

## Information

16 October 2009

### **TURBULENT SKIES: 35,000 JOB CUTS, RECORD LOSSES OVERSHADOW AEA ASSEMBLY**

#### **Network carriers will remain key to mobility and prosperity, airline chiefs affirm**

The Chief Executives of Europe's leading network airlines met in Dubrovnik today to discuss the industry's response to the crisis which has driven down traffic and revenues and destroyed the sector's profitability.

The occasion was the Presidents' Assembly of the Association of European Airlines, hosted by AEA's Chairman for 2009, Dr. Ivan Misetec of Croatia Airlines. In his welcome address to the Assembly, Dr Misetec echoed the consensus that the current state of the industry was the most precarious in its history, that a meaningful recovery was still beyond the horizon, and that the medium term would see fundamental changes in the structure of the airline sector.

The Assembly was given some stark facts and figures to illustrate the dimensions of the economic devastation. In 2009, AEA airlines are expected to carry 22 million fewer passengers than in 2008, with proportionately the greatest loss coming in the premium-fare segment, and post an operating loss of € 2.9 billion, 50% greater than the previous highest-ever loss figure, in 2001. During the course of the year, some 35,000 jobs within AEA airlines will have been lost, another 60,000 jobs which depend indirectly from airlines, will have been eliminated as well.

*"The dimensions of this downturn are unprecedented, said the AEA Chairman. "In the past 35 years we have not seen such devastation of value. And we will not return to 'normal' again; the consumers are changing their expectations, and this will continue."*

The rigorous and painful discipline of cutting of internal costs, at a time of the worst crisis the industry has known, contrasted with a relentless increase in external expenses which has seen costs outside the airlines' control reach almost two-thirds of total expenses. The Assembly renewed its call on the industry's regulators to pursue the implementation of legislation already in place which would lead to the moderation of air traffic control, airport and security charges.

*"We have been ripped off for years", said the AEA Chairman, "and the airports and air navigation service providers, still acting as uncontrolled monopolists in our competitive market, continue to push up their prices. During recent weeks we have seen major airports, national air traffic control providers and even the US health agency which*

- Adria Airways
- Aer Lingus
- AeroSvit
- Air France
- Air Malta
- Alitalia
- Austrian
- bmi
- British Airways
- Brussels Airlines
- Cargolux
- Croatia Airlines
- Cyprus Airways
- Czech Airlines
- DHL
- Finnair
- Iberia
- Icelandair
- Jat Airways
- KLM
- LOT
- Lufthansa
- Luxair
- Malev
- Olympic Airlines
- SAS Scandinavian Airlines
- SWISS
- TAP Portugal
- TAROM
- TNT Airways
- Turkish Airlines
- Ukraine International Airlines
- Virgin Atlantic Airways

*inspects arriving flights proposing fee increases to compensate for lower traffic volumes*". The Assembly agreed that AEA would continue to 'name, shame and blame' any service providers which used cost-recovery as an excuse for fee increases and called for a freeze on airport and ATC charges for the duration of the crisis.

In contrast, the airlines' reaction to lower traffic volumes has been to scale back production through the summer season. This process has been made possible by the suspension of the 'use it or lose it' airport slot rule which is a major barrier to short-term capacity adjustment. *"This arrangement expires in two weeks", said Ivan Misetić; "we urgently need it to be extended through the winter. The summer cutbacks have allowed us to eliminate a million empty seats a month; in the absence of a waiver for the winter, we have a stark choice – put back that excess capacity, or risk our future product integrity"*.

The Assembly noted its disappointment that the Commission had failed to bring the state of the industry to the table at the 9<sup>th</sup> October Council of Transport Ministers, thereby stifling debate on the winter slots waiver. *"We do not believe that the Commission fully realises the importance of the mobility that the AEA network airlines bring to the EU economy, its cohesion and its administration. No other aviation model can replicate the connectivity that the network airlines deliver, linking all parts of the Community, internally and externally with the rest of the world"*. A healthy European industry, said the AEA Chairman, was a prerequisite for global economic recovery.

The AEA Presidents reaffirmed the role of the network carriers as pivotal for Europe, and their determination to maintain this position in the face of aviation's changing circumstances. *"No longer will we respond to the title 'legacy carriers'", said Ivan Misetić; "it is true that, collectively, we have the experience and the expertise, and this will place us at the forefront of the new order facing our industry"*.

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Note to the Editor: The Association of European Airlines (AEA) brings together 33 European established scheduled network carriers. These collectively carry 366 million passengers and 7 million tonnes of cargo each year, operating 2,617 aircraft serving 662 destinations in 162 countries with 11,585 flights a day. They provide around 394,200 jobs directly, and generate a total turnover of €79 billion