Delivering a bright future for European Aviation and Passengers

5 YEAR STRATEGIC PLAN
2010-2014

Association of European Airlines

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The Association of European Airlines calls for Action to promote the sustainable competitiveness of European Aviation

Air transport is a key driver of European cohesion and competitiveness. With 650 million passengers and 40% of merchandise – by value – carried in and out of Europe each year, airlines are a major contributor to the European economy. The aviation sector directly employs 1.6 million people and generates an additional 2.9 million jobs, not to mention its direct impact on tourism.

Operating in a fast-changing world, the aviation sector requires a clear strategic vision. In 2004, the Association of European Airlines developed a five-year Action Plan to address structural deficiencies which were constraining the sector's transition into the 21st Century: infrastructure on the ground and in the air; environmental impacts; barriers to globalisation and an effective international security regime to minimise inconvenience to customers.

Although substantial progress has been made in all these areas, external shocks suffered by the industry in 2008-10 as well as additional industry challenges highlighted the need to complete the task. An unprecedented economic crisis gave rise to the European airline sector's worst-ever financial result in 2009. In addition, European airlines were severely impacted in the first half of 2010 with the effective grounding of the industry due to the Icelandic volcanic ash cloud. This highlighted both the vulnerability and the essential role that the aviation sector plays for the benefit of the European economy and of its citizens.

This renewed 5-year Strategic Plan emphasises the importance of building a robust aviation sector through a dedicated European Aviation Platform as endorsed by the European Commission.

The AEA Strategic Plan for 2010-2014 comprises the following seven objectives:

- Promote aviation's critical role in Europe's future;
- Innovate for the benefit of customers;
- Contribute to better, smarter and more cost effective regulation;
- Accelerate progress towards a Single European Sky;
- Decarbonise aviation;
- Ensure conditions for fair competition: a level playing field;
- Champion a global security framework.

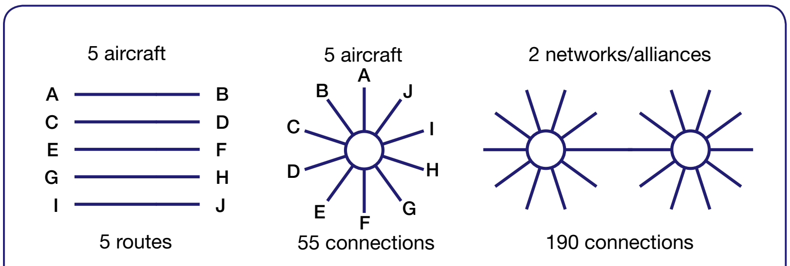
In an increasingly globalised world, a vibrant aviation industry is required to sustain Europe's economic development. Maintaining a healthy and successful sector, and ensuring that European airlines can compete effectively with their counterparts internationally, are the industry's key priorities for the 5 years ahead. The Association of European Airlines calls upon the European Institutions to support the airlines' vision with a coherent and effective strategic policy platform for aviation.

Introduction to the European airline industry and AEA

Fast facts

European airlines are essential to our daily life. Network operators link businesses, friends and families; driving economic development and facilitating international trade. Each year, 650 million passengers use the services of European airlines which also carry 40% of merchandise value in and out of Europe. European air transport provides direct employment to 1.6 million people and generates 2.9 million additional jobs. The European Aviation sector's contribution to EU GDP is € 275 billion, or 3.1% of the total. Finally, up to 14% of the industry's turnover is invested in Research and Development with a particular focus on lower carbon technology solutions. Globally, air transport emits just 2% of man-made CO_2 emissions.

Efficiencies of networks



Source: AEA

The power of the networks: operating to a range of destinations from hub airports, AEA airlines can offer a unique product feature to their customers – the ability to plan a through journey, on a single airline, with a single ticket, at a single fare, with a single bag check-in. Over a vast range of journeys, the passenger has a choice of airline, and benefits from the resulting competition for his business, in price, service and convenience.

