



European Aviation Relief Programme

Changing altitude: from crisis to sustainable growth

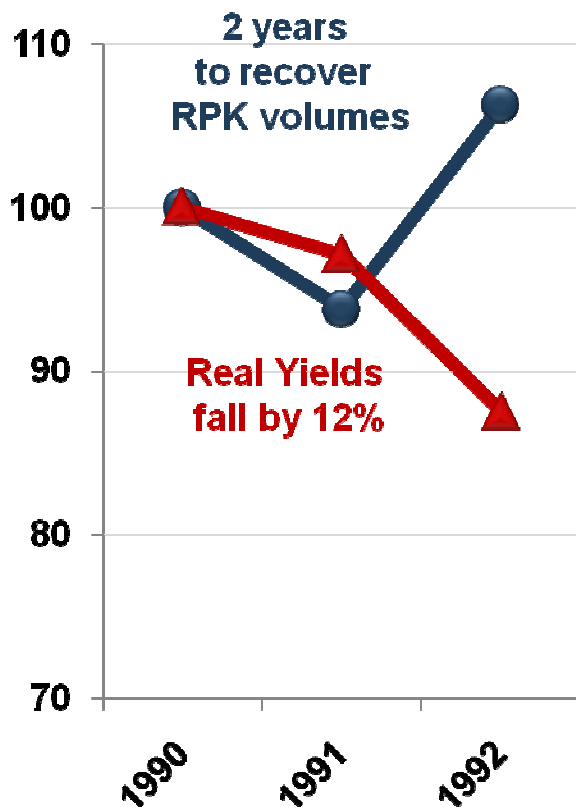
Fabio Gamba
Deputy Secretary General
Association of European Airlines (AEA)

