

## **POSITION PAPER**

# **Evaluation of Directive 97/96/EC concerning Groundhandling Services at EU Airports**

### **Introduction**

CLECAT, the European association for forwarding, transport, logistics and customs services, is the leading voice on freight forwarding and logistics at the EU level in Brussels. We represent and are supported by 26 member organisations, working to promote a sound approach to transport and logistics across Europe, in support of the competitiveness of our industry.

The members of CLECAT are responsible for handling 95% of all air cargo and are, as such, the vital link between exporters/importers of goods and transport operators, such as air carriers. CLECAT members have a keen interest in a modern, innovative air freight sector which guarantees choice, quality, connectivity, transparency and fair competition. Many freight forwarders have offices in or at the airports and, as users of air freight, are dependent on high-quality, efficient and reliable groundhandling services. CLECAT therefore welcomes the European Commission's initiative to assess the Groundhandling (GH) Directive.

### **State of Play and Main Issues**

CLECAT supported the gradual opening of the groundhandling market to competition with the adoption of the Groundhandling Directive in 1996, ending monopolies at EU airports. Whilst the GH Directive has introduced the gradual opening to competition, the reality is that competition at airports remains limited, with most airports giving access to a maximum of two groundhandling operators (as required in the GH Directive), creating effectively an oligopoly, which hampers free competition. CLECAT members have not witnessed an improvement in the quality of service as a consequence of the gradual market opening introduced through the GH Directive. Instead, they continue to observe a lack of quality and reliability in the services provided by Ground Handling Agents (GHAs) at EU airports, leading to significant delays and frustration in the planning processes of those parties who are reliant on quality groundhandling services, including freight forwarders.

It is therefore fair to note, that a limited increase in competition alone does not lead to an improvement of service quality. Groundhandling services are perceived to be of higher quality in markets where there is a wider choice of suppliers. In most cases, a reduction of delays can be perceived in those airports with a more open groundhandling market. However, no improvement is noted at airports with only two suppliers of these services.

### ***Lack of Efficiency and Problems for Entry***

CLECAT perceives that barriers to market entrance persist and that there is a continued lack of efficiency in groundhandling services, as identified by the European Commission in its proposal for a revision of the Groundhandling Directive in the 2011 Airport Package. The market is characterised by a high degree of inefficiency and a low level of quality, which frustrates the planning process of its

users, including freight forwarders, who are reliant on high quality service from all parties within the supply chain to operate their daily business.

### ***Lack of Quality***

CLECAT members have expressed a general concern about the lack of quality and service levels provided by groundhandlers at EU airports, which impacts on the services freight forwarders provide to their shipper clients, mainly due to delays which frustrate the planning processes. It has been observed that the focus of the GHAs is largely on the 'airside' of the cargo terminal, whereas the important work on the 'landside' is either not known, overlooked, and/or considered less important. This leads to long waiting times for trucks for loading and unloading which disrupts the planning of freight forwarders.

The GH Directive does not provide any requirements with regards to service levels. The definition of quality remains based on the contractual arrangements between GHAs and airlines (defined as Service Level Agreement SLA). As a consequence, GHAs should comply with minimum performance standards set forth in a standard SLA. Thereby, the quality of service provided by GHAs varies significantly, but overall, the freight forwarding industry observes a low level (delays, weak investment in IT tools, no quality measurement, regular fees without any kind of operational justifications). Also, freight forwarders have no possibility to set standards or required best practices relating to quality, as they have no contractual relationship with groundhandling operators but with the airlines. Therefore, they are not in a position to select their preferred groundhandling service.

### **Recommendations**

Having analysed the situation at EU airports, CLECAT has developed a number of recommendations that should be addressed to improve the efficiency and quality of groundhandling services at EU airports.

CLECAT supports further opening of the groundhandling market at EU airports as it bears the potential to incentivise growth and efficiency in air transport operations. The more open the market will become, the better it will be for the quality of service. Companies that have a license to operate should be allowed to offer their services. This is based on experience, which shows that the performance of groundhandling services is better in markets where there is a wider choice of suppliers. There has been a reduction of delays in in those airports with a more open groundhandling market. However, our members observed no improvement at airports with only two suppliers of these services. Moreover, as free market access is the norm in the EU's transport policy, the complete liberalisation of the groundhandling market should become the ultimate goal, which would in turn enhance the quality of groundhandling services, as the ultimate aim of the legislation.

