



Air Transport:

A stronger partner for the European Economy

European Aviation Summit

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“Enhancing European Air Transport Competitiveness”

AEA members' contribution to Europe's air transport



- European airlines – a € 100 bn business
- 580 mio. passengers – 26% of scheduled passengers worldwide
- 9 mio. tons of cargo – 17% of worldwide freight, most high text exports
- Aviation creates jobs: More than 3 mio. jobs (500.000 direct) depend on aviation. By 2020 this number will double.
- GDP: Aviation contributes 8-10% to GDP. (11-13% in 2020)



- This should be the starting point for EU White Book
- “Mastering” aviation growth should not mean “contain” growth, but “foster” growth



Europe – a cradle of mobility



Christopher Columbus



Trains



Gottlieb Daimler



Gustav Weisskopf



Junkers



Concorde

→ Do we capitalize on our innovations?



- 1. Mobility necessary for economic prosperity. Airlines deliver.**
 - 2. Mobility increases Europe's integration. Airlines deliver.**
 - 3. Mobility enables trade and tourism. Airlines deliver as well.**
- ➔ Air Transport contributes greatly to Europe's growth, prosperity and integration. It is itself a growing industry combining high-tech and services.**

Aviation - a highly efficient user of resources



→ Land Use:

3 kilometers of rail track or motorway = 3 km

3 kilometers of runway = the world

→ Fuel Efficiency increased 20-25% since 1999

(~3 liters/100 Passenger km on an A346)

Fuel prices are huge incentive to maintain trend

→ Noise patterns have decreased drastically

→ By channeling international routes via hubs, airlines minimize impact on **environment**