Recovery takes longer, comes at a price



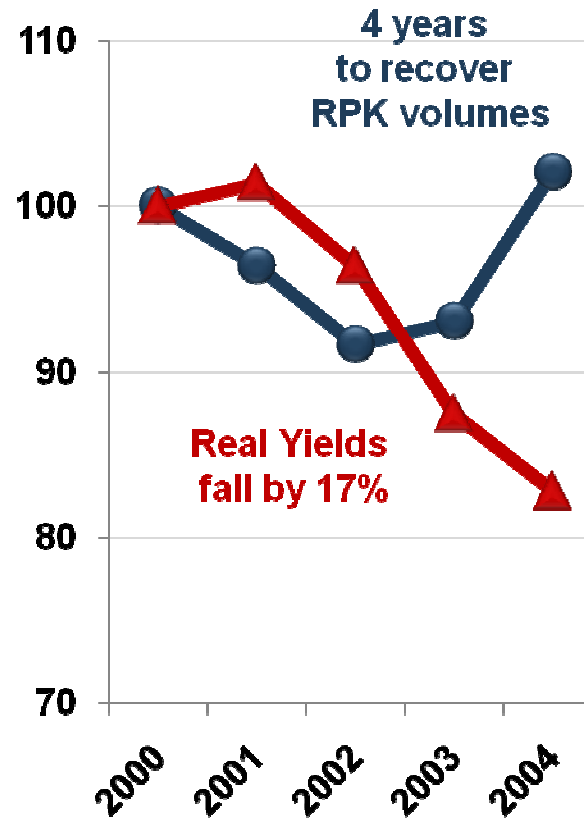
1991 Gulf War I

Index 100 = Peak year



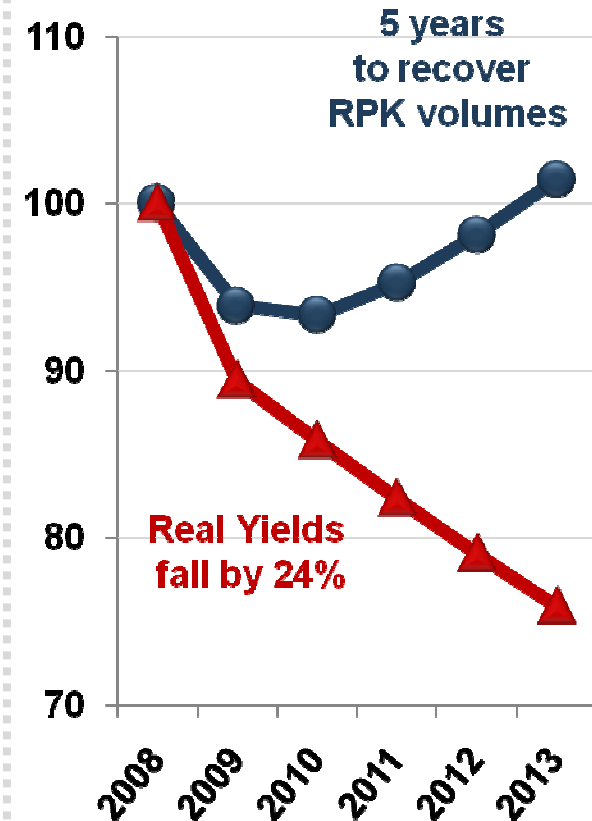
9/11, Gulf War II, SARS

Index 100 = Peak year



2008-2009 Economic Crisis

Index 100 = Peak year



2009: the shocking prospects



- ↓ **Passenger traffic (RPK) down -6.1%** (forecast 2009)
- ↓ **29 million passengers fewer than in 2007** (forecast 2009)
- ↓ **Premium Passengers down 19.1% in Jan-Jul'09**
- ↓ **Passenger Yields down by 10.6%** (forecast 2009)
- ↓ **Cargo traffic (TFTK) down by -15%** (forecast 2009)
- ↓ **2009 EBIT forecast of - € 2.9bn, worst on record** (forecast 2009)
- ↓ **Employment down 8%, expected 34,000 job losses**
(forecast 2009)

Concerted crisis management is called for



Focus must be on AVIATION, not just airlines

➤ Need to reduce the system costs:

1. **Immediate freeze of airport, ATC and security charges**
2. **Avoid non-safety related initiatives by EASA**
3. **Suspend 80-20 rule on slot utilisation during Winter 2009/10 for allocation in 2010/11**

➤ Address structural deficiencies :

5. **Accelerate implementation of Security and Airport Charges Directive**
6. **Accelerate implementation of the Single European Sky package**

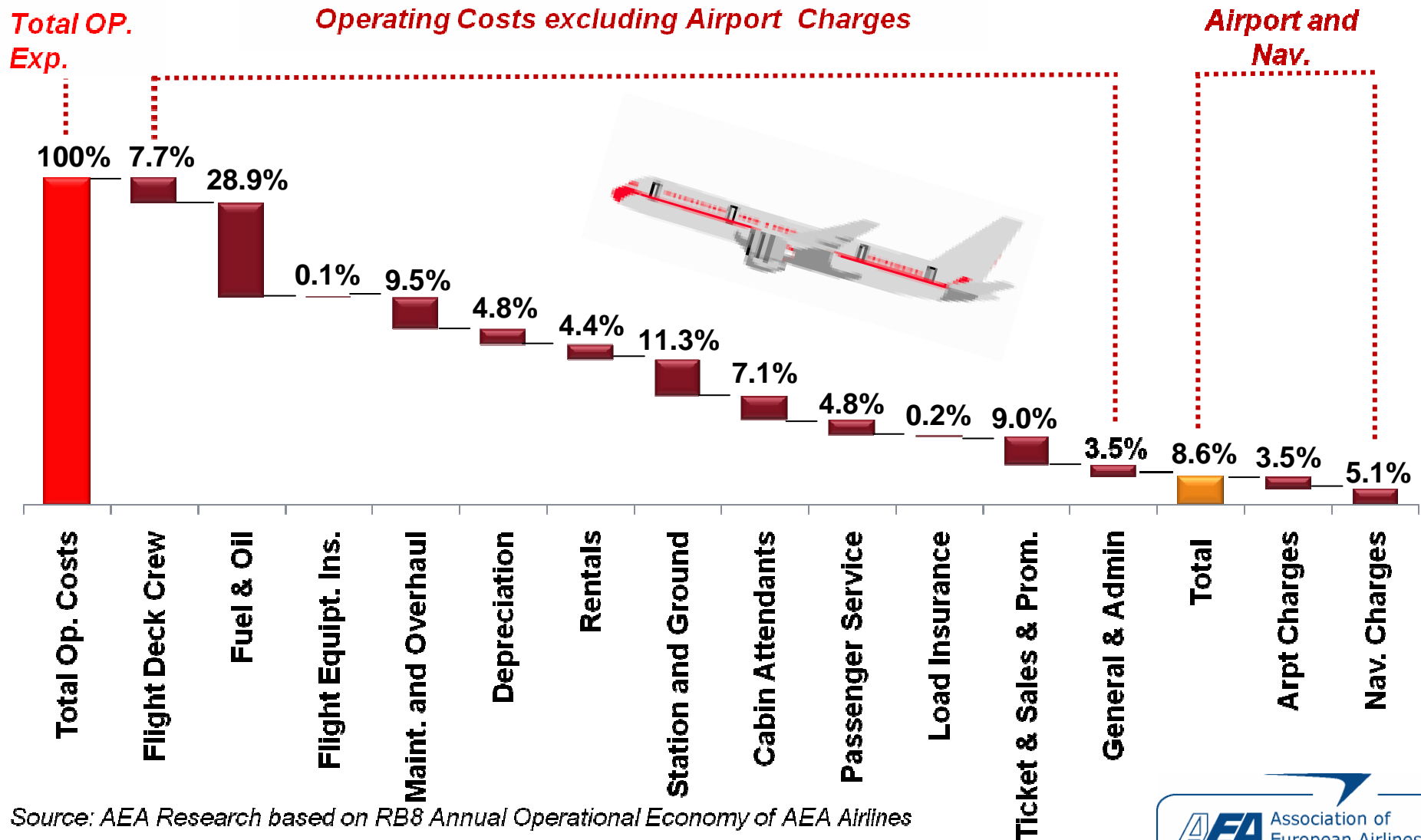
➤ Minimise distortion to (international) competition:

7. **Competition criteria need to be reviewed**
8. **Ease access to credit market**

Airport and Nav. charges are substantial



AEA Breakdown of Operational Costs in (%) in 2008



Source: AEA Research based on RB8 Annual Operational Economy of AEA Airlines
 EESC public hearing, 26 Oct / Slide - 5 -

No recession for charges



Charges	2008	2009 Δ	2009
Airport	€ 2.8bn	4.6%	€ 2.9bn
ANS	€ 8.0bn	4.7%	€ 8.4bn
TOTAL	€ 10.8bn	4.7%	€ 11.3bn

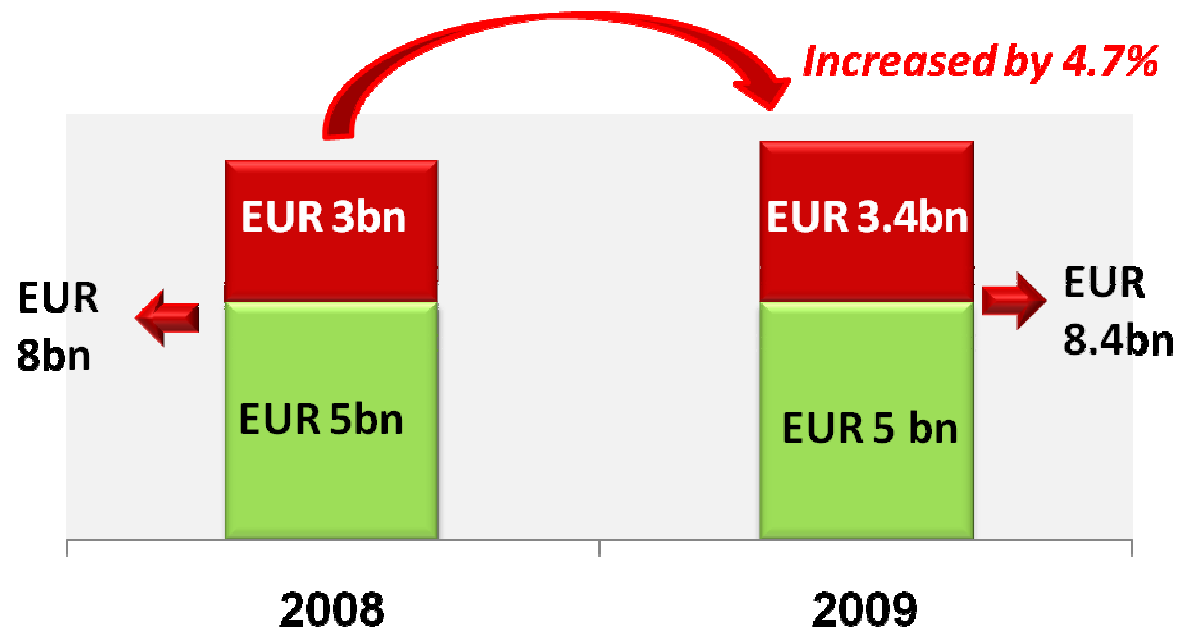
➤ Need for a three-pronged approach:

- Governments to encourage their ANSPs to keep their ATC unit rate stable or decrease them (Finavia or LVNL can be cited as examples);
- Europe has a unique double imposition system: airlines must pay for the services of single ANSPs and for those of EUROCONTROL (the cost of which amount to more than € 700m, roughly 8% of total ANS costs); this must be addressed.
- MS are urged to implement ASAP pending directives i.e. Airport Charges Directive & SESAR

Airlines pay for inefficiency increases!