About AEA

The Association of European Airlines is a non-profit industry organisation, bringing together 35 major European airlines as the voice of the European Airline Industry for more than 50 years. Based on its extensive knowledge of the industry, AEA is an essential industry platform, and is relied upon by policy-makers 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 marketplace.

AEA member airlines carry 340 million passengers and 5.5 million tonnes of cargo each year and provide direct employment to 383,000 people. They operate 11,200 flights a day, serving 630 destinations in 160 countries, with a global turnover of €70 billion.

Vision

AEA member airlines will be sustainably profitable because they provide safe, reliable and affordable service to consumers, and are environmentally sensitive and internationally competitive.

A few additional facts and figures:

- 3 million jobs in EU tourism are supported by air transport, contributing € 140 billion to GDP yearly.
- 42% of tourists i.e. 80 million people visiting Europe arrive by air.
- Aircraft's occupancy rates reached 76% in 2009, far exceeding train and car load factors.

AEA 2010-2014 Strategic Plan



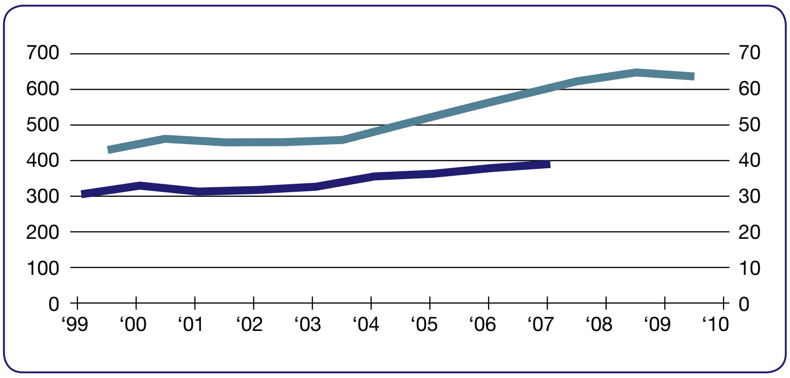

Key Objectives

Promote aviation's critical role in Europe's future

Aviation is a key pillar of Europe's competitiveness. Airlines carry about 40% – by value – of Europe's exports and imports and transport 650 million passengers per year to and from Europe. They provide access to global markets for European business, secure 4.5 million jobs in Europe, and promote tourism across the globe, whilst AEA member airlines alone employ 383,000 people.

Traffic of European Carriers (in million passengers)

Europe (except CIS) Cargo (in million tonne kilometer)



Source: ICAO (International Civil Aviation Organization)

Source: World Air Cargo Forecast 2008-2009; Boeing

Aviation is an integral part of Europe's economic prosperity and social cohesion

- Responsible for over 7.7 million jobs (including tourism) and contributes over 3.1% of Europe's GDP;
- Facilitates social mobility and maintains cultural links between European citizens and their friends and family all over the world;
- European airlines are an essential element in the political cohesion of Europe providing the only means of transport to link the Regions to the Centre and to each other;
- Supports trade links and business ties, stimulates GDP growth, and enables Europe to participate in the development of new economies;
- Aviation positively contributes to maintain high skilled employment in Europe while not weighing on Public finances as aviation is a net contributor to the public purse;
- Airlines, their supply chains and their passengers all play a critical role in Europe's economic recovery by linking Europe to the world and facilitating productivity and investment.

AEA Members will aim at ensuring that aviation priority projects are at the heart of the political agenda by promoting constant dialogue with all EU stakeholders

- AEA will intensify the dialogue with members of the European Parliament, of the European Commission and of the Council of Ministers. Several aviation agencies such as EASA, SESAR and EUROCONTROL have been established to monitor and implement key provisions of the regulatory framework;
- A recently created Aviation Platform is a further means of ensuring that European aviation will be promoted in a concerted action by the Member States, the EU Institutions and the aviation industry.

Key facts and figures

- Air transport contributes € 275 billion to EU GDP per year.
- 7.7 million jobs (including tourism) result from air transport.
- 40% of total merchandise value is carried in and out of Europe each year.