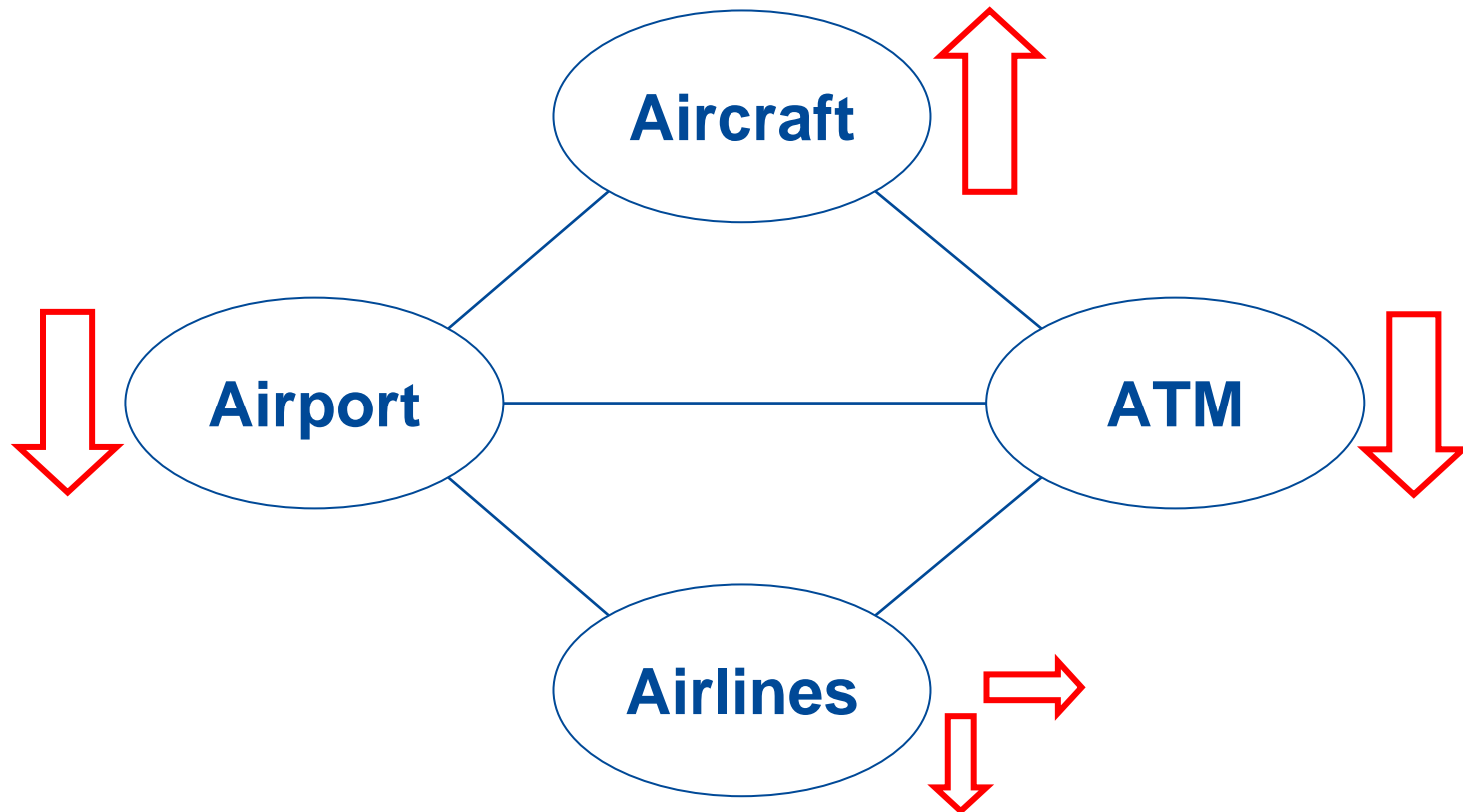


Competition becomes tougher and not necessarily fairer...

- **US:** Chapter 11 and other governmental aid (security costs, insurance) permit US carriers to reduce prices and dump capacity
- **Far East:** Rapid expansion of emerging global economic powers China and India. Increasing presence of Far East carriers in all international markets.
- **Middle East:** Governmental aid, EU and U.S. Credit Guarantees to fund massive capacity expansion of Gulf airlines (+ 142% since 2002, 19 % p.a.). Construction of world's biggest airports in record time. **Goal: To replace EU as finance, transport, logistics hub.**



Divergence in efficiency





■ Aircraft...

- Appr. 60% reduction of fuel consumption per engine in 40 years
- Reduced emissions, less noise
- Further progress likely

■ ATM...

- Safe, but unnecessarily costly: EUROCONTROL estimates that, because of different technological systems and fragmentation of airspace, European ATM has 3 bn euros of superfluous costs
- Traffic growth will amplify inefficiencies, bottlenecks will lead to substantial economic damages
- Structural and regulatory consolidation overdue
- Severe competitive disadvantage for EU carriers



▪ Airports

- Capacity constraints at major hubs
 - one European carrier alone uses 115.000 tons of kerosene p.a. to operate circuitous routes and holding patterns over hubs in Europe – the equivalent of 4000 flights Europe-New York
- Insufficient infrastructure undermines punctuality, is detrimental for the environment, and cost driver.
- Lack of incentives for airports to reduce costs
- Competitive disadvantage for all EU carriers