ANS charges in 2008 & 2009

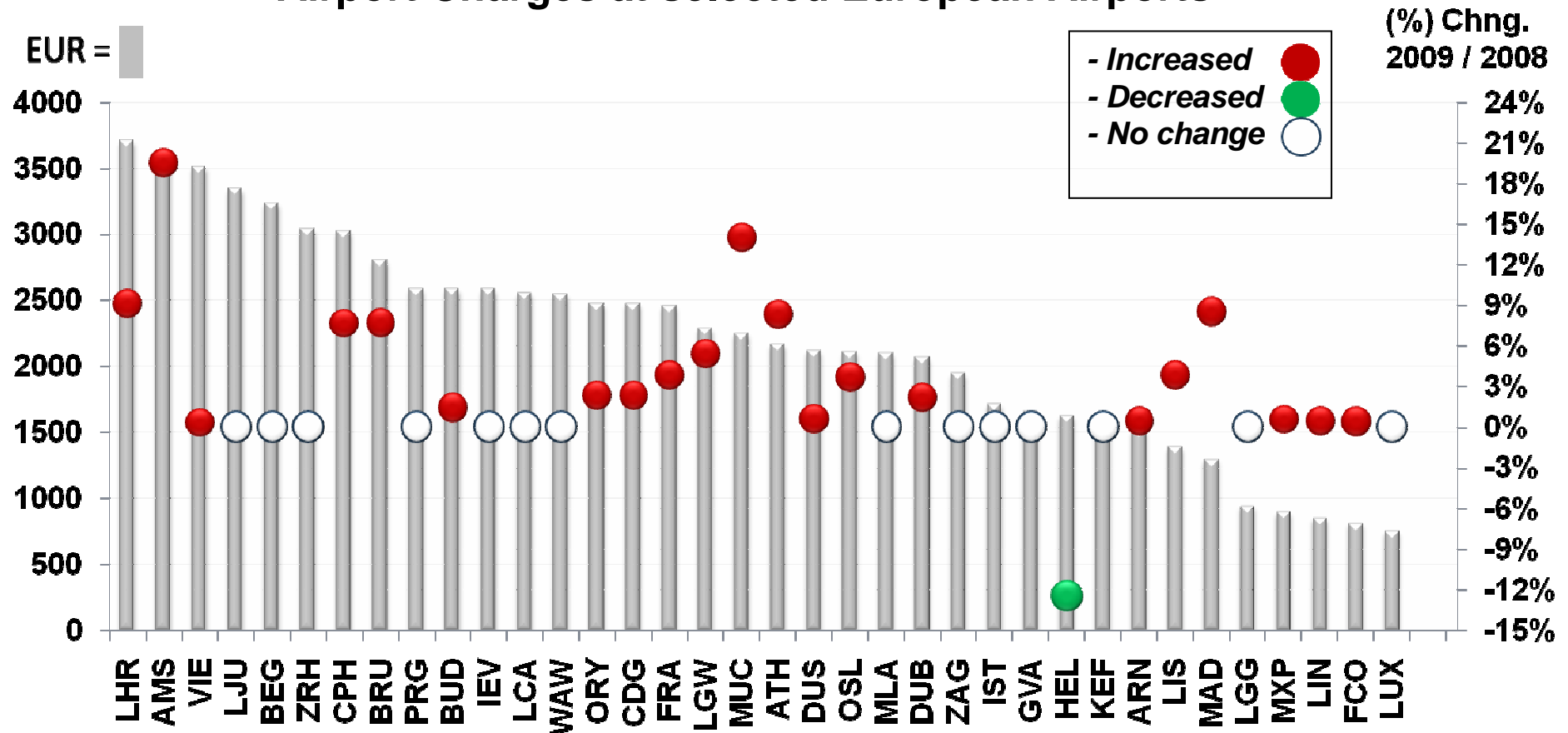


- Not only do airlines pay for an inefficient fragmented out-dated ATC. They should not be paying €8 bn, but €3 bn less in 2008 and €3.4 bn less in 2009.
- Instead they are forced to pay €8bn +.
- The SES will deliver efficiency gains. What is the EU waiting for?

