

Association of European Airlines



BRUSSELS AIRLINES CO-CEO NAMED AS AEA CHAIRMAN FOR 2012



The Association of European Airlines (AEA) has named Bernard Gustin, Co-Chief Executive of Brussels Airlines, as its new Chairman for 2012.

During his year-long chairmanship, Bernard Gustin will act on behalf of AEA's 35 airline members which contribute €86 billion to the European economy. He will chair the association's board and represent AEA in high-level political meetings.

"Europe is bracing itself for a turbulent 2012, therefore it is more critical than ever to have a competitive and thriving European airline industry," said Mr Gustin. "AEA's members want to fuel the economic recovery. To achieve this, aviation must not be used as a regulatory playground, or as an austerity cash-cow."

"Our focus for the coming 12 months will be on removing inefficiency from the system and driving external costs down. As a key priority, we urgently need Member States to deliver on their Single European Sky promises."

But as we enter 2012, the political focus is sadly dominated by tensions over aviation's inclusion in the EU ETS – not on the launch of landmark Single European Sky reforms which will slash emissions by 12%, reduce delay times and cut airline operating costs.

"The ETS debate is like a volcano. When the tensions erupt, it is going to be extremely damaging for European air travel. A globally acceptable solution and a shift of focus from politics back to the environment is an absolute must for 2012," said Mr Gustin.

Mr Gustin succeeds Virgin Atlantic Chief Executive Steve Ridgway, who expertly steered the association's work during 2011.





FTL PROCESS MUST NOT BE DERAILED

The European Aviation Safety Agency (EASA) has published the findings of a wide-ranging consultation on new pilot flight time limitation (FTL) rules, which will harmonise the maximum number of hours that pilots can work at European level.

Responding to this development on behalf of Europe's network airlines, AEA Secretary General Ulrich Schulte-Strathaus said:

"EASA was given the unenviable challenge of combining the FTL policies of 27 Member States into a robust European standard. The EASA proposal is extremely strict and will maintain Europe's position as a world leader in aviation safety."

The rule-making process was based on independent scientific research and robust safety data. All aviation stakeholders – including national safety regulators, pilot unions and the industry – were given the opportunity to express their views.

"We are disappointed that some pilot unions have tried to leverage this rule-making process to secure better commercial conditions," said Mr Schulte-Strathaus. "Individual elements may vary from other regimes around the world, but taken as a whole these new European FTL rules will be among the most stringent in the world. Some European airlines may face increased costs as a consequence, but there must never be any compromise on safety, even in difficult times."

Increasing each airline's impact to the power of 34

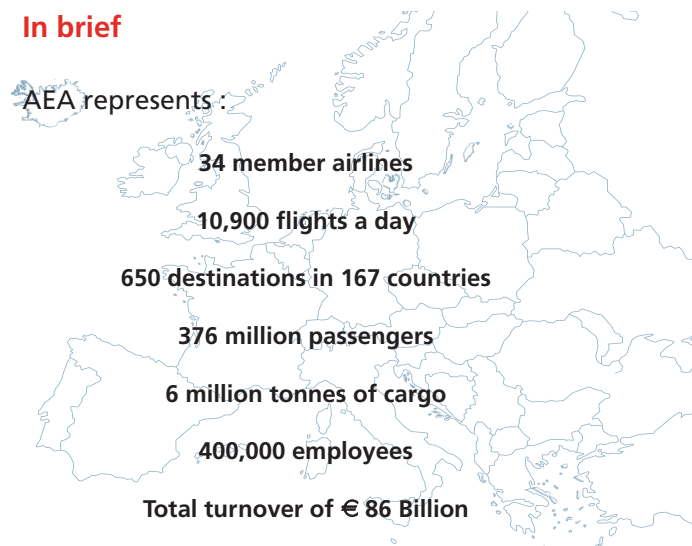
The Association of European Airlines brings together 34 major airlines, and has been the voice of the European airline industry for over 50 years.

Based on its extensive knowledge of the industry and its far-reaching networks, AEA is an essential platform for our industry, and is relied upon by policy-makers and the media as a trustworthy contributor to the debates around the decision-making process.