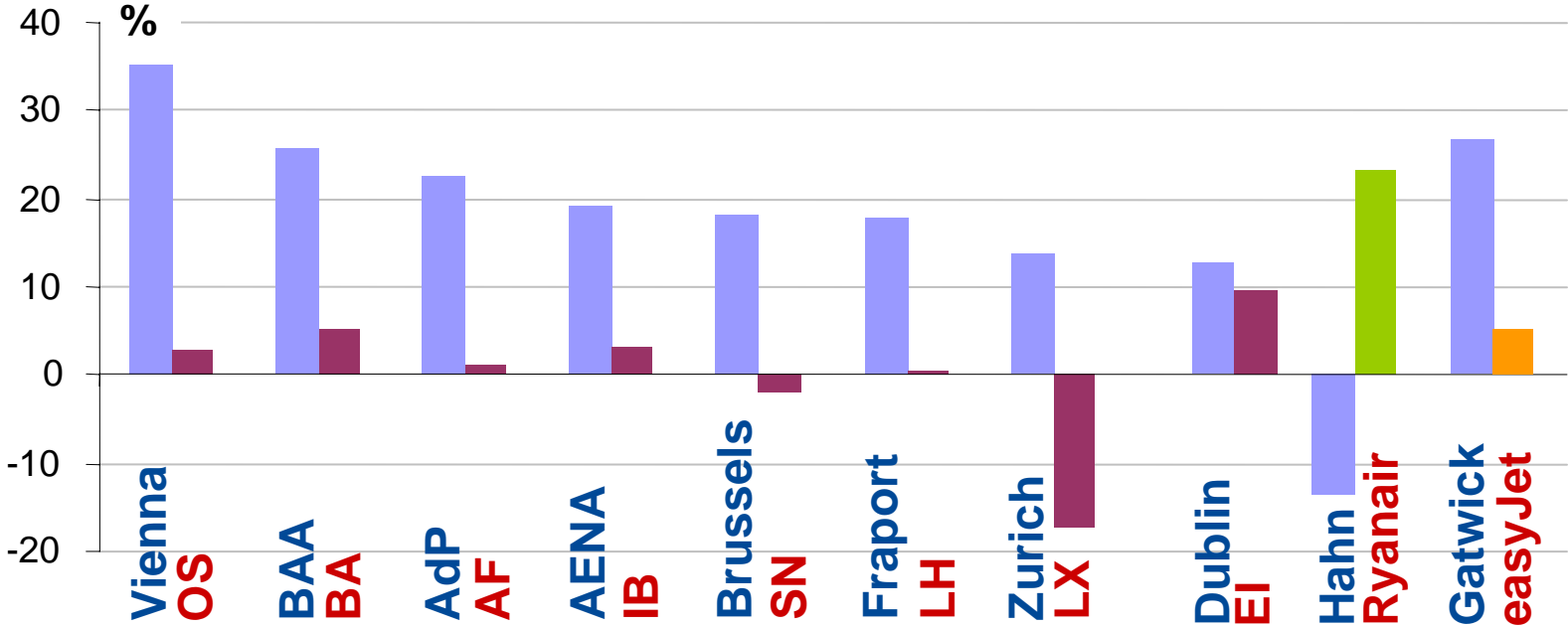
▪ Airlines

- Highly competitive, but
- oil price developments
- rising infrastructure costs
- regulatory costs (security, insurance, badly drafted legislation)
- price wars with subsidized / “strategically supported” competitors

Airline-airport relationship is distorted at major airports



EBIT Margins, 2003



Source:
 Airport Data: TRL, Airport Performance Indicators 2005 and Annual report (DUB)
 Airline Data: ATI





Golden Rules for a new airline/airport relationship

- **Airline and Airport associations have begun dialogue**
 - Objective: System partnership despite differing roles
- **Individual national economic regulations and solutions will be evaluated**
 - Objective: derive proposals for EU wide solutions
- **EU Hearing on 6/7 April 2006 provided first opportunity for EU-stakeholder dialogue**
 - Objective: improve airline-airport relationship





- Not one single additional slot has been created by even the most sophisticated slot allocation mechanism
 - The EU should move away from further micro-management of scarce resources and give priority to the **expansion** of major European airports
 - A **proactive investment policy** should allow to maintain and strengthen EU carrier's ability to compete with non-EU hubs
- ➔ **Sufficient airport capacity must become the rule, congestion the exception and slot allocation a historic footnote!**

Promoting Intermodality



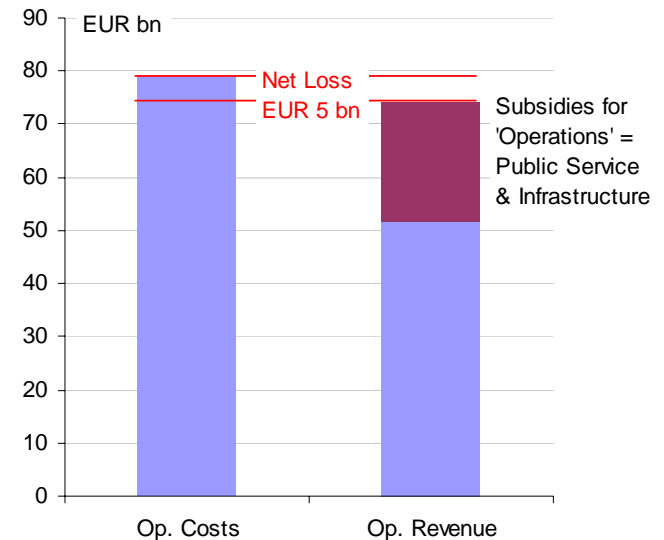
To date, in only 1 case has the existence of a High-Speed Train link led to the abandonment of air travel on that route:

Air France on BRU-CDG

Air – Rail complementarity requires:

- Railway stations at airports, with direct links into (inter-)national railway system
- Air should not be required to cross-subsidise rail as an intermodal partner

Subsidies cover 31% of Operating Costs, Europe's Railways are still Loss-making. 2001