Innovate for the benefit of customers

The European airline industry's key focus is to continue providing customer friendly, safe, efficient, reliable and environmentally friendly services at affordable prices, whilst remaining globally competitive. European airlines are constantly striving to improve their performance in terms of products and services for the benefit of the customer.

A competitive, dynamic aviation industry that responds to consumer demand

- Liberalisation of the European aviation industry means that passengers now have a choice of airlines and business models. Airlines must compete on service and product offerings more than ever in order to win and retain customers;
- The past twenty years has seen considerable innovation in how airline tickets are sold, pricing transparency, how passengers are communicated with and receive information about their journey, online check-in, the product offering onboard, alliances and networks – the majority of which has been led by the industry in response to consumer demand;
- Passengers now have access to information about an airline and its products via the internet and social media, they are better able to make informed choices than ever before;
- Air cargo services have increasingly become an integral part of the global supply chains of their customers and there is a choice of a wide range of services, meeting different customer needs.

Any future reviews of passenger-focussed regulation must encourage innovation and allow market differentiation

- Including a sense of reasonableness in any review of passenger rights regulation, that recognises that airlines cannot be the "insurers of last resort" for events outside of their control such as adverse weather conditions, congestion of airspace and airports or events of extraordinary circumstances such as the 2010 volcanic ash crisis;
- Avoid over-burdening the industry with regulation based on the "lowest common denominator", enabling airlines to compete on the basis of their service and product offerings;
- Equal application and enforcement of existing passenger rights regulations throughout the Member States rather than adding to the regulatory burden and compounding inequalities within the sector;
- European Institutions must be an effective champion for EU airlines overseas, as third countries develop contradictory or burdensome passenger rights legislation that does nothing to improve the customer experience.

Contribute to better, smarter and more cost effective regulation

Of necessity, regulation is a part of the air transport industry's infrastructure, and airlines may reasonably expect regulation to be efficient and cost-effective. Some areas of the industry are over-regulated, some are under-regulated. In other areas, regulation functions poorly or has unintended consequences.

Aviation is a heavily regulated industry

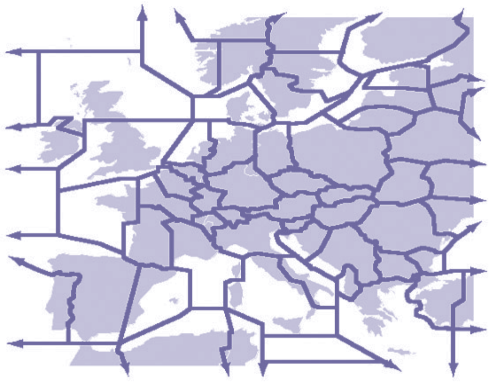
- Burdensome and duplicative legislation stifles competition, adds complexity and costs for passengers as well as airlines, and distorts competition;
- Lack of harmonisation of regulation – at both European and international level – is counterproductive, burdensome and costly;
- Regulations are implemented inconsistently and unequally, leading to competitive distortions;
- Airlines are one part of the "aviation value chain", but current charging regimes by monopolistic service providers mean that airlines' fixed costs are high and potential profit margins are low.

New regulation must be focussed, necessary and contribute to a more competitive industry

- European institutions and agencies must remain focussed on their core area of expertise, e.g. EASA and safety regulation;
- Rigorous cost/benefit analysis must be undertaken before proposing any new regulation. New legislation, and reviews of current legislation, should enhance airlines' ability to compete and not stifle innovation;
- Interpretation, implementation and enforcement of regulation must be harmonised between Member States to ensure a level playing field;
- Existing regulation should be equally and effectively enforced, rather than being overlaid with new requirements;
- The Directive on Airport Charges should be implemented immediately, the airports' and air navigation service providers' "cost recovery" mechanism should be abolished, and more competition should be enabled between ground handlers.