AEA works in partnership with the institutions of the European Union and other stakeholders in the value chain, to ensure the sustainable growth of the European airline industry in a global context.

The AEA Secretariat, headed by Secretary General Ulrich Schulte-Strathaus, is located in Brussels. A highly flexible and multi-cultural team, each member has their own area of expertise but all strive to maintain a panoramic vision of the industry.

In brief





STATE OF THE INDUSTRY

European carriers brace for a tough 2012

AEA airlines are expected to generate a €1.5 billion EBIT in 2011 on an operating margin of just 1.6%. Most members have posted good results over the first nine months of 2011. Although freight figures are faltering, passenger numbers are up, but third-quarter yields are beginning to weaken.

Passenger traffic on international services within Europe has been particularly buoyant, growing at close to +10% in the first 10 months of 2011. At the same time European load factors increased, by +1.1 percentage points, to an average of 72.5%. Traditionally yields (revenue earned per RPK) on European services weaken every year and in 2011 this will be no different, sliding by about -1% on an annual basis. With capacity expansion of over +8% the additional passenger volume would seem to be generated by attractive pricing.

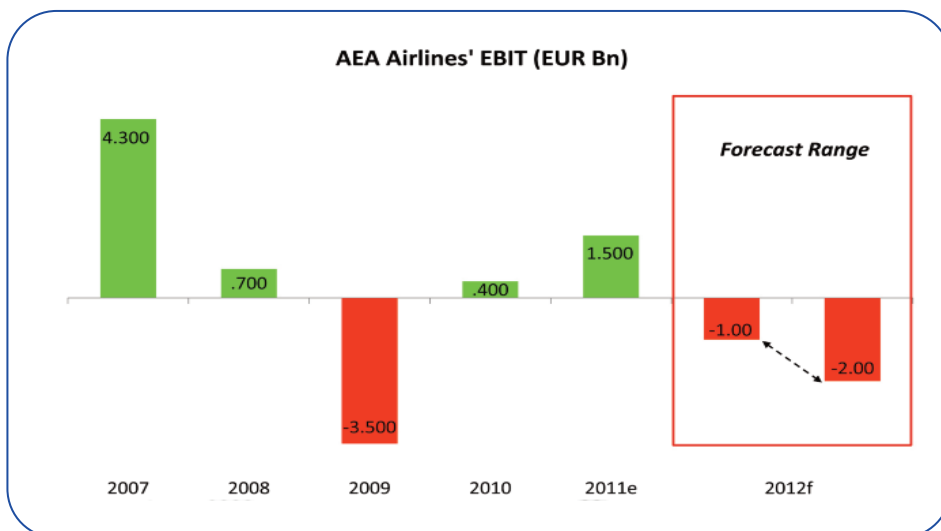
Revenue from European services represents 30% of AEA airlines' total passenger revenue. Long-haul services, representing 52% of passenger revenue, are of greater significance and, in particular, the contribution of premium passengers to the yield mix. Long-haul RPK has grown

by +8.9% in the year to October 2011. Although load factors have fallen, by 1.8 percentage points to an average of 81.7%, the growth in premium passenger numbers remains strong, at (+10.7%), outpacing that of economy class (+8.7%). For 2011 AEA is expecting long-haul yields to show a marginal improvement in 2011, of around 2%.

Europe's economic turmoil is threatening to push the sector to a loss in 2012. AEA expects a challenging revenue environment, from either lower demand or lower pricing power, but most likely from a combination of both, with a potential loss of 7 million passengers or more and a negative yield development reflecting the weakening which started in third quarter 2011.

On the cost side, and in contrast to the 2008-2009 economic crisis when crude prices plummeted, in 2012 fuel prices are expected to remain high driven by a shortage of supply and growing demand from emerging markets. In a complex play of factors - the price of crude, the crack-spread or refiner's mark-up, airline fuel demand, the timing and level of hedging contracts and dollar to euro exchange rates - AEA expects its members fuel bill to be 40% higher than in 2009 and to account for a full 29% of total operating costs.

