

Position Paper

27 February 2006

AEA Comment to Proposed Revision to EASA Fees & Charges Regulation (23rd February 2006)

Background:

According to Regulation No 1592/2002 (establishing EASA), EASA shall levy fees and charges for issuing and renewal of certificates (including related oversight), the provision of services (reflecting the actual cost of the individual service) and for the processing of appeals. This means that the EASA Certification Directorate's certification activities (including EASA activities sub-contracted to NAAs) are funded from fees paid by the applicants (100% cost recovery), whereas EASA Rulemaking, Safety Analysis and Standardization Inspections are funded from general EU budget (Commission subsidy).

The current EASA Fees & Charges Regulation entered into force on 1st June 2005 (Commission Regulation No 488/2005). Approvals and oversight done by NAAs (i.a. Part-145 MOA and Part 147 MTOA approval for EU based organisations) is still subject to national fees (EASA Fees & Charges Regulation does not apply).

Issue:

EASA is facing serious cash-flow problems due to:

- Complex EU bureaucratic procedures related to payment conditions which generate a lot of additional work and which are not adapted to the needs of an operational Agency such as EASA
- The fact that small industries/general aviation do not generate enough revenue to pay for the cost they generate to EASA
- Cost of outsourcing to some NAAs which charge EASA more than the hourly rate of 99 EUR/hour charged by EASA to the applicants
- Lower numbers of received applications than the number which was assumed when the initial EASA fees and charges regulation was adopted.

As the situation stands today, there is a very real chance that the Agency's cash flow situation will result in a lack of funds to ensure the continued activities of the Agency

Adria Airways

Aer Lingus

Air France

Air Malta

Alitalia

Austrian

bmi

British Airways

Cargolux

Croatia Airlines

CSA

Cyprus Airways

Finnair

Iberia

Icelandair

Jat Airways

KLM

LOT

Lufthansa

Luxair

Malev

Olympic Airlines

SAS

SN Brussels Airlines

Spanair

SWISS

TAP Portugal

TAROM

Turkish Airlines

Virgin Atlantic Airways

-
- Adria Airways
- Aer Lingus
- Air France
- Air Malta
- Alitalia
- Austrian
- bmi
- British Airways
- Cargolux
- Croatia Airlines
- CSA
- Cyprus Airways
- Finnair
- Iberia
- Icelandair
- Jat Airways
- KLM
- LOT
- Lufthansa
- Luxair
- Malev
- Olympic Airlines
- SAS
- SN Brussels Airlines
- Spanair
- SWISS
- TAP Portugal
- TAROM
- Turkish Airlines
- Virgin Atlantic Airways

beyond the summer period, unless immediate action is taken. For 2006, EASA predicts a 15m. EUR revenue shortfall.

During its meeting last December, the EASA Management Board (MB) decided to carry out a study by a consultant in order to analyse the nature, volume and evolution of EASA certification activities, the adequacy of relevant EASA structure and organisation, and possible recommendations as to a rational fee system. The consultant is requested to consult with interested parties and NAAs during the course of the study.

The consultant has since been selected (Deloitte, contract for 300 000EUR.) and the study report is to be provided by mid-March for consideration by the EASA MB at their next meeting on 16th March. The EASA Advisory Board has requested to be involved and to provide interested parties views to the consultant prior to finalisation of the study.

The EASA Agency has serious doubts that the consultant will be able to present a new set of formula to enable EASA to present a budget in balance for 2006. The EASA's Executive Director has, therefore, asked for support from industry (including AEA) for a proposal to revise the EASA Fees & Charges Regulation and its Annex with fees.

The proposed amendment comprises:

- 1) The change of the regulation administrative part in order to alleviate the administrative burden of all parties.
- 2) Changes in the tariffs for continuing airworthiness tasks (annual fees annex), DOA approvals and foreign MOA as well as a proposal to increase the EASA hourly rate from 99 EUR/hour to 140 EUR/hour.

AEA Position (General)

The AEA supports the need for EASA to be properly funded and resourced to fulfill its responsibilities. In order to avoid a lowering of safety levels in the EU and in order to avoid distress to the EU industry, there is an urgent need to address the EASA funding requirements based on transparent and independent data.

The AEA recalls that according to Article 2 of EC No 1592/2002, one of the objectives of EASA was to promote cost-efficiency in the regulatory and certification processes and to avoid duplication at national and European level. This cost effectiveness objective has not been met so far, since current EASA fees are higher than the fees levied previously by the majority of the EU NAAs and due to the fact that previously, most NAAs were - to a large extent - funded from public budgets (no 100% cost recovery), the fact that some NAAs have increased national fees to compensate for lost revenue for activities transferred to EASA. In addition, EASA certification processes have continued to face significant delays due to complex and bureaucratic payment conditions related to the current EASA fees & charges regulation.