Source:NERA

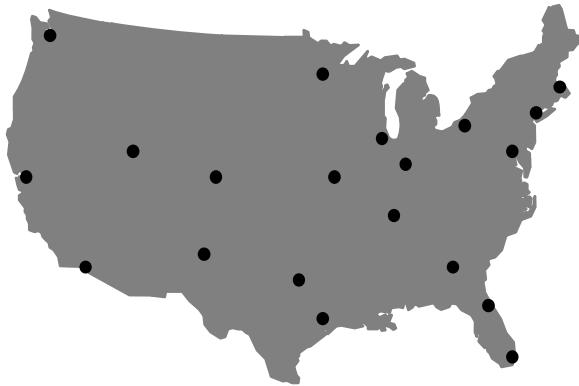
Operating Costs augmented by Exceptional Financial Costs

EU ATM : 75% more cost – 45 % less performance



USA

ATM Airspace: 9,8 million km²



- 1 ATC Organisation (civil + mil.)
- 21 En-Route Centres
- 1 Operating System

900 Movements per Air Traffic Controller

\$380 ATM Cost / Flight

EUROPE

ATM Airspace: 10,5 million km²



- 47 ATC-Organisations (civil + mil.)
- 58 En-Route Centres
- 22 Operating Systems

480 Movements per Air Traffic Controller

\$667 ATM Cost / Flight





▪ Europe's airspace and Air Traffic Control

- Air space fragmented
- Unnecessarily costly
- 85 % of airspace mixed military-civilian use



▪ Europe requires Single European Sky (SES)

- Political willpower
- Reorganisation of airspace
- System harmonisation and use of state-of-the-art technology



▪ SESAR – a PPP which must bear fruit!

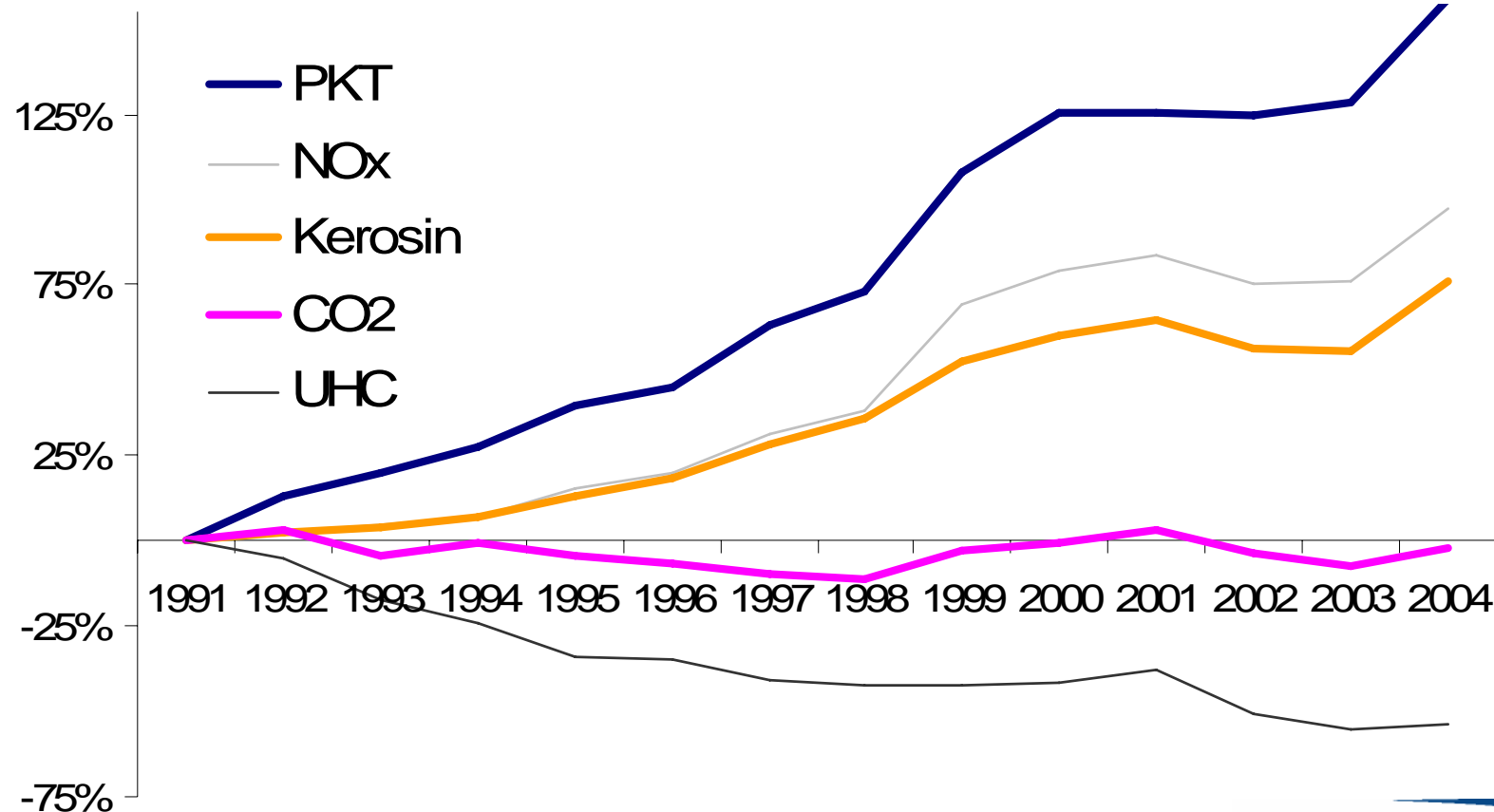
- Use SES-frame to create harmonised ATM Network
- High strategic value for EU
- Supported by the EU airlines and industry