On a combination of lower revenues and high costs AEA's airlines are expected to post an aggregate result of an €1-2 billion EBIT loss in 2012. This forecast is heavily dependent on a swift and effective political solution to the sovereign debt crisis. If this does not happen the depth of the ensuing crisis will create major uncertainty.





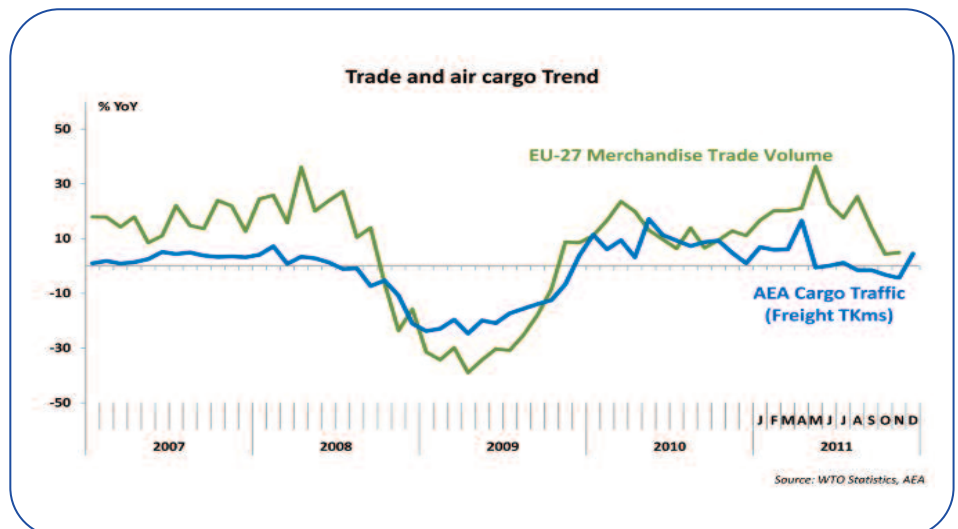
The macro-economic reality

The strong growth in passenger traffic for 2011 described above is at odds with a developing macro-economic reality. The EU's forecast for GDP growth in 2011 has remained fairly stable throughout the year, at +1.6%. But, EU business confidence levels are no longer buoyant, industrial production and trade are falling, consumer confidence is heading towards the lows experienced during the 2008-2009 economic crisis and consumer spending, which has been falling since the second half of 2010, is now contracting.

Growth in Europe's leading economies is slowing at a dramatic pace and the big three – Germany, France and the UK – are all expected to be plunged into recession in 2012. As the eurozone's sovereign debt crisis developed, the EU adjusted its outlook for economic growth for 2012, down from +2.0% in their Autumn 2010 outlook, to +1.9% by Spring 2011, to a growth of just +0.6% GDP by the Autumn 2011 outlook.

The economic problems in Europe will likely to have a contagion effect on the rest of the world. International Monetary Fund is not yet forecasting a world-wide recession (less than 3% GDP growth), but growth will slow from +5.1% in 2010, to +4% in 2011 and 2012, carried principally by the emerging markets of China (+9.0%), India (+7.5%) and Brazil (+3.6%), with US (+1.8%) and Japan (+2.3%) underperforming.

Air transport's first indicator of this reality can be seen in air cargo traffic development. AEA carriers have seen no growth in this segment in the second half of 2011, with the last few months bringing negative growth rates. The year end result measured in freight tonne-kilometers is expected to be around +2%, of which close to 1 percentage point is attributed to the ash crisis in the baseline and the remainder thanks to good figures in the first half of the year.