However, increased competition alone is not a guarantee for better services. To ensure an adequate service quality, the groundhandling market should be bound to a minimum level of quality standards. CLECAT would propose the Commission to make the quality standards conditional for the granting of licenses to groundhandling services providers. Compliance to these standards, based on Key Performance Indicators (KPIs) should be monitored, and reported on a regular basis at shipment level. In that regard, there should be agreement on a set of harmonised criteria and corresponding KPIs to measure performance. CLECAT believes that the industry (including shippers, forwarders, airlines, handlers and trucking companies) should have a significant role in determining the objectives that should be achieved through the minimum quality standards. This could include, *inter alia*, minimum

delays, reliable service, and fast handling. Considering the example presented above on delays caused through the neglect of landside tasks by GHAs, it would be important to apply KPIs to both the air- and landside, to ensure that higher productivity and efficiency can be achieved throughout the groundhandling process. Today, Cargo IQ (an IATA interest group) already defines quality standards for the supply chain, aiming at improving the efficiency of the air cargo industry, enhancing customer service & reducing costs. These KPI's are defined by airlines, forwarders and GHAs. As there are best practices, a requirement to measure performance by GHA's would be an important tool to enhance quality.

CLECAT believes that all airports at which significant amounts of freight is handled, should be subject the rules of the GH Directive.

### **Additional issues**

CLECAT wants to raise attention to two key issues in relation to groundhandling services, which should equally be considered, namely technological issues, as well as the importance of a good relationship between the GHAs and the stakeholders interacting with them.

The technological issues which are relevant for groundhandling services include the e-freight process. Forwarders require the uptake of e-freight, as well as digital information and data tracking along the full air cargo supply chain. In many cases the electronic messages from forwarders are sent to the airlines but the airlines do not always have the ability to forward the messages digitally to their GHAs. This leads to additional manual input of documents and increases the cargo receipt time. Unfortunately, forwarders have no control over this, as they do not have a contractual relationship with the GHAs. However, airlines should be encouraged to include the uptake of e-freight in their contractual framework and service level agreement with GHAs. CLECAT believes that it is important that airlines and GHAs update their existing contracts to reflect the e-freight process and beyond that the global digitisation of the air cargo supply chain. GHAs should accept information provided in a digital format as this would lead to more efficiency in the groundhandling processes for the entire industry. Therefore, CLECAT suggests that digitalisation aspects should be considered in the review of the GH Directive, including cybersecurity aspects.

### **Sub-contracting and staff training**

The 2011 proposal for the revision of the Groundhandling Directive included provisions on the rules for sub-contracting, as well as the compulsory minimum training of staff. CLECAT believes that the possibility for sub-contracting should be retained, however, a clarification of the rules would be desirable to ensure uniform rules throughout the EU. For example, undertakings should be allowed to select another sub-contractor where the service provided by the current one is not satisfactory or if another subcontractor would provide better services. Severe restrictions of sub-contracting are not desirable as they might have negative consequences in certain cases. For example, not allowing subcontracting in cases of force majeure could lead to major flight disruptions. Suppliers that already provide services at the airport may not have the necessary resources available quickly enough, especially if the self-handling airport user is a large operator at the airport in question.

CLECAT believes that the training of staff must be appropriate to the tasks which the employees are expected to perform. Proper training is important to ensure that staff will be able to perform its tasks in an efficient manner and of good quality. As such, staff training should be appropriate to the tasks required by the employees. It must be noted that the staff will also need to be able to respond to

requirements which might be specific to a particular task. In groundhandling operations, generally competencies are required, *inter alia*, in terms of security, IT tracking performance, specific freight standards and certification for the handling of pharmaceuticals, fresh and perishable goods, live animals, oil and gas.

### **Conclusion**

The current situation at EU airports shows that the GH Directive in its current state does not address the needs of the industry, which are efficient, high-quality services. The opening of the market that has been achieved through the GH Directive was supported, but full liberalisation is required to ensure more competition. Generally, the freight forwarding industry observes that the level of quality is very low and there is no possibility to influence this from the freight forwarders' side, as it is subject to the contractual arrangements between GHAs and airlines. Therefore, it would be beneficial to impose mandatory quality standards, by attaching certain quality conditions to the granting of licenses. The adherence to these quality standards should be continuously monitored

CLECAT believes that it is of utmost importance to regulate this issue on the EU-level, to ensure harmonised rules for the opening of the market to competition, as well as for ensuring the provision of high-quality services in the entire EU. Therefore, the GH Directive should be revised according to the recommendations set out above, especially regarding quality of services and the full liberalisation of the market, in order to improve the quality of this essential service provided for airport users, and ensure that it meets the standards set out in the Aviation Strategy 2015.

CLECAT remains at the disposal of interested parties for any further information.

For further information, please contact:

#### **CLECAT – The European Voice of Freight Forwarding and Logistics**

Nicolette van der Jagt

Director General

Rue du Commerce 77

B-1040 BRUXELLES

+ 32 2 503 4705

[nicolettevdjagt@clecat.org](mailto:nicolettevdjagt@clecat.org)

[www.clecat.org](http://www.clecat.org)