▪ SESAR must become a success to maintain EU competitiveness and sustainability

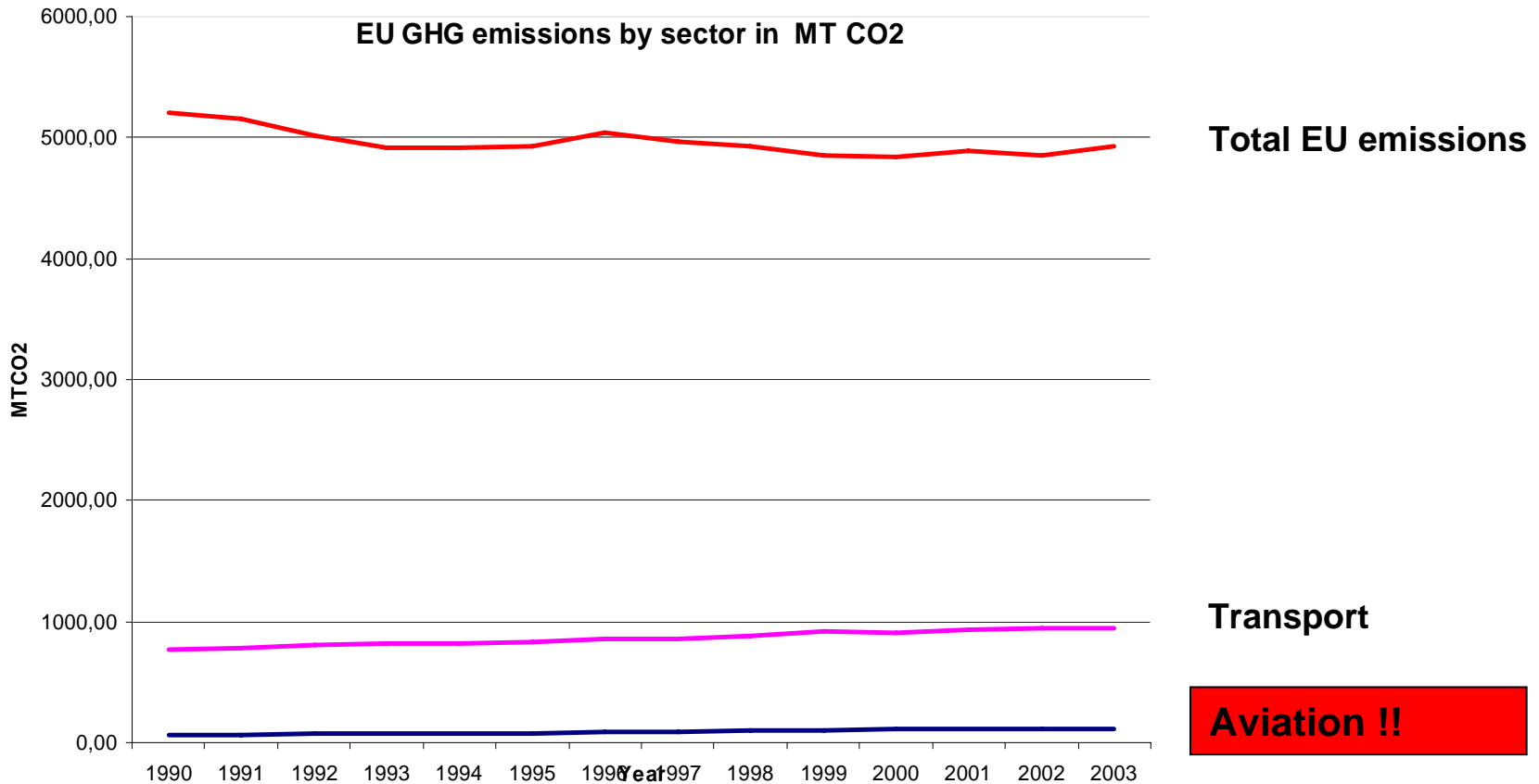
▪ SES/SESAR: most important project to **reduce emissions!**