Passenger traffic posts good growth in 2011

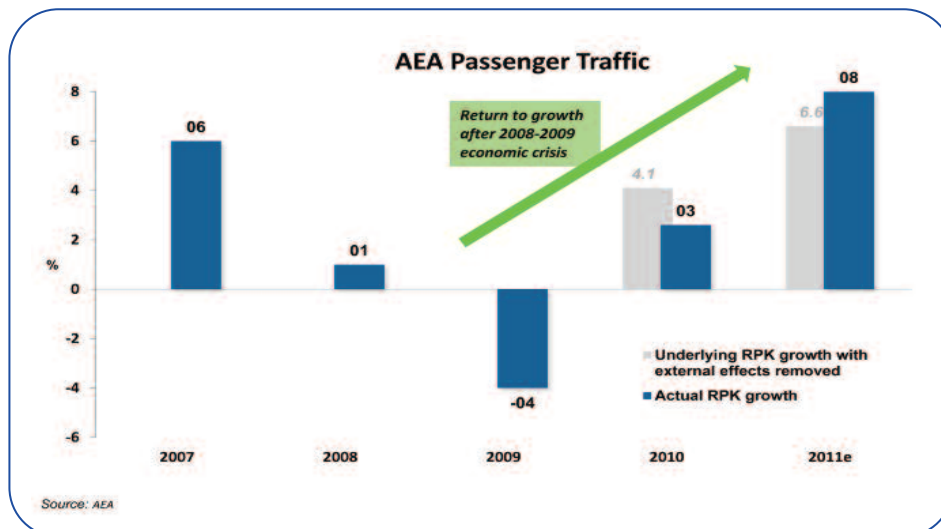
It is safe to conclude that in terms of traffic growth 2011 is a success. Measured in revenue passenger-kilometres traffic in 2011 is expected to grow by 7.8% over 2010. This follows a paltry growth in 2010 (+2.7%) and a very poor 2009 (-4%), affected by the 2008-2009 economic crisis.

It should not be forgotten that the base year for our calculations was a year with many disturbances. In April 2010 the Icelandic Eyjafjallajökull volcano erupted, leading to piecemeal closure of European air space over several days and the cancellation of some 100,000 flights. This event alone accounts for 1.5 percentage points of growth experienced in the subsequent year, 2011.

The end of 2010 brought more disruption in the form of heavy and persistent winter weather which added another 35,000 cancellations to our tally. Finally, 2010 was marked by a wave of general strike action against European governments' looming austerity

measures, particularly in France but also in Greece, Spain and Italy, as well as some high profile airline strikes including the BA cabin crew dispute. In all, strikes led to the cancellation of some 25,000 flights in Europe.

The total number of cancellations in 2010 amounted to some 175,000, the equivalent of seven days of Europe-wide air space closure. Stripping out these effects reveals an underlying RPK growth of +5.8%, above the industry's long-term annual average and a satisfactory result. Of course 2011 itself was not without disruption, with more austerity-inspired strike action which, if also neutralised, would put the 2011 growth result a bit higher.





INDUSTRY HIGHLIGHTS:

➤ Airport Policy

On 23 January, the MEPs who will report on the revamp of ground handling, slots and noise rules were named

AEA's assessment: The 'Better Airports' package fails to address key European competitiveness and infrastructure issues. However, further ground handling liberalisation is supported by AEA's members and some negative impacts - such as primary slot trading and auctioning of new capacity - were successfully averted. Political lobbying must now focus on convincing the Council and Parliament to retain the positive elements. AEA has already secured several MEP meetings where amendments will be proposed, and we are actively engaging with other associations on this dossier.

➤ Emissions Trading

By 31 January, eight AEA members must respond to a US data request

AEA's assessment: AEA opposes this data request, which targeted eight member airlines as part of ongoing US opposition to the EU ETS. AEA coordinated the responses and urged the US DoT to engage with the Commission, not individual airlines. As key opponents to the EU ETS prepare to meet in February to discuss possible retaliation, AEA will continue to channel political pressure, via IATA, into an ICAO-led resolution. Our aim is clear: to secure a global approach, while avoiding damaging retaliatory measures from third countries.

➤ Flight Time Limitations (FTL)

On 18 January, EASA published the findings of a consultation on its new pilot fatigue rules

AEA's assessment: AEA has had significant input into this regulatory proposal, which aims to fully harmonise FTL rules at European level. We have successfully neutralised union attempts to derail this process and are satisfied that the new rules are based on robust scientific evidence and safety data – not the union social agenda. AEA will now ensure this proposal remains on track. A

group of AEA CEOs will meet with EASA in March, before the body delivers its final opinion this summer. The new FTL rules are due to be approved by 8 April 2013 and will enter effect around 2015.

