ACI EUROPE POSITION on Requirements for a performing Ground Handling Market
Introduction

1. Well-performing ground handling services are a prerequisite for the safe, efficient and reliable operation of an airport in today’s competitive aviation market. Given the tight timeframe for the handling of passengers, baggage and aircraft, the under-performance of ground handling services providers can have serious repercussions on overall operations at an airport. The results are delays and an increase in safety and security incidents, ultimately leading to less efficient operations and a negative passenger experience at the airport.

2. Airports Council International Europe (ACI EUROPE) notes with interest the current focus of the European Commission on the EU Ground Handling Directive 96/67/EC and the analysis of its potential shortcomings. Indeed, the adoption of the EU Ground Handling Directive in 1996 has fundamentally changed the ground handling market at airports. In particular, the market saw the emergence of independent ground handling operators, often operating at a European scale, and the further retreat of airport managing bodies and airlines as providers of ground handling services. In 2010, airport managing bodies only accounted for 16% of the ground handling market, as opposed to 25% in 1996. Airlines decreased their market share from 68% in 1996 to 39% of the market in 2010, while independent handlers increased their market share from 7% in 1996 to 45% in 2010.

3. However, evidence at European airports has shown that the liberalisation was often accompanied by a decrease of service quality and a strong pressure on the workforce employed in the ground handling sector (i.e. on wages and working hours). European Social Partners recently highlighted these detrimental effects of further liberalised markets in a joint statement on the revision of the Directive. Furthermore, the increase in the number of ground handlers on the airport site has led to important coordination deficiencies between the different actors at the airport. In this respect, the extreme weather conditions and subsequent travel disruptions in December 2010 have underlined once again the need to empower the airport managing body to set and enforce minimum service levels/standards for ground handlers and to ensure the necessary full coordination between all actors involved, in particular in the event of a crisis.

4. Against this background, ACI EUROPE is calling on the European Commission to follow three broad principles in a possible revision of the EU Ground Handling Directive:

- **The ground handling market must not be further opened** – given the existing level of competition and the associated problems with regard to social conditions and the quality of service. Also it risks undermining the present level of competition!

- **Airport managing bodies must be empowered to define and enforce minimum service levels/standards** – in the interest of efficient, safe and reliable operations at the airport!

- **The social safeguards in the Directive must be strengthened** – in order to avoid a race to the bottom in this highly competitive sector!

5. ACI EUROPE is keen to contribute to a further strengthening and development of the ground handling market in Europe. We will outline our detailed comments on the different aspects of the Ground Handling Directive in the remainder of this paper.

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Requirements for a performing ground handling market

- **Quality of Service: Minimum requirements to be enforced by the airport operator**

1. The issue of service quality and the lack of minimum quality requirements of ground handlers has come to the fore once again during the recent travel disruptions in parts of Europe during the winter 2010. For instance, some airports suffered a lack of aircraft de-icing fluid, which fell under the responsibility of independent ground handlers operating the de-icing facilities at those airports. In that case, the airport managing body itself was not even aware of the expected shortage of de-icing liquid, as it did not have any power to enforce a minimum service level, i.e. a sufficient stocking of de-icing liquid.

2. The current Directive does not provide for a legal basis for the airport managing body to define and enforce minimum service levels. Art.12 only stipulates that Member States can require standard conditions or technical specifications to be met in the selection procedure. Furthermore, this possible requirement only applies to the restricted categories and cannot be invoked by the airport managing body. Also, Article 15 only foresees the possibility for a Member State to prohibit a ground handler from operating at an airport if it fails to comply with the rules of conduct set-up at the airport.

3. The quality level of a supplier has important consequences for the overall management of an airport. Ground handling operations are part of a chain and any disturbance to these operations affects the complete system with subsequent problems for all actors on the ground. For instance, deficient bus services or baggage distribution may cause delays for boarding and the loss of slots. This is particularly important for transfer hubs, as congestion and the inefficient use of facilities have a detrimental effect on the minimum connecting time and transfer operations. In addition, passengers rightly complain that individual airlines often reduce the number of check-in desks (manned by airline staff or ground handlers) to an absolute minimum, which results in long queues in the terminal building and an unpleasant experience in the airport. Last, but not least, security and safety could also be compromised.