Transport and emissions growth have been de-coupled...

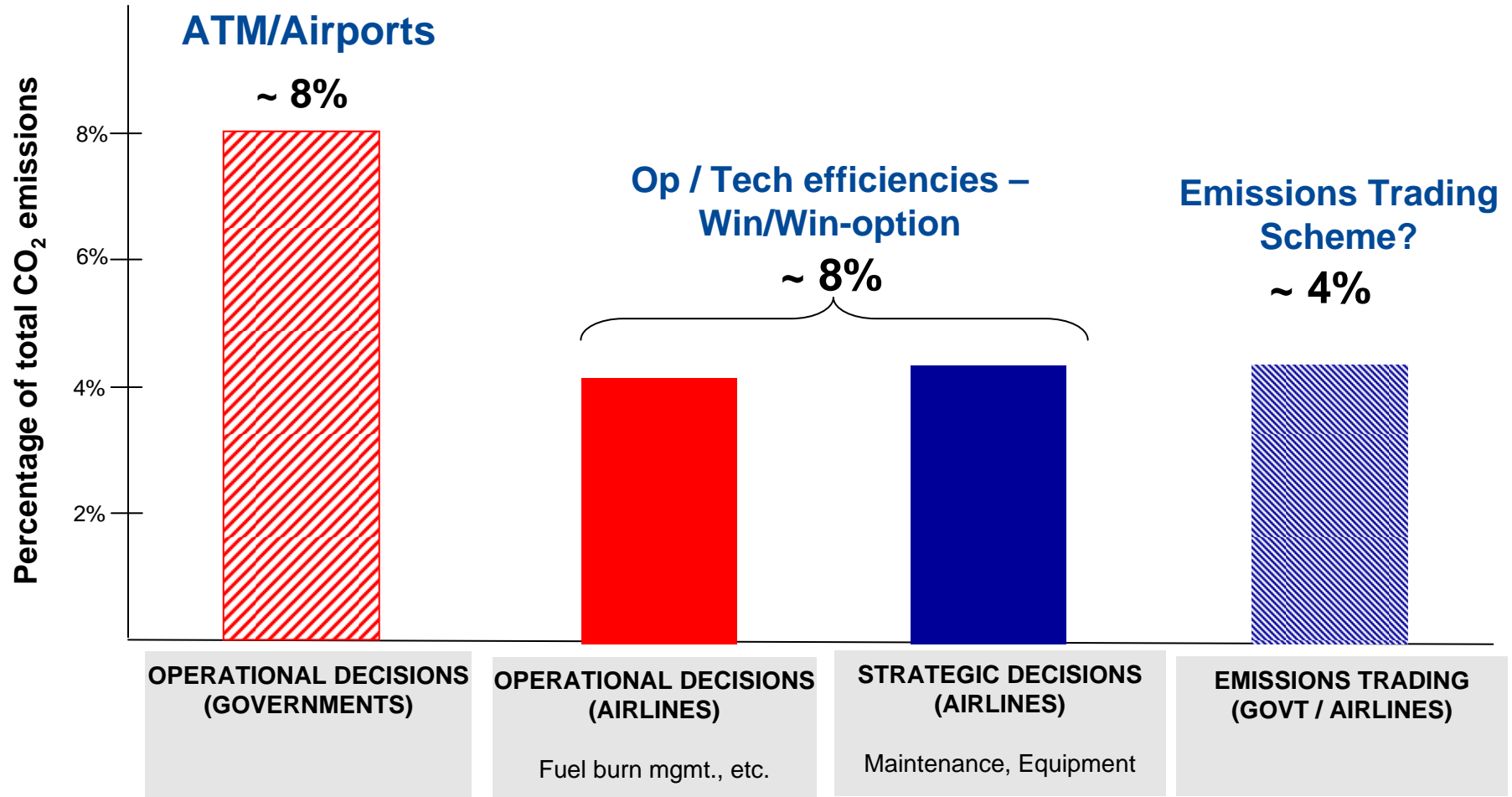


Emissions share for flights departing EU less than 3%



Source: Frontier Economics: Economic consideration of extending the EU ETS to include aviation, 2006; Greenhouse gas inventory 1990- 2003, EC; inventory report 2005, Technical report No 4/2005