➤ Passenger Rights

On 11 March, the Commission will close its public consultation on air passenger rights

AEA's assessment: As part of its air passenger rights review, the Commission has invited the public to give their views on airline consumer policies. AEA will develop a template answer for members to circulate to their staff. The template answers should be submitted via the Commission's website. Furthermore, AEA will address the core consumer rights issue in a letter to Vice President Kallas.

➤ Security

USA alerts EU about upcoming Emergency Amendment

AEA's assessment: AEA has extensively campaigned for US 'Emergency Amendments' (rule changes) to be channelled through the European Commission, instead of being issued to individual airlines with impossibly tight implementation deadlines. This month the Commission was pre-notified of an upcoming emergency amendment on passenger screening and AEA has been consulted on the change. This is a real breakthrough. Our ultimate goal is for the USA and EU to recognise their security regimes as being equal.

➤ Single European Sky/SESAR

Commission requests public backing for SESAR Deployment under 2014-20 EU budget

AEA's assessment: After strong campaigning from AEA, the Commission has now formally requested €3 billion to support SESAR deployment. This public backing is essential. To become a reality, SESAR will require €30 billion in upfront investment.



JOIN AEA

AEA welcomes four new strategic partners : Embraer, Nomad Aviation AG, Royal Air Maroc & Safran Aerospace-Defense-Security.

Association of European Airlines

JOIN US AND BECOME A STRATEGIC PARTNER

Signing a Strategic Partnership Agreement with the AEA means:

3

Receiving latest industry updates thanks to our Bronze agreement

3

2

Tremendous opportunity for branding your own company by signing a Silver agreement

1

Unique networking with key European airlines and industry stakeholders when entering into the Gold partnership!

1

Association of European Airlines (www.aea.be) is more than happy to assist you with implementing your Strategic Partnership Agreement.

For help or further information please contact Nathalie Mulleners, Manager Partnership Programme and Events, at marketing@aea.be or by phone: Tel +32 (0) 2 639.89.73

AEA 350 Avenue Louise 1050 Brussels Belgium - AEA News

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SAVE THE DATE

- AVIONICS EUROPE, MUNICH GERMANY 21-22 MARCH 2012
- ACI, EUROPE REGIONAL AIRPORT'S CONFERENCE & EXHIBITION, LUBLJANA SLOVENIA 02-04 APRIL 2012
- INTERNATIONAL TRANSPORT FORUM SEAMLESS TRANSPORT, LEIPZIG GERMANY 02-04 MAY 2012
- EBACE 2012-ANNUAL MEETING OF BBAA, GENEVA SWITZERLAND 14-16 MAY 2012
- AIRLINE BUSINESS SEMINAR, SPONSORED BY EMBRAER. EASTERN EUROPE & CENTRAL ASIA 2012, ISTANBUL TURKEY 30-31 MAY & 01 JUNE 2012
- IATA GENERAL MEETING, BEIJING CHINA 10-12 JUNE 2012
- FARNBOROUGH, FARNBROUGH HAMPSHIRE UK 09-15 JULY 2012
- MRO EUROPE, AMSTERDAM THE NETHERLANDS 09-11 OCTOBER 2012

AEA Technical Specifications - Automated Ticket and Boarding Pass equipment (ATB)

AEA has been instrumental in the development and establishment of specifications for automated ticketing and boarding pass processes, since their inception in the early 1980s.

AEA specifications for Automated Ticket and Boarding Pass equipment (ATB), Parametric Tables (PECTAB), Self Service and Baggage Tag Printers (BTP) related firmware are an industry standard, applied by manufacturers worldwide.

To order your copy, please go to:

<http://www.aea.be>



S.T.A.R. 2011 Edition is available to order

The **S.T.A.R.** report (Summary of Traffic and Airlines Results) is an unrivalled source of its member airlines' traffic data. A wealth of passenger and cargo data is included, by airline and by routes.

The report also includes aggregate yield and revenue information.

Key figures are shown in historical time series. The report is available in two formats – PDF with latest 2010 data and Excel data file with data from 1975 to 2010.

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