradoxical if, as globalization accelerates, goods circulate easily but not people. So please do not hesitate to tell me if you notice discrepancies that could undermine free movement. And thank you for everything you are doing, because the more people travel, the more we can reconcile our interests. I never forget that if I have a European vocation, it is because I consider Europe to be the testing ground for mutual understanding. We cannot build our future if we do not understand each other, and we cannot understand each other if we do not meet. That is why you are doing the most noble of jobs and so am I. ■

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