



The International Air Carrier Association



Airline Associations Crisis Relief Programme

The undersigned airline associations hereby submit that several relief measures are required urgently to help this sector overcome the current fundamental crisis affecting the global economies. Whilst they will continue to address specific concerns of their respective constituents individually, the Undersigned share the view that a common European Aviation Relief Programme is called for.

The current economic crisis is affecting the airline sector as never before.

This is forcing forecasts for 2009 to be adjusted continuously downwards after an already challenging year 2008. Passenger revenues for 2009 are expected to shrink by 5.7% (IATA), and in Europe by 4% (AEA). Premium passenger traffic volume, an indicator of economic activity, has decreased at a double digital level for the past 6 consecutive months in comparison to the preceding year.

To date, on the demand side, passenger numbers have decreased more than 10% in 2009 compared to the same period last year at European airports, whilst passenger/kilometres were down by 6.0% on average in the first two months of the year. Freight, considered to be a key economic indicator, was down by -21.3% (freight-tonne/kilometre) in the same period. Subsequently, AEA's main European carriers forecast operating losses for 2009 between € 1.5bn and €2.5bn. On the supply side, the number of flights will be reduced by -6 to -8% throughout the summer 2009. As of February, 102 aircraft have been taken out of service, with 136 aircraft grounded in the past four months alone (source IATA/AEA).

The crisis is affecting the entire value chain.

Four orders for Airbus aircraft were registered by the aircraft manufacturer, but 12 aircraft orders were cancelled in one month alone. By early February, Boeing reported orders for 18 aircraft, and cancellations of 31 aircraft orders.

In 2008, the air transport sector still provided for 1.53m direct jobs in Europe, of which airlines were by far the biggest contributor, accounting for 49%, or around 748,000 in direct employment. To date, 20,000 redundancies have been announced, and more are likely to follow. Jobs are being lost at airports as well, i.e. Milan 30%, Schiphol Amsterdam 10-25%, etc. For every job lost in the aviation industry, there are robust estimates that 5 more jobs are lost in the wider economy. For every job lost in the aviation industry, there are robust estimates that 5 more jobs are lost in the wider economy.

Even if aviation capacity and staff levels are reduced, this will not be sufficient to overcome the crisis, which is deeper, more protracted, structural and encompassing than any other crisis in recent times. Subsequently, IATA has forecast a loss of \$ 4.7bn for 2009.

In view of the dimensions of the economic crisis, governments across the world have co-ordinated efforts to bail out key sectors, such as the financial sector, and major strategic industries. As a basic principle, it should be clear that the airline **sector is not seeking any kind of bail-out** for individual carriers. The sector believes that measures of this kind would not improve the efficiency, or increase the competitiveness of European aviation. We absolutely need to preserve the principles of the internal aviation market.

However, political intervention is called for. If no political action is taken, the sector will be further weakened by the current inefficiencies of its system and regulatory framework

We seek intervention from the regulators with respect to the following areas:

1. Infrastructure charges and implementation of cost reduction:

i. En-route and Terminal Navigation Charges:

- i. Accelerate the implementation of the Performance Framework of Single European Sky Package II;
- ii. Do not allow any unit rate increases above the 2008 level for two consecutive years (No under-recoveries of these charges will be taken into account as they shall be removed from the cost base);
- iii. Stabilize the Eurocontrol's Agency cost-base (Parts I and IX) at the 2008 level (98%) for two consecutive years;
- iv. Suspend the cost recovery principle in due course.

ii. Airport Charges:

- i. Do not allow any increases of airport charges above the 2008 level for two consecutive years as governments shall ensure that no airport charges are increased unless exceptional circumstances and users' consent warrant such an exceptional increase;
- ii. Anticipate application of the Directive on Airport Charges by implementing key principles therein with immediate effect;
- iii. Commend airports which have reduced charges as benchmark for all airports;
- iv. Suspend the cost recovery principle – where applicable – in due course.

iii. Security Charges:

- i. All costs related to aviation security measures should be transferred back and borne by Member States. In particular, the EU should ensure that as a first step national security measures adopted in addition to EU common aviation security framework are publicly financed. It should also guarantee the funding through special EU funds or national budget of the costs involved by the implementation of the roadmap on liquids, gels and aerosols presently under preparation;
- ii. Anticipate application of the forthcoming Directive on Security Charges by implementing key principles of the Directive on Airport Charges with immediate effect;
- iii. Mandate with immediate effect, the application of the ICAO principles of cost relatedness of security charges and withdraw all national security taxes levied on aviation.

2. Abolition of superfluous legislative proposals and administrative- and/or financial burdens:

- i. Member States to commit to abolition of national taxes on aviation;
- ii. Encourage EU Member States to meet MRV ETS guidelines through the application of less burdensome procedures in order to reduce unnecessarily costly administrative measures;
- iii. Refocus EASA on its core function so as to avoid unjustified and non-safety related initiatives, and require the review of existing procedures and activities to take advantage of best practices so as to reduce the aggregate cost of safety regulation.

3. Pro-Active aviation policy:

- i. Intra-EU "one stop security" to become mandatory by June 2009;


- ii. Public funding is required to fund the most ambitious European infrastructure programme SESAR whose investments are evaluated at €30 billion;
- iii. Public Funding: include aviation in the 'stimulus package', by making available funds for research and development for improvements to energy efficiency of aviation sector, and for the deployment of screening technology (especially the screening of liquid explosives);
- iv. Include aviation's infrastructure requirements in the TEN-T package immediately;
- v. Enable airlines to access EIB funds on the basis of non-discrimination and transparency;
- vi. Commitment by all EU institutions to avoid policies which could promote fragmentation of the industry;
- vii. Commitment by all EU institutions to a policy aimed at avoiding distortions to competition.

The European air transport sector remains wholly committed to delivering benefits for the travelling public with products which are safe, secure, affordable, efficient, environmentally focused and consumer-friendly.

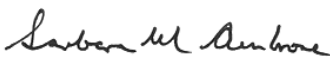
The undersigned acknowledge that regulatory steps have been undertaken by the EU institutions. The execution of the proposals listed above will accelerate the implementation of a regulatory framework within which the sector would be able to improve its efficiency. The market is not mature enough to emerge from the current crisis more resilient than it is today. We need to urgently accelerate the fundamental restructuring of this sector.



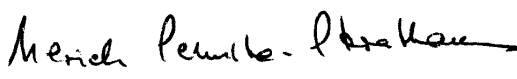
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