Accelerate progress towards a Single European Sky

EU Governments have agreed that, by 2012, European airspace should be organised in functional blocks which are determined not by national boundaries but by traffic flows. Passengers will no longer suffer the levels of delay currently experienced and the elimination of circuitous routings, inefficient flight profiles and holding patterns could reduce European airlines' carbon footprint by as much as 12%.



European ATC is fragmented

- 31 National systems
- 18 System suppliers
- 30 Programming languages
- 63 ATC centers

Source: Eurocontrol

Current European air space is a "patchwork quilt" of 31 national air navigation service providers

- Inefficient flight paths add thousands of hours of needless flying, cause delays, add unnecessary costs and greater CO_2 emissions.

European airlines call upon EU Institutions to accelerate progress towards a Single European Sky

- Single European authority empowered to make airspace decisions;
- Centralised crisis management expertise;
- Reduction in delays and flight times, as well as costs to the industry;
- In the meantime, air traffic management charges must be reduced by delivering interim efficiencies, eliminating wasteful and non-core spending;
- Safety will remain at the highest level for the passenger as well as customer service;
- Public funding for SESAR should be secured. Like NextGen in the USA, SESAR will provide for the next generation technology to optimise infrastructure management. Airlines cannot pay the fees for a currently inefficient airspace management and pre-finance the future technologies. Ways of developing public pre-financing must be developed.

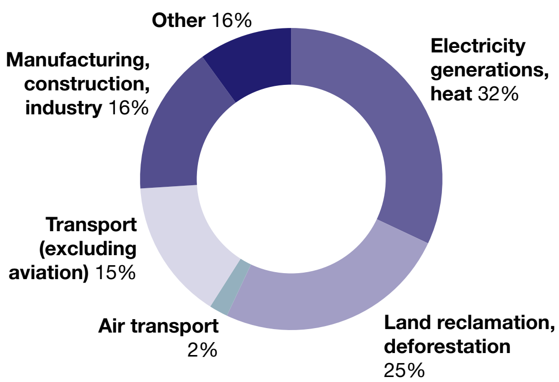
Key facts and figures:

- The implementation of the Single European Sky will result in operating cost savings of € 3.7 billion per year.
- Up to 12% CO_2 emissions reduction can be achieved.
- A 1% efficiency gain saves up to 500,000 tonnes of fuel per year in Europe.

Decarbonise aviation

Reducing aviation's environmental footprint has become one of the industry's key priorities through the development of state-of-the art aircraft and engines, of operating measures to reduce fuel consumption in flight, and through a better use of its infrastructure and facilities: airspace, airports and air traffic control. Although airlines emit just 2% of man-made CO_2 emissions, the airline industry has voluntarily engaged in a global CO_2 emissions reduction plan which includes improving fleet fuel efficiency by 1.5% annually from 2010 to 2020, thereafter the achievement of carbon-neutral growth, and the target of reducing carbon emissions by 50% compared to 2005 levels, in absolute terms, by 2050.