Airlines remain committed to responsible growth



If new European agencies are called for, then with clear responsibilities and **added-value**



- **European Air Safety Agency EASA needs to become responsible for all aviation safety regulation activities in EU (incl Ops, ATM, Airports)**
- **Need to develop roadmap on future role & staffing of national authorities with respect to efficiency and safety**
- **EASA fees:**
 - need to ensure that Europe remains competitive
 - Cross-subsidies from large industries/airlines to non-commercial aviation to be eliminated
 - Public funding of EASA budget to be increased



- **Definition of a consistent approach based on the principles defined with the Council :**

- Clearly demonstrated **added value** on a case-by-case basis

- **“Free and Fair”**, i.e.:

- Achieve **significant new opportunities** for EU industry, users and employees (1 mio. passengers equal ~ 1000 jobs)

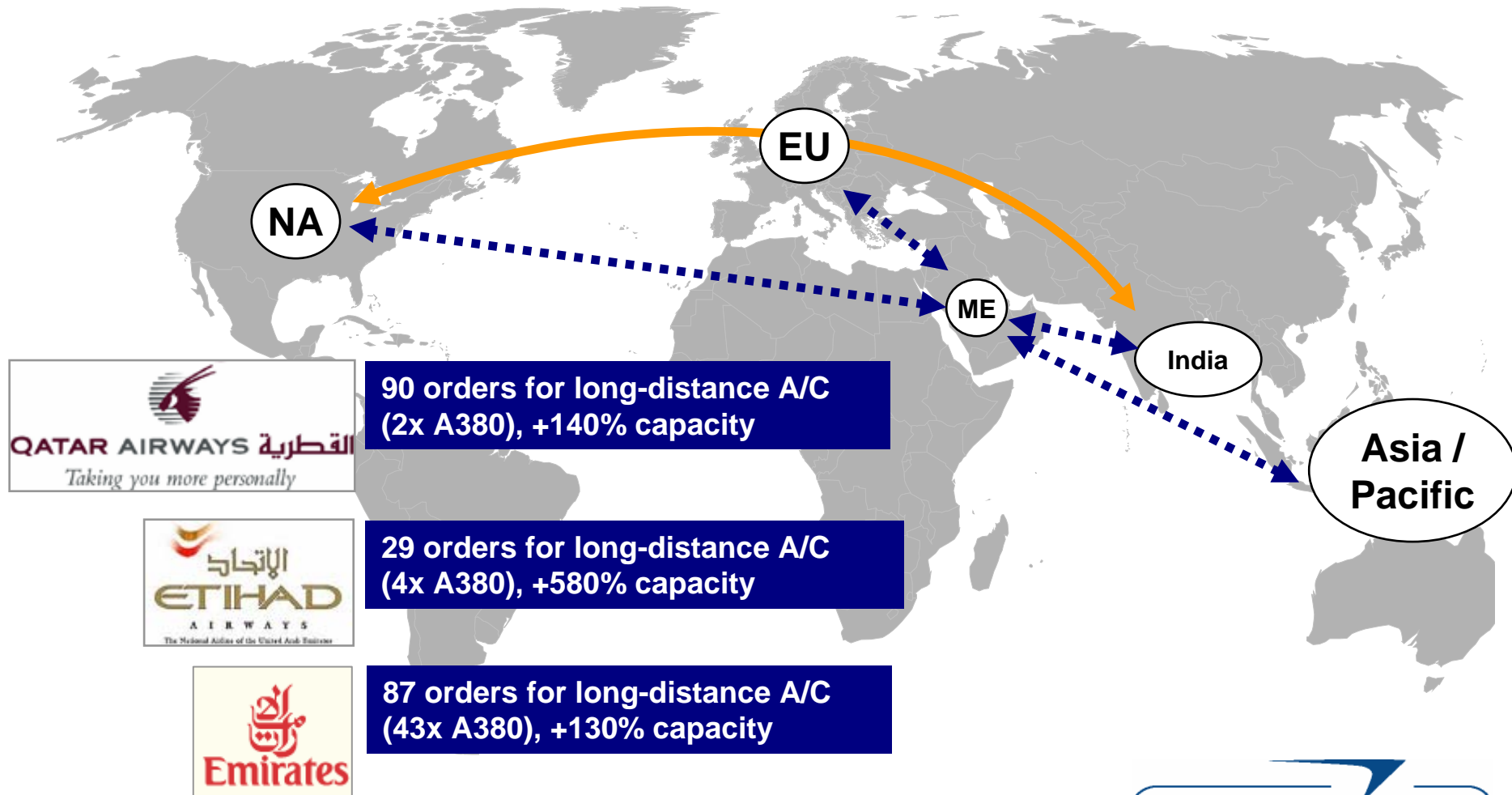
- Achieve greater levels of **regulatory convergence** to ensure a **competitive level playing field** and gain from competition