Airport Charges are high and still increasing



Airport Charges at selected European Airports



Applicable charges for an A320 with 98 pax on board. Total Charges include Landing/Take-off Charge, Lighting, Slot Coordination, Parking, Pax Service Charge, Security, Police Guard, Terminal Equipment, Bridges, Hanger, Infrastructure and Airport Tax.

Rate = the highest number of months for the year has been used for the rate calculation.

Source: AEA research based on IATA and ICAO charges manuals.

Slot waiver – a short-term relief

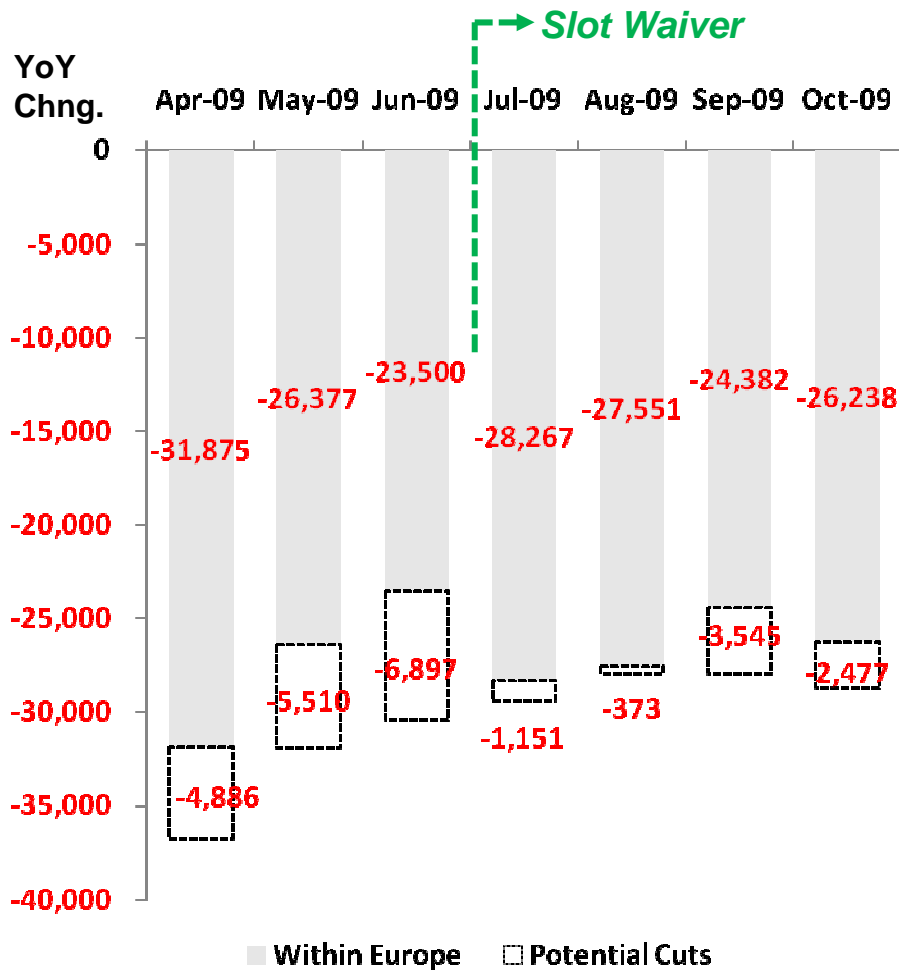


- **Reduction in capacity** has not been sufficient in closing the gap with decrease in demand
- This is partly due to a failure to implement swiftly the summer slot waiver and would be exacerbated if not **extended to winter**
- Environmental, operational and financial **disaster** if forced to operate empty aircraft