4. Despite their efforts, airport operators have so far faced difficulties in securing Service Level Agreements signed by ground handlers. Therefore, ACI EUROPE is calling on the European Commission to clearly establish the right of airport managing bodies to set and enforce locally-defined minimum service quality levels/standards. It is interesting to note that not only trade unions, but also the association of independent handlers are supporting this request. These service quality levels/standards will greatly improve the passenger experience and ensure an efficient use of often congested facilities. Such minimum standards would also require clearly defined penalties for ground handling service providers. This could initially take the form of financial penalties - with the ultimate sanction being the removal or suspension of the concession.

**Recommendation ACI EUROPE:** Articles 12 and 15 of the Directive should be amended in order to allow the airport managing body to set and enforce binding minimum service quality levels on its premises, as recommended by the European Parliament’s resolution 2007/2092 (“Jensen report”).
An adequate level of market opening

1. ACI EUROPE believes that Directive 96/67/EC already provides for the necessary means to ensure an adequate level of market opening in the ground handling market at European airports. At airports above two million passengers, airlines have the choice between at least two ground handling service providers in the four restricted ground handling categories. In addition, the market is fully opened at many European airports where local conditions allow for a further market opening (e.g. no space constraints).

2. The imposition of a further opening of the market regardless of local conditions would lead to space and capacity problems at airports. First and foremost, operational problems may arise if ground handlers do not have the necessary space to operate efficiently. As a consequence, the quality of service at the airport as a whole may deteriorate. In this respect, it should be noted that local conditions can differ even between terminals at an airport, i.e. a specific terminal might have severe space constraints while there may be capacity for a higher number of handlers at another terminal. Furthermore, the high number of staff on the ramp may lead to additional shortcomings in the compliance with security and safety standards. Finally, there may be an increased pressure on the social protection of staff due to the strong competition between a high number of ground handlers.

3. When assessing local conditions, the size of the contestable market (i.e. the market share available for an additional handler) should be a key criterion to decide whether the market could be further opened. At many airports, the home-based airline(s) typically performs self-handling. This automatically reduces the market open to competition for new entrants, as the contestable market may de facto be very limited (at some airports only 15-20% of total passengers). As a consequence, the operations of an additional ground handler may not be profitable due to a very limited business volume. The same applies to airports below 2 million passengers per year, whose traffic volume is too small to accommodate several ground handlers. Regional airports below 2 million passengers should therefore remain exempted from the third-party handling provisions of the Directive.

4. ACI EUROPE considers the current provisions of the Directive on self-handling effective and balanced. Any further liberalisation of the self-handling market would have serious consequences both for the efficiency and viability of ground handling services at an airport. In particular, on regional airports an extended right to self-handle would threaten to undermine the already fragile economic basis for the provision of ground handling services, which ultimately would need to be provided by the airport itself in the absence of an economically viable market.

5. Therefore, ACI EUROPE objects to a possible increase of the minimum number of self-handling airlines at an airport and a broader definition of self-handling, which would include handling for alliance partners or other commercial agreements for the provision of handling services. A further liberalisation would in fact further reduce the already limited contestable market and create space and capacity problems, to the detriment of (additional) third-party handlers interested in providing ground handling services at the airport. At the same time, the broader definition of self-handling would enhance the dominant purchasing power of major airlines and alliances or even create airline handling monopolies, to the disadvantage of their competitors in handling services and small air carriers. If introduced, a further liberalisation of self-handling would jeopardize the overall objectives of the Directive to open-up the

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3 Baggage handling, ramp handling; fuel and oil handling, freight and mail handling.
access to the ground handling market and provide for a sustainable level of competition.

6. In addition, the possibility to sub-contract operations in the area of self-handling should remain excluded by the Directive. Operating self-handling via sub-contractors is a tool for certain airlines to circumvent the law and to exert more pressure on ground handling operators.

**Recommendation ACI EUROPE:** The current scope of the Directive as well as the provisions in Art. 6 and 9 on the minimum number of suppliers and possible exemptions have proven effective to ensure a competitive ground handling market. They should not be changed. The possibility to limit the number of self-handlers on the ramp should be kept (minimum of two).

➢ **Tender procedure – No sole focus on the price, but also on quality!**

1. ACI EUROPE strongly believes that the tender procedure and the selection of ground handling services providers in a restricted market should be based both on economic and qualitative criteria. Given the already existing pressure on staff working conditions and the resulting negative impact on the quality of service, the price must not be the only criterion to award a licence.

2. For these reasons, ACI EUROPE has fully endorsed the above-mentioned joint statement of Social Partners on 7 April 2011, calling for a clear and transparent selection procedure whereby the offers shall be evaluated based on economic criteria (cost) and quality criteria (e.g. equipment available; social and labour policy, training programme for staff).