- Shared (complementary) responsibility/role between the Member States and the Commission

Take substitution of Europe seriously...



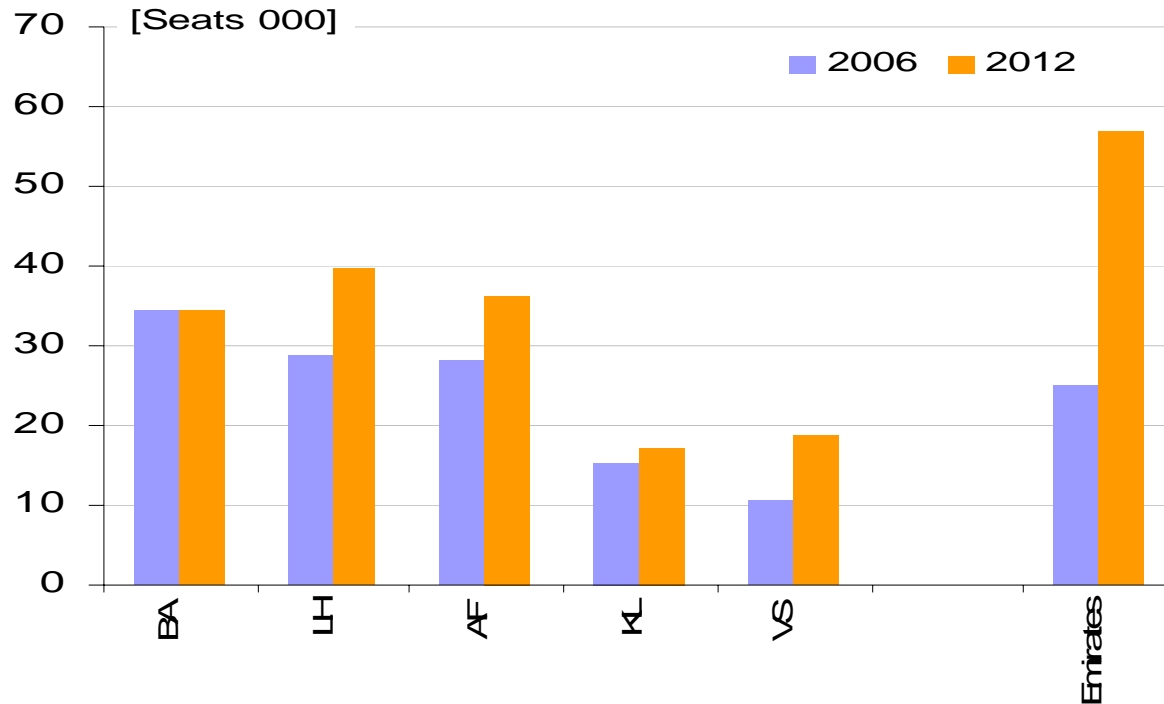
Gulf region has geographic, cost and regulatory advantage





Gulf: Emirates to double fleet

Longhaul Seats AEA Top 5 / Emirates



Source: AEA, JP Fleets, Airclaims, RATI



...and a future, if:

- **We share a common vision and align our strategies in Europe and throughout the value chain**
- **We continue to build on outstanding achievements in the EU and strive to promote Europe's aviation interests globally**
- **We continue the dialogue industry/regulators in a partnership approach**
- **We accept mutual responsibility for Europe's future in a global context**

The Salzburg Conference: the first, but not the last of its kind



Europe can take off.
And arrive.
Thank you.