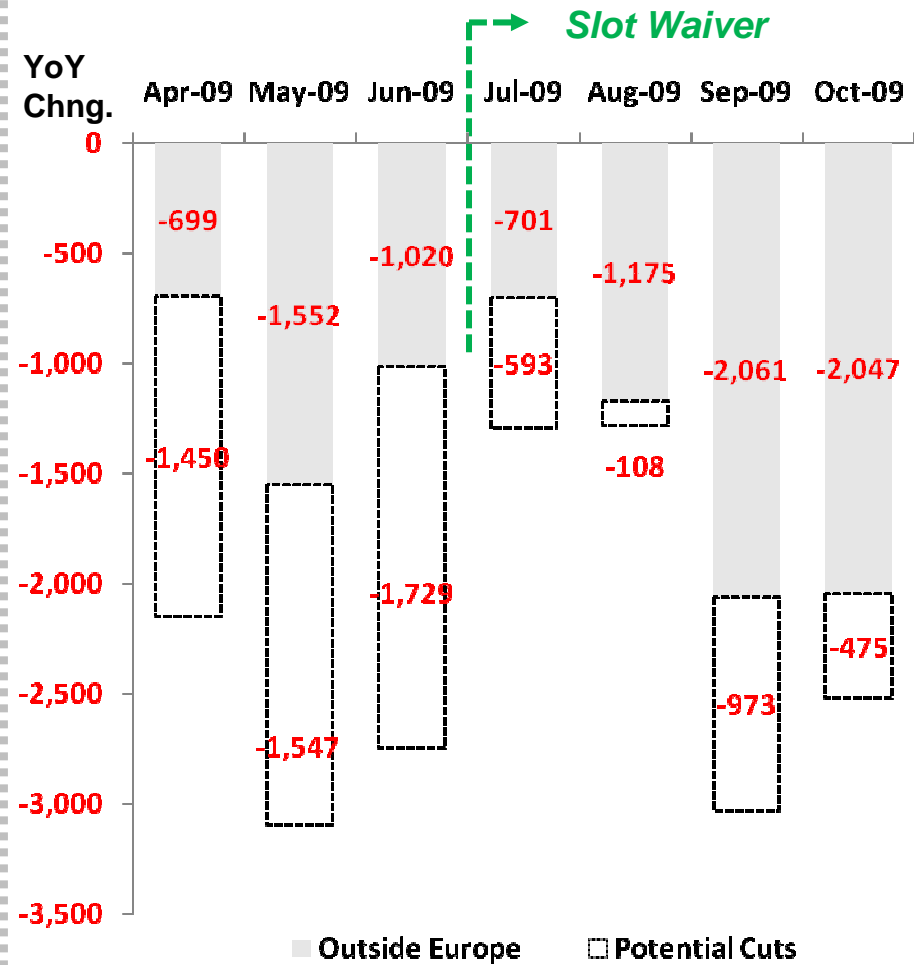
The Summer slot waiver was effective...



Frequency Change Short haul (AEA Members)



Frequency Change Long haul (AEA Members)