3. ACI EUROPE emphasises that the User Committee should be consulted both during the pre-selection and the award procedure. However, the User Committee should maintain a purely advisory role, as laid down in Article 11 of the current Directive. In fact, giving the Committee decision-making power could give the main carriers complete control of the market at the airport. Consequently, the final award decision should remain in the hands of the airport managing body, unless it provides ground handling services itself. ACI EUROPE is also favourable to an extension of the licence to up to 10 years.

**Recommendation ACI EUROPE:** Article 11 of the Directive should be amended so as to provide further guidance to Member States on how to organise the selection procedure. The focus on both economic and qualitative criteria in the tender procedure must be clearly stated by the Directive in order to avoid legal uncertainty at Member State level.

➢ **Social Safeguards – a clarification of Article 18 is needed together with clear rules on sub-contracting!**

1. In a liberalised ground handling market, working conditions and the social protection of staff are at the core of many conflicts. Unresolved disputes often lead to strike action, which may have a devastating impact on overall airport operations and may force passengers to change their travel plans. The ground handling market is indeed very volatile and operators may change at each new tender procedure. This leads to important uncertainty for staff, which could be submitted to the rules and social conditions of the new operator, or even laid off. It is therefore imperative to ensure a better continuity of staff working conditions. This could be achieved, for instance,
through binding provisions regarding the transfer of staff to the new concession holder, with the ultimate goal of ensuring social peace at the airport.

2. Overall, working conditions are directly linked to the economic and financial performance of a ground handling operator. It is therefore important to provide for a regulatory environment in which ground handlers can operate profitably; the extension of the selection period to up to 10 years could be a step in the right direction. In addition, a too high number of ground handling operators may lead to a cut-throat competition if the market conditions do not allow for a further opening of the market, e.g. due to an insufficient size of the contestable market. A race to the bottom to the detriment of working conditions must, therefore, be avoided.

3. The issue of sub-contracting is closely related to the social question. The non-official contractor is usually subject to even stronger pressure on the level of prices and working conditions, with potential negative consequences for the staff and the quality of service. The absence of harmonised rules on minimum training requirements and the working environment may, therefore, contribute to a deterioration of working conditions and would jeopardize fair competition in the market. Against this background, ACI EUROPE urges the Commission to introduce the obligation for all providers of ground handling services to respect minimum working conditions, including requirements for the training of staff. Sub-contractors should, generally, be subject to the same licence conditions as the main contractor and should receive prior authorization by national authorities.

4. Furthermore, a chain of sub-contractors, i.e. when a subcontractor subcontracts further, should be prohibited. Experience shows indeed that even if the operator is legally liable, it is very difficult to enforce this rule from an operational point of view.

Recommendation ACI EUROPE: Article 18 of the Directive must be strengthened by including a mandatory provision on the transfer of staff in the event of a change of concession. Social partners should play a key role at national level to agree on the modalities for such a transfer of staff. Article 11 should be amended by introducing clear rules on sub-contracting, in particular the imposition of the same obligations for the sub-contractor as for the main contractor (quality requirements, training etc).

➢ Other issues of relevance in a possible review

1. Obligatory licencing: ACI EUROPE advocates a mandatory approval procedure for all ground handling operators at Member State level. A clear set of rules (e.g. availability of adequate staff and material) is important for the effective operation of ground handling activities at an airport. Article 14 of the Directive should be amended accordingly.

2. Legal separation of ground handling activities: The current Directive obliges all providers of ground handling services at an airport to separate their accounts for ground handling services and other activities, in accordance with current commercial practice. ACI EUROPE fully supports this existing provision, as it ensures the absence of cross-subsidization between different commercial activities and provides for a level-playing field at the airport.

3. However, ACI EUROPE strongly opposes any attempts to introduce a mandatory legal separation of the ground handling services provided by the airport managing body from the airport managing body. This legal separation, i.e. the obligation for the airport managing body to create a subsidiary for its ground handling activities, would
not provide any added value compared to the existing separation of accounts, given that the absence of financial flows is audited by an independent body. On the contrary, a forced break-up would seriously limit the commercial freedom of the airport managing body, lead to costly restructuring processes and jeopardize the social peace at the airport. In this respect it should be noted that regional airports would be disproportionately affected by a mandatory legal separation. Against this background, ACI EUROPE calls on the European Commission to keep the existing provisions on the separation of accounts unchanged.

4. **Annex**: The revision of the Directive is an opportunity to better adapt the annex to reality and the IATA classification.

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