

**Speech for BARIN New Year Reception
Schiphol, Friday 17th January 2014**

Dear friends and industry colleagues,
I am very honoured to have been invited to address you tonight, in my new capacity as CEO of the Association of European Airlines;

Introduction

- Who or what is the AEA? Based in Brussels, we have 30 members including some of the best known and respected brand names in the world of travel: Fortune 500, Brand Finance Global 500, Skytrax;
- AEA airlines carry almost 400 million passengers annually, employ 370 thousand people, operate more than 10,000 flights a day with 2,500 aircraft and carry 5,5 million tons of cargo every year, total annual turnover of € 100 bn;
- Air transport is a key component in a great European resource as it contributes 365 billion annually to European GDP = 1bn/day continuously;
- As an industry, it creates more than 5 million jobs, if we would include the tourism sector, that figure goes up to almost 9 million jobs;

Key questions

- If indeed aviation is so important, then why do politicians and regulators take the air transport sector for granted and believe that the industry will continue to fulfil its enabling role and provide added value despite being treated on some days as an inconvenience, on other days as a cash cow?
- AEA's role is to interact with the legislators and secure from them the best quality regulation. This not an easy task – they are producers of regulation and we are the consumers – but unlike passengers- we have no consumer protection rules. How are we going to improve that?

Changes

- Politically, 2014 will be a year of significant changes – EP elections, new Commission – and AEA is changing too;
- When we view the market, we will focus on a brighter future – what needs to be done to achieve it? The first new shoots of recovery are beginning to appear but do they have a fertile soil in which to thrive? The landscape has been ravaged by the effects of the last six years accompanied by horrific figures for much of the industry;
- And at AEA, we have changed our leadership as well, CEO instead of a Secretary General because we wish to emphasise that the key role of a CEO is to gets things done;

Key issues

- The landscape will be different. No more sustained annual growth rates of around 5%, we are looking at 3% going forward. Such growth rates are much closer to carbon-neutrality, yet we continue to have environmental policies developed in the high-growth years – policies which actually get in the way of meaningful global agreement. The EU ETS is the clear example of this impediment;



- More measured industry growth should give opportunity to address the looming capacity crunch but the prospect of gridlock within the airport system remains a reality in the medium term. We are in urgent need of sufficient and affordable airport capacity. It is unacceptable that within two decades we will not be able to accommodate 2 million flights a year which reflects around 12% of annual market demand;
- Meanwhile, 14 years into this millennium, we are still flying around a European airspace structure which was demonstrably unfit for purpose in 1990. This inefficiency leads to a ridiculous waste of 5 bn euros per year, millions of tons of unnecessary CO2 emissions and longer flight times, causing inconvenience for the passenger;
- Unfortunately, our regulators have not done us many favours in recent years. At least here in the NL the Dutch had the wisdom to abandon their ticket tax