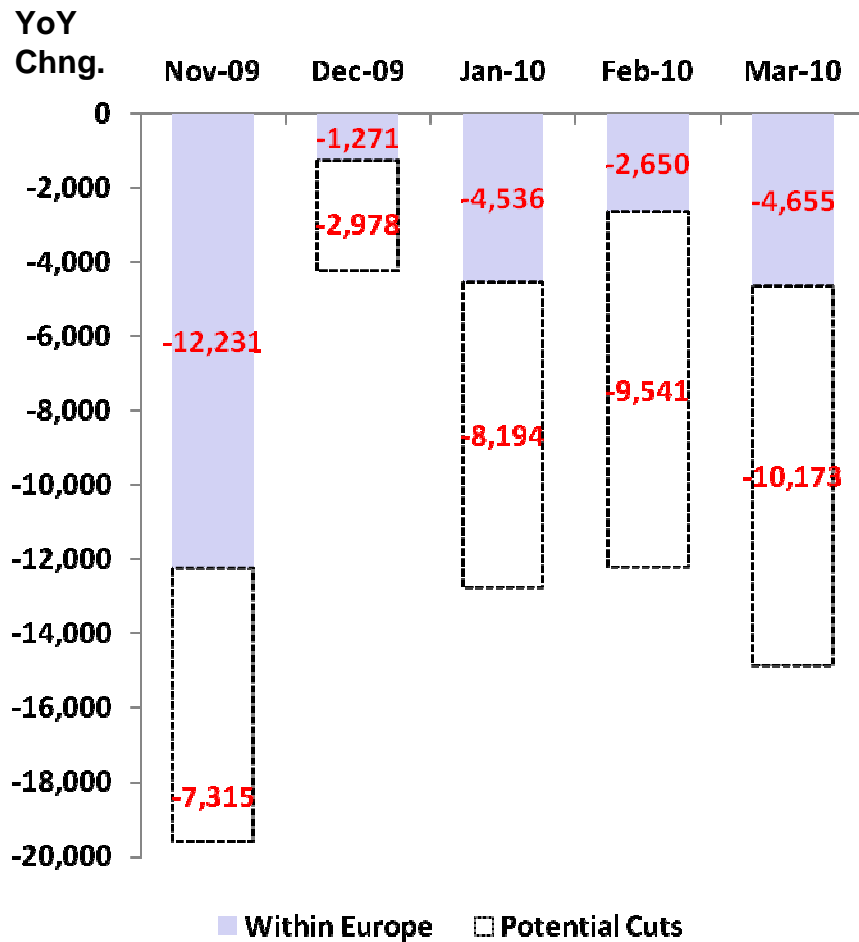


Source: AEA Research based on OAG Database

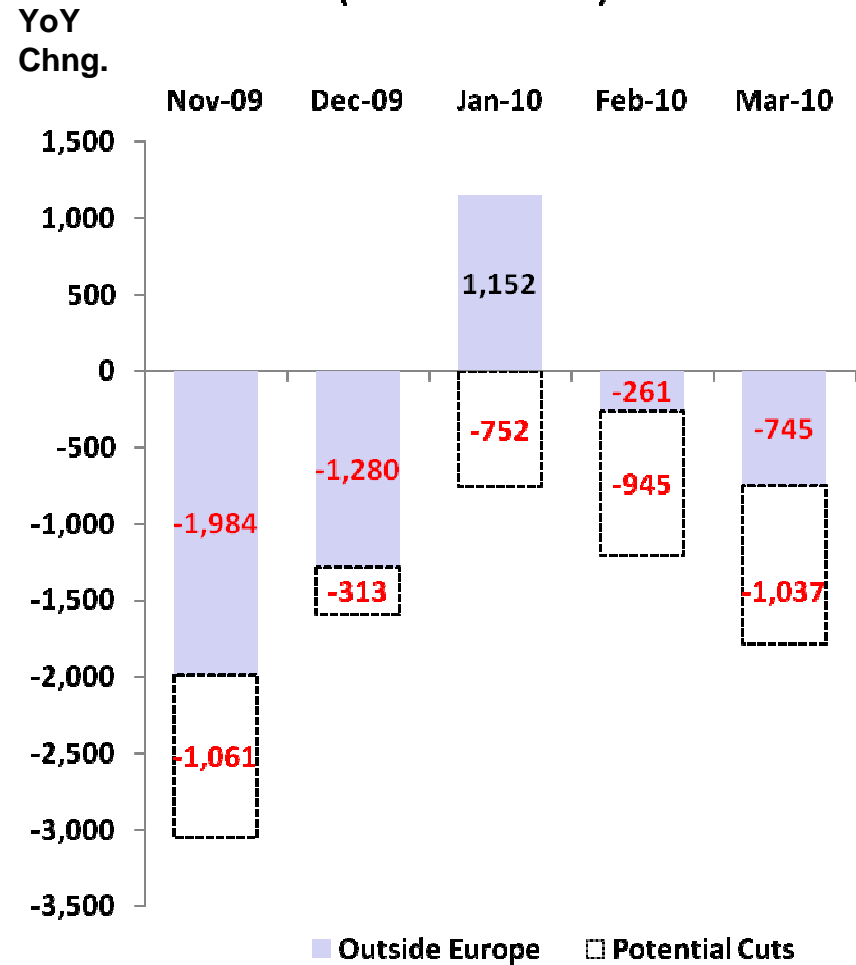
... emphasising the need for a Winter waiver