Worldwide CO_2 emissions by sectors



Source: World Resources Institute

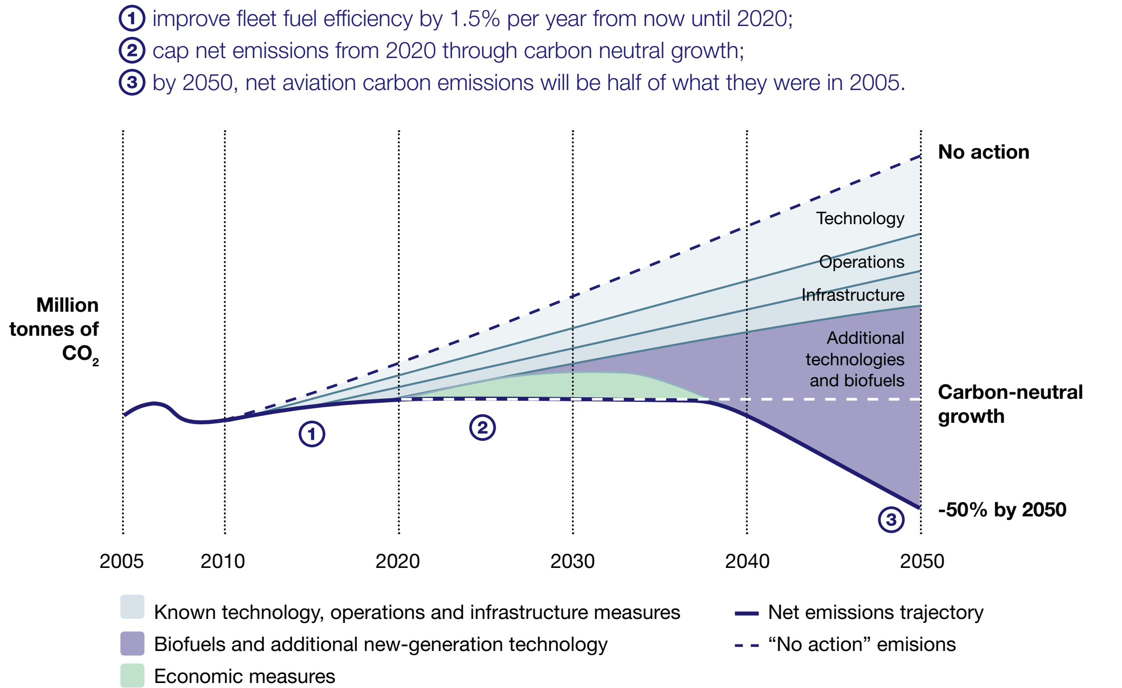
A lower carbon aviation industry that plays its part in global climate change targets

- AEA members are at the forefront of efforts to include carbon dioxide emissions from aviation in a robust global climate change framework;
- To be both environmentally effective and economically efficient, and to minimise the risk of competitive distortions and carbon leakage, policy action must be taken at a *global* not *national* or *regional* level;
- Significant efficiency gains have already been achieved by the industry, through improved operational best practice and investment in lower carbon technologies. This will continue to be a priority for AEA members.

European airlines support the development of an ambitious global solution on climate change and call the European Union to take a leadership role on these issues

- Working with the International Civil Aviation Organisation (ICAO) to accelerate progress on an ambitious global climate change agenda that will deliver real reductions at an international level, rather than just affecting European flights;
- Supporting the development of sustainable alternative fuels for aviation, and incentivising their use through more pragmatic "monitoring, reporting and verification" methodology under the EU Emissions Trading Scheme;

Mapping out the industry commitments



Source: ATAG (Air Transport Action Group)

- Enabling AEA airlines to continue to invest in lower carbon technologies, by allowing them to compete on a level playing field with non-EU carriers. Today, up to 14% of the industry's turnover is devoted to research and development in particular to develop low carbon technology solutions;
- Maintaining a continued focus on carbon will give a clear direction to airlines and manufacturers for future technology development;
- Delivery of the Single European Sky package as soon as possible, to enable substantial efficiency gains and carbon savings for flights within Europe.

Key facts and figures

- European aviation accounts for 0.5% of worldwide CO_2 emissions.
- Modern aircraft achieve fuel efficiencies of 3.5 litres per passenger per 100 kilometres; roughly the same as a medium family car with two occupants.
- European airlines need to invest € 400 billion over the next 10 years to acquire 5,000 new aircraft in order to meet their carbon reduction target by 2020.
- Commercial aircraft have already successfully completed test flights powered by biofuels.
- Aircraft's occupancy rates reached 76% in 2009, far exceeding train and car load factors.

Ensure conditions for fair competition: a level playing field

European airlines participate in a global marketplace alongside competitors from around the world, some with distinct business models, some with very different regulatory regimes. Their ability to maintain the quality of service by which they are defined could be threatened by competitive distortions. Equally, within Europe, there is competition between airline business models, and between airlines and other modes of transport; competition which is by no means fair and free of distortion.

