Fractional Ownership and transatlantic BIZAV

- Latest Developments -

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Scope of the presentation:

I. Activities of the European Commission and EASA affecting Fractional Ownership regulation

II. Update on transatlantic business aviation

III. Conclusions
European Commission is interested only in airlines....
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....well, not any more.....
Consultations on General Aviation in the EC

- New developments taking place not only in the commercial air transport but also in General Aviation;
- Various but so far independent initiatives by Eurocontrol, ECAC, EASA and EC affecting General Aviation;
- General aviation affected (like the commercial operators) by capacity shortages;
- Environmental protection and sustainable development increasingly important also for General Aviation
- General aviation diverse both in size and in function - therefore "one size does not fit all";
- Consultations launched to analyze the current challenges and developments, coordinate ongoing initiatives and need for improving the policy making as regards General Aviation;
Consultations on General Aviation in the EC:

- **Issues identified in the Discussion Paper concern:**
  - More systematic data gathering including on safety;
  - Position of the European General Aviation manufacturing industry;
  - Access to the infrastructure and airspace;
  - Impact of new aircraft types on the capacity of air transport system;
  - Environmental impact of General Aviation;
  - The issue of definitions (commercial air transport, general aviation);
  - Proportionality of regulations;

- **About 80 comments received – see our webpage;**

- **Communication on the subject by the end of 2007;**
ECAC recommendations on Fractional Ownership:

- December 2006 – final report of the Task Force presented to Directors General of Civil Aviation;

- Main findings: definition of the business model, recommendations on safety, operational control, security, insurance and international compatibility;

- Private non-commercial transport category, without the need to have an AOC or air transport license but with a need for safety oversight;

- Findings communicated to the European Commission in January 2007;
Revision of the 3rd package of liberalisation:

- Why the revision is necessary?
  - 15 years old framework that needs to be reviewed;
  - rules not always applied in a homogeneous way;
  - Need for simplification and consolidation of the legal framework;

- Concept of "small licence" kept (aircraft with MTOW < 10,000 and/or PAX < 20) but strengthened control by authorities over leasing of large aircraft by small operators (licence to be re-submitted for approval);

- Some comments on the issue of definitions and regulation of fractional ownership received by the Commission;

- Text expected to be finalised by the end of this year;
Extension of the EASA competences:

- November 2005 – new proposal from the Commission to extend the scope of the EASA system to flight crew licensing, air operations and third country aircraft and operators;

- Legislative process ongoing. Adoption envisaged for 2007. Related implementing rules (IRs) not sooner then beginning of 2009;

- Essential requirements for air operations:
  - Generic to cover all types of activities
  - Require additional mitigating measures for commercial operations or complex motor-powered aircraft used in non-commercial operations;
Extension of the EASA competences:

Commercial operation:
- "commercial operation" means any operation of an aircraft, against remuneration or other valuable consideration, which is available to the public or, when not made available to the public, which is performed under a contract between an operator and a customer, where the latter has no control over the operator;

Complex motor-powered aircraft (airplane):
- maximum certificated take-off mass exceeding 5 700 kg or;
- a maximum approved passenger seating configuration of more than 9 or;
- certificated for operation with a minimum crew of at least 2 pilots or;
- equipped with (a) turbojet engine(s) or more than one turboprop engine
Extension of the EASA competences:

- Flight operations
- Fractional Ownership and managed A/C

- Commercial Operations
  - Commercial air transport
  - Other commercial operations

- Non-commercial operations
  - Complex motor-powered aircraft
  - Other aircraft

One aircraft can perform different functions but relevant rules/in principle related to complexity of aircraft/must be observed.
Extension of the EASA competences:

➢ Commercial operations:
  ▪ Verification of compliance made through the issuing of a certificate;

➢ Non-commercial operations:
  ▪ Operators of complex motor powered aircraft in principle shall declare their compliance (but Implementing Rules give some regulatory flexibility);
  ▪ No restriction for non-complex aircraft;

➢ Detailed implementing rules defining specific obligations of operators to be developed;
Transatlantic Business Aviation - What’s new?

I. EU – US Common Aviation Area Agreement:
   - Signed on the 30th of April 2007 and entering into force on the 30th of April 2008;
   - Applicable also to “all forms of charter air service” - all benefits of the Agreement also for commercial BIZAV;

II. US – ECAC dialogue on transatlantic BIZAV – significant progress has been made;
New EU – US air transport agreement

Some elements of interest for BIZAV:

- Detailed provisions on franchising and branding, which will facilitate EU companies to extend their presence in the US market;
- No requirement for designation to get an authorization/operating permit (under “Open Skies” agreements charter operators had to be designated);
- Commitment of the Parties to issue authorizations and permissions with minimum procedural delay;
- Additional investment opportunities for EU companies (ownership of more than 50% of total non voting equity permitted on case-by-case basis, maximum 25% of voting stock);
- Both sides committed to work towards compatible practices and standards and to minimise regulatory divergence in the field of aviation security;
- Strong link to the second phase where issues of interest for BIZAV could also be addressed;
US – ECAC dialogue on transatlantic BIZAV

U.S. DoT announced that the increase of the amount of on-demand authorisations from 6 to 12 in a more flexible way does not require a legislative change, but can be dealt with on an administrative level – first EU operators should already be in a position to benefit from this new approach.
Conclusions:

- End of this year/beginning of 2008 EU should define a way forward for fractional ownership operations (both safety and economic regulation);
- All benefits of the new EU – US CAA agreement also for commercial business aviation;
- Results of the EU–ECAC dialogue and signature of the EU – US CAA agreement should streamline procedures and increase flexibility for transatlantic BIZAV traffic;
Thank you for your attention
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