Querida Ministra,

I am writing to seek your personal and urgent intervention to address the increasingly high costs of Spanish air navigation service (ANS) provision, poor productivity, low cost-effectiveness and increasing delay penalties, all at a time of severe crisis for the aviation industry.

ANS costs in Spain have increased more than 50% over the last five years. The independent EUROCONTROL Performance Review Commission (PRC) indicates that while the other four large European States have reduced their unit costs by an average 11.3% over the period 2002-06, Spain Continental and Canaries unit costs have increased 15% and 8% respectively. Not surprisingly the Spain Continental charge proposed for 2009 will be the highest in Europe, with a +9.4% increase over the current 2008 charge. The PRC also indicates that while AENA has the highest employment costs per air traffic controller in Europe, it ranks as number 21 in controller productivity.

This adverse combination of high costs and low performance is quite simply unacceptable and unaffordable for airlines, particularly at a time of global economic crisis, high fuel costs and deteriorating traffic demand. While there has been some relief in fuel prices in recent weeks, fuel has still increased to 36% of our operating costs. Fundamental and painful changes are being made in the airline industry but the efficiency gains being made cannot possibly absorb the impact of fuel prices and falling demand. We estimate that airlines globally will lose at least USD 5.2 billion in 2008. As you will be aware, more than 34 airlines have ceased operations so far this year, including LTE International, Futura, Lagunair and Flysur in Spain.

We have made it clear to AENA that their airline customers expect cost containment and significant reductions in present charges. I would urge you please to use your influence with AENA management to ensure that clear and firm actions are taken in this regard so as to protect the economic benefits that aviation provides to the Spanish tourism and business sectors and to the economy as a whole.
One specific action that I request is that you press for much earlier implementation of a proposed new agreement with the air traffic controllers that will improve productivity 20% and reduce costs through increased flexibility. Our understanding is for the proposal to be signed in February 2009 with implementation over four years from March 2010. We very much welcome this breakthrough on AENA costs as a step in the right direction. However, against the economic circumstances outlined above, it is vitally important that the benefits of this agreement be secured through implementation in quicker and larger steps.

I would also ask that you consider additional measures to assist with cost reduction from areas within the Government’s own control, including those for the National Supervisory Authority, regulatory and MET costs.

We are of course very willing to discuss these issues and possible actions in more detail. If you require any further information, please do not hesitate to contact me.

I look forward to your early response.

Sincerely,

Giovanni Bisignani
Director General and CEO
IATA – International Air Transport Association
Montreal – Geneva