**Frequency Change YoY Short haul
(AEA Members)**



**Frequency Change YoY Long haul
(AEA Members)**

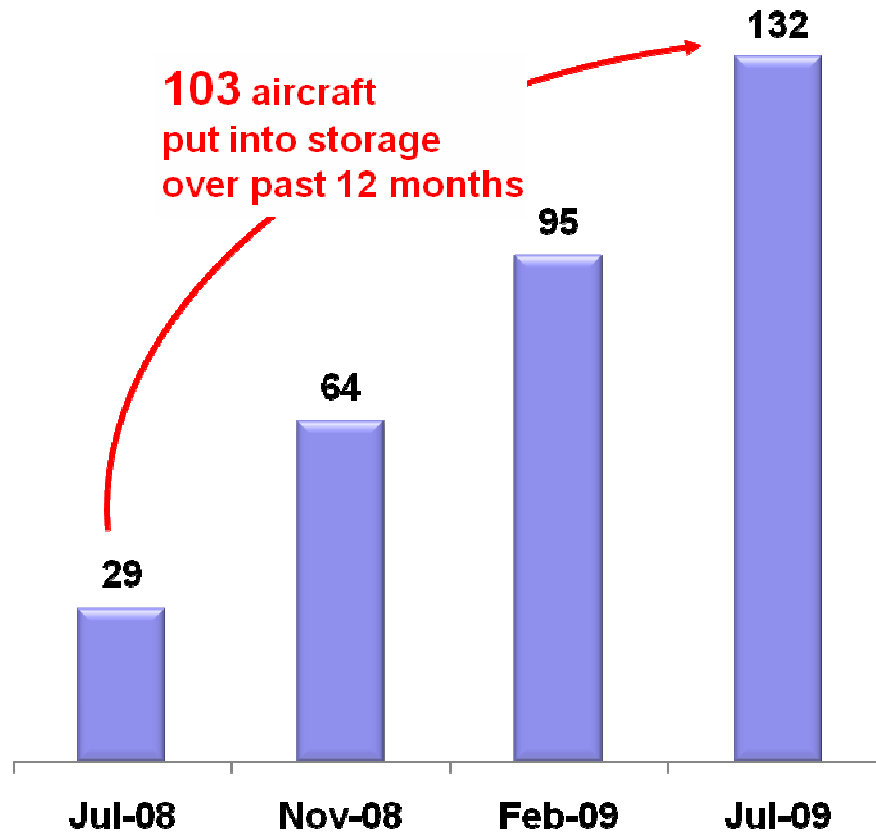


Source: AEA Research based on OAG Database

Fleet: extreme conditions, extreme measures

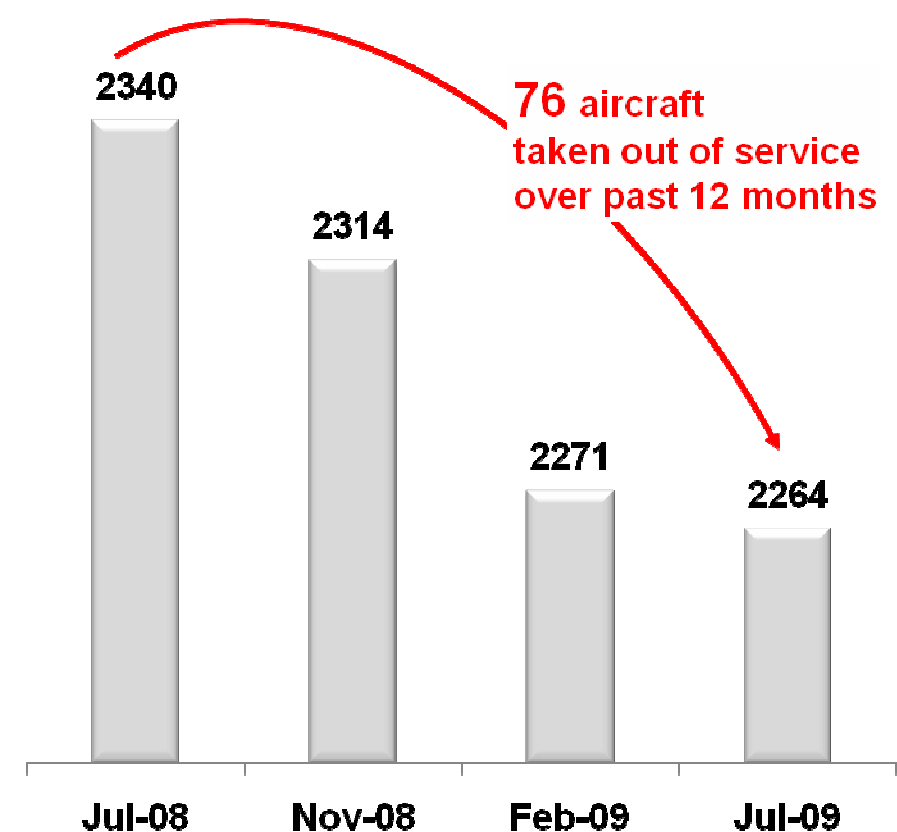


Number of Aircraft Parked by AEA Airlines



Source: ASCEND

Number of Aircraft In Fleet at AEA Airlines



Source: ASCEND



Thank You !