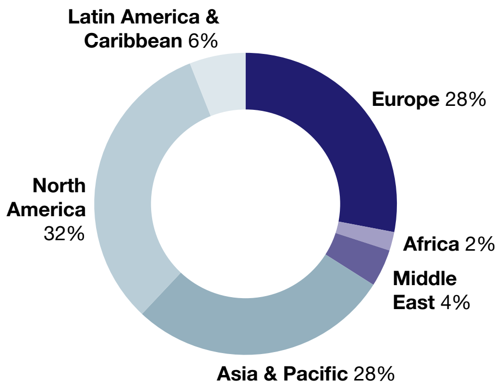
European airlines' ability to compete is undermined by burdensome and unequally enforced regulation, distortive taxes and levies and operating requirements

- European airlines compete in local, regional and international markets with other carriers based in the region, in Asia/Pacific, Africa, the Americas and the Gulf States;
- Aviation is an international industry, therefore it is most effectively regulated at a global level;
- Ensuring compliance with a variety of different local and regional regulations on issues such as security and border control adds to airlines' operating costs and administrative burdens, without benefitting the customer.

European airlines call upon the European Institutions to ensure that such a level playing field exists

- By avoiding burdensome – administrative or financial – regulation that puts European airlines at a competitive disadvantage with their international counterparts;
- By working with third countries to harmonise rules and operating standards in the areas of security, environmental regulation, border controls, state aid rules, taxes and charging regimes;

Regional distribution of scheduled passengers, 2009



Source: ICAO (International Civil Aviation Organization)

- By securing a level playing field between the airline business models. No frills airlines serving local markets are driving distortive infrastructural requirements, and raising the issue of public funding of regional airports;
- By ensuring fair competition with other modes of transport. State aid rules should be evenly applied;
- By providing public sector funding for security provisions that protect the wider public, not only air passengers;
- By eliminating barriers to competition, through e.g. implementing the Single European Sky;
- By ensuring that European airlines' interests are represented when negotiating new air traffic agreements with other countries;
- By eliminating "restrictive" foreign ownership and control" laws, while at the same time ensuring that reciprocity in market access and regulatory convergence is safeguarded;
- By seeking implementation and convergence of competition policy with that of other nations when futher liberalising market access.

Champion a global security framework

Passengers are bewildered by the array of burdensome, intrusive and inconsistent security measures at airports. AEA seeks mutual recognition at international level of security standards, and a firm objective should be a One Stop Security Regime – in other words, once a control has taken place, the passengers and cargo should be considered "safe" when transiting to the final destination.

Security is an international issue

- Currently passengers face overlapping and even partially contradictory security provisions, rules and policies implemented by different governments; this effectively reduces the effectiveness of any security policy;
- The inconsistency of the approach pursued thus far has led to a complicated patchwork of regimes, which are burdensome for airlines, their passengers and shippers alike.

A different, pro-active and risk based approach is required. AEA calls for a four pronged, comprehensive strategy which maximises security and minimises inconvenience including:

- Strong international co-operation between national intelligence services;
- Intelligence profiling; AEA recognises this is sensitive, given data privacy requirements. However, security experts agree that the focus of a risk-based security policy should be on the potential suspects, as opposed to the potential tools for a terrorist attack;
- Reduction of predictability of security controls processes at airports;
- Use of state-of-the-art technology for security screening.

A global security framework must be developed

- To ensure that a comprehensive policy consisting of improved intelligence, profiling, higher unpredictability of controls and state-of-the-art technology be implemented;
- European institutions must collaborate with non-European countries to eliminate inconsistencies and overlapping requirements;
- Scope and implementation of US requirements for screening cargo imports must be resolved;
- Emergency amendments imposed by US authorities are a short-term fix; Europe's own high security standards should be recognised by the US Government;
- EU Regulation 300/2008, relating to internal EU security rules, needs to be interpreted and implemented in a harmonised approach across all Member States;
- By providing public sector funding for security provisions that protect the wider public, not just air passengers.

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