-
- Adria Airways
- Aer Lingus
- Air France
- Air Malta
- Alitalia
- Austrian
- bmi
- British Airways
- Cargolux
- Croatia Airlines
- CSA
- Cyprus Airways
- Finnair
- Iberia
- Icelandair
- Jat Airways
- KLM
- LOT
- Lufthansa
- Luxair
- Malev
- Olympic Airlines
- SAS
- SN Brussels Airlines
- Spanair
- SWISS
- TAP Portugal
- TAROM
- Turkish Airlines
- Virgin Atlantic Airways

Therefore, the AEA believes that EASA’s budget, fees & charges should not be seen in isolation, but should be linked with national budgets, fees & charges (=for the National Aviation Authorities (NAAs)) in order to ensure that total costs go down as a result of the EASA establishment in line with the objective to increase efficiency. There is an urgent need for a high level political commitment to address this problem and to develop a roadmap to address the future role, budgets and staffing of NAAs & EASA. This should take into account the fact the Europe needs a single regulator for all aviation safety tasks (EASA/EU) to ensure a level playing field in the common aviation market.

In this context, the AEA also expects EASA fees to be benchmarked with fees levied by non-European Authorities, in order to avoid a situation where the competitiveness of the EU industry in the global aviation market is undermined. Since most aviation authorities around the world are funded from tax payers money (i.a. US FAA), the 100% cost recovery system for certification activities should be reconsidered and the EU subsidy should be drastically increased to also cover part of the certification activities (as was the case in the previous national systems for most EU member States).

Furthermore, the AEA is concerned about the lack of EU subsidy (and as a consequence lack of EASA resources) for EASA rulemaking tasks, safety analysis and standardization inspections of Member States which could put safety and efficiency at risk, in particular taking into account the envisaged expanded role of EASA. Standardization inspections and training of the EU NAAs, which need to apply the common EU/EASA rules through related safety oversight of organizations based in their territory, are crucial to ensuring standardization in the EU common aviation market and to avoid lowering safety levels.

The AEA supports the proposed revision to the administrative part of the EASA fees and charges regulation which should alleviate the current administrative burden for all parties and which is not adequate for an operational agency such as EASA.

However, based on the limited data presented, the AEA is not able to support an increase in EASA fees for large industries/airlines. Instead, the AEA requests the European Commission to conduct an in-depth and independent study on EASA & NAA funding requirements (and associated staffing) for the various fields of activity, to be used as a basis for further decision. Such a study should, in particular, identify the EASA revenues and cost for each approval category and for each type of industry (large versus small). As long as no further data has been presented, EASA revenue shortfalls should be funded from Commission subsidies.

The AEA strongly believes that the large airlines and their MROs already pay for more than their actual cost to EASA and that they should, therefore, not be confronted with additional costs, which will further undermine their competitiveness in the global aviation market and might result in further outsourcing of maintenance activities to non-EU countries with lower fees. In this context, the AEA is strongly opposed to the

proposal to increase fixed fees for some approval categories (i.a. DOA) to cover for revenue shortfall from small industries which are, according to the proposal, not confronted with fee increases.

The AEA recalls that it is strongly opposed to cross-subsidies from large industries/airlines to the general aviation industry. In a 100% cost recovery system, EASA revenue shortfalls from general aviation industries should be recovered from that industry, but not from the large airlines and their MROs which are already struggling to survive in a very competitive market.

Generally speaking, the AEA believes that in line with Regulation 1592/2002, EASA fees should be related to the actual cost of providing the service for a specific approval category to a specific applicant. Therefore, the AEA recommends EASA to levy a small standard fixed charge for all applications (rather than having fixed fees related to the turnover of the company) to cover the administrative costs of processing the transaction, whereas the rest would be charged according the hourly rate and corresponding to the actual work for EASA

This AEA position was adopted by the AEA Technical & Operations Committee (TOC) during its meeting in Toulouse on 23rd February 2006.

-
- Adria Airways
- Aer Lingus
- Air France
- Air Malta
- Alitalia
- Austrian
- bmi
- British Airways
- Cargolux
- Croatia Airlines
- CSA
- Cyprus Airways
- Finnair
- Iberia
- Icelandair
- Jat Airways
- KLM
- LOT
- Lufthansa
- Luxair
- Malev
- Olympic Airlines
- SAS
- SN Brussels Airlines
- Spanair
- SWISS
- TAP Portugal
- TAROM
- Turkish Airlines
- Virgin Atlantic Airways