



**Ministerie van Infrastructuur en Water**

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Zienswijze: Reductie aantal grondafhandelingsbedrijven van zes naar drie

Schiphol, 13 October 2023

*Deze zienswijze is gezamenlijk tot stand gekomen door IATA en BARIN; daarom in het Engels opgesteld.*

The aviation industry is fully committed to working with competent authorities, airports, and local stakeholders to develop tailored solutions to address possible safety problems as well as improve the social sustainability of the aviation market around Schiphol. In this regard, reducing the number of ground handlers in an airport is a matter of grave concern, as it could potentially damage the airport's competitive atmosphere and negatively impact the airport's efficiency and the local economy.

The Ground Handling Directive (96/67/EC) is an essential piece of legislation designed to protect the competitive environment of airports and ensure that all ground handlers are treated fairly and equitably. The reduction of the number of ground handlers can also have a detrimental effect on the efficiency of the airport. A lack of competition can lead to the emergence of monopolies against airlines and monopsonies against employees, which can lead to a decrease in service quality, a decrease on the competitive environment for workers, and just an increase in prices damaging the entire aviation industry.

There is the assumption that the reduction of ground handling service providers will translate into better conditions for staff. That could not be the case. In a competitive labor market, employers must vie for workers; they try to lure workers from other firms by offering them more generous compensation. As employers bid for workers, wages and benefits rise. An employer gains by hiring a worker whenever the worker's wage is less than the revenue the worker will generate for the employer; for this reason, the process of competition among employers for workers ought to result in workers receiving a substantial portion of the output they contribute to. And as the economy grows over time, this dynamic should naturally lead to a steady increase in compensation for workers. Reducing the number of companies operating in Schiphol to three will make the market uncompetitive: Employers will have the power to hold down wages by a host of methods and for numerous reasons. Several studies found that employer concentration is associated with lower wages across labor markets and this is not considered in the analysis commissioned by the government.

The decision and analysis do not consider the introduction of the planned European ground handling regulation, Part-ORGH, and the management system required there. Such regulation will clearly impact airport safety. Enforcement of this regulatory regime is crucial. With the introduction of EASA Part-ORGH, the ILT can enhance its oversight of ground handling. Therefore, it is advisable to consider this new regulatory regime before making any decision.

The improvement is expected to be driven by the government interference in the wage collective labor agreement, equipment pooling, and tightening of the conditions that ground handlers must satisfy.



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These measures might improve performance irrespective of the number of handlers at Schiphol, do not justify the market limitation. Nevertheless, these measures will likely lead to increased handling charges, above necessity, as there will be very limited competition at the airport, as confirmed by the consultants. It might result in an increase in airfare cost and a decrease in service quality, impacting the competitiveness of Schiphol as the hub.

We are well aware that six handling companies is more than any other European airport, although we don't see a relationship with 'quality'. We are of the opinion that the main question of the study should not have been "how can the number of Ground Service Handling Agents (GSHA's) at Schiphol be reduced?" but "how can the safety, consistency, punctuality and labor conditions be improved?"

If the answer to that question would have been that a reduction of the number of GSHA's was an option, would have been the solution, the discussion would have started from a different point of view. And we may conclude that on one of the most important parameters, being "safety", given the outcome of the study by SEO Amsterdam Economics, the University of Antwerp (UAntwerp) and To70 stating that *"The study concludes that a direct relationship between the number of active ground handlers at Schiphol and the safety risks cannot be established based on (historical) incident data, other existing studies and stakeholder discussions"* does not give enough reason to take a drastic decision to take such a drastic decision.

- **Do you have any comments or suggestions about the analysis underlying the decision?**

The proposal to reduce the number of handlers does not address the real issues at Schiphol Airport, and the analysis underlying the decision does not focus on it. In addition, we have found several gaps in the analysis that we will illustrate later in our response.

The analysis (extracts highlighted in blue color below) does not reflect any correlation between the number of GHSPs and the operational problem. In fact, it highlighted staff shortage in security at airport is the direct cause of operational problems.

- Introduction – staff shortage of security companies at airport as the direct cause of ops problems
- PwC concludes that the operational model in which the airport and ground handlers are process partners but do not have a contractual relationship means that the airport lacks tools to enforce the effort made by performances or information sharing of these chain partners. The evaluation shows no correlation between the operational problems and the number of active ground handlers at Schiphol
- From the stakeholder analysis, a widely supported view emerges that the number of ground handlers at Schiphol is large but that reducing the number does not in itself ensure the achievement of the public policy goals.
- Current market situation - Despite the acknowledgment of the current market situation by almost all of the selected stakeholders, there is no consensus that the number of ground handlers operating at Schiphol is the core of the problem.





- Reduction in the number of ground handlers as a measure - Schiphol supports reducing the number of ground handlers and sees it as a crucial and urgent step towards improving quality at the airport.
- The ground handlers also appear to be (cautious) supporters of reducing the number of ground handlers. However, they expect that a reduction alone as a policy measure will be insufficient to solve the problems. Nor do they think a reduction is necessarily the most effective and/or efficient instrument.

The analysis performed, and the possible public debate about the situation in Schiphol is the result of the issues faced during the 2022 summer. Those issues happened by the lack of security personnel, which had a cascade effect on the handling companies and airlines. . It was a failure of the restart planning and change management. The limitation of handlers might or might not be one of the solutions which might support the situation however, it is presented as THE solution.

The analysis does not reflect current reality. There have not been any remarkable issues for the 2023 summer, having many more passengers than in 2020 and the same number of ground handlers.

The conclusion has contradicting statements.

*Limiting unrestricted access to the ground handling market can contribute to the policy goals of safety, quality, effectiveness and efficiency in this market. With a limit of a maximum of three (third-party) ground handlers, the expectation is that the resulting market outcome will contribute the most to these goals. Here, we assume a maximum of two self-handlers.*

*The safety analysis shows no direct causal relationship between safety and the number of handlers at an airport can be established. Indirectly, reducing the competitive pressure may lead to more safety. The stakeholder consultation also shows that stakeholders do not expect that limiting unrestricted market access alone will lead to the desired outcomes.*

The study recommends the limitation of ground handlers to improve safety while no fact or analysis proves it. In the presentation from the government, all stakeholders were very skeptical that the measure would achieve the goal, which was confirmed by the consultants commissioned to analyze the safety angle(to7).

Limitation of handlers at the AMS will not nevertheless solve European phenomena of lack of resources for blue collar jobs, which was expedited by the Covid 19 pandemic, offering jobs in other industries, specifically jobs from home. As per IATA study conducted in 2020, the aviation 24/7 all weather, low pay jobs, compliance driven jobs (thus not creative) are not attractive for young generation. They have not loyalty to the current employers and change at any time if the job is not satisfying. With that in mind, the hiring is done from a smaller pool of resources, which is generally less reliable. The limitation of handlers can short-term bring a





move of stuff from eliminated companies. However, there is also a bigger treat that they will take the packages as an opportunity to leave the industry fully. If the employees are not incentivized by the government or by remaining companies, then this scenario is most likely to happen.

There are governmental barriers in employment and deployment of new resources. It is known that Netherland does not allow for the work immigration thus qualified resource cannot be shifted from our region to other for the global handlers. Security background checks, mandatory trainings resulting in 6 months prolongation between a new person is hired and time can start to work compared to other industries (e.g. logistics where a person hired today is competent to work within week or less) that does not help to our industry deal with the lack of resources.

Following statement is not necessarily true. *If there is a higher volume of handlers at the same spot it also creates a competition between the job offers and might lead to the better wage and work benefits.* Not paying attention to quality is not caused by number of handlers, but the quality of the labour interested in the ground handling jobs – as per point above.

Many sections of the study show that there is no direct or fact-based correlation between safety, efficiency, and number of handlers, while the summary suggests limiting the players. We still do not know the reason behind

*However, competition can also affect the working conditions of the staff of the handling companies and can lead to less attention to quality.*

The comparison of the indicators in Table 4.1 through Table 4.4 indicates relatively little potential for exploiting economies of scale in the ground handling market at Amsterdam Airport. From this perspective, there is no reason to limit the number of active market participants drastically. There is also no indication of a natural monopoly, whereby the market, from a purely economic perspective and without considering regulation, automatically evolves to a single supplier.

3.1-3.3 is not correct, it completely missed passenger handling in the terminal. Handlers offer passenger services which start with acceptance of passenger and baggage. This study only starts with the baggage sorting area, and fully avoids the screening of passengers and baggage which was the main point of 2022 failure. Not resolving resources there will have tremendous impact and will cascade to the ground handlers irrespective of number of handlers.

Summary and 4.2 - Some of the assumption and comparison do not seem adds up. Comparison with BRU airport - KLM handling is excluded however, KLM is not only self-handling its own aircrafts but also offers services to the third party. The LHR has completely different licence model per terminal while summary talks about total number of handlers. It most likely will be bigger than 3 handlers per LHR if all handlers at the entire airport. To our very best knowledge it is at least 12 GHSPs

Safety – there is a lot of assumptions presented with purpose to make handlers unsafe. The fact, that the reported event ration is low is not emphasized. The fact that 60% reported events involved handlers is caused by the fact that handlers are performing majority of activities with





reported events, however it is presented not in favour of the current handlers. The percentage of the handlers involved is not right measure rather increase or decrease of incidents should be compared and presented.

Commercial market limitation will also create for the need of more demanding monitoring of the handlers from airlines (or even the authorities), if a limited number of handlers are guaranteed a binding time licensing conditions that might end in the handlers' complacency, to ensure handlers perform operationally and safety wise as expected.

The limitation of handlers should come with the need for regulator to monitor the commercial conditions are not agreed forcing the airlines to get into a "monopoly" situation regardless of the limited number of approved GHSPs.

With a limited number of handlers, the airlines choice might still be more limited if their company management already decided not to globally work with a specific company/handler.

The licensing of some specific handlers will not ensure to the workforce continuity in the company since their existence will not be based on the handler's good performance but instead on regulators' decision, though eliminating a substantial element for employees' loyalty.

The limitation to a specific number of handlers should need to come with a specific operational/safety performance SLA/SPIs that are fair, achievable, and relevant to ensure the highest operational standards are applied and handlers do not fall into complacency.

The analysis mentioned but ignored the impact of the European ground handling regulation, Part-ORGH, handling. Therefore, it is advisable to consider this new regulatory regime when deciding.

- **What do you think of the target number?**

Independently of the target number, during the selection process, the number of operations currently managed should be taken into account, to avoid that the entire ground process will collapse with major disruption leading to a standstill situation at Schiphol Airport. Such selection could mean that with the national carrier KLM having its hub at Schiphol Airport serving some 90% of the transfer traffic together with her (Skyteam) partners, we deem it logical that KLM could be one of the selected third-party handling agents.

In the scenario to reduce the number of GSHA's from 6 to 3, this would effectively leave room for 2 other GSHA's only. Hence, we would be faced de facto with a duopoly, which is far from desirable. We can compare such a situation with e.g. Brussels Airport where this is the case and makes the process very vulnerable. Should one of the 2 remaining GSHA's run into any sort of disruptive issues, you are left with one 'independent' GSHA apart from KLM Ground Handling Services.

This would not only seriously limit the freedom to choose by the airlines but will definitely create severe logistical problems for a long time at one of the busiest airports in Europe.





Furthermore, we are of the opinion that there are many different disciplines in ground-handling. A specific separate type of handling is the servicing, trucking, loading etc. of full freighter aircraft. Approximately 50% of all cargo handled at Schiphol Airport is transported in full freighter aircraft at a separate platform with these specific air cargo handling companies mainly located at Schiphol Zuid and Zuidoost.

We therefor plea to exempt the full freighter only handling companies of this reduction discussion entirely.

- **Do you think there are additional measures that could contribute to improvement?**

We firmly believe that target to improve safety, efficiency and working/labor conditions can be improved through:

- An improved collective labor agreement
  - Introduction and validation of a 'License to Operate'
  - Equipment-pooling
  - Standard practices like ISAGO
  - Proper implementation of EASA Part-ORGH
- **If you do not think reducing the number of handlers is the right step, what alternative do you have in mind?**

Issues faced with too many Ground Handlers and possible solutions:

- Ramp Congestion (GSE movement) – Possible Solution considering GSE pooling as appropriate recommended Practices can be found in AHM 906 - GUIDELINES FOR USE OF POOLED AND BORROWED GROUND SUPPORT EQUIPMENT
- Work Force Training and competence – was dropped due to the constant request and move of workers according to the marked allocation shift – Solution IATA training Standard AHM 1100 to implement
- Work Force Instability – In some cases, it happened that a specific handler A lost customers in favour of handler B – as a consequence staff reduction needed on A and staff acquisition on B - Solution: Unions Agreed to enforce a policy that if handlers lose customers – employees ( a % of them) shall be employed by handler B .
- There is an opportunity to recommend the adoption of industry standards as well as ISAGO as an oversight program for GHSP.
- Schiphol has not mentioned whether they had a Business Contingency and Continuity Plan (BCCP) during the crisis, in cases of unforeseen issues, as experienced with the security situation, which had a ripple effect on all other stakeholders; Therefore, a model and testing of their business continuity plan would assist to identify issues specific to their airport.





- **Do you think the 10-month transition period is enough time for companies to adapt to the new situation?**
  - It is important to realize that numerous airlines have pan-European contracts with a particular GSHA. To untangle the uniform working processes a particular airline-agent relationship knows, will take more time, especially since contracts can be signed for a period which covers more than 1 year.
  - Both for the airline as well as for the GSHA the lead-time should be minimum 2 years.

On behalf of

A stylized, handwritten signature in dark ink, consisting of several loops and a final horizontal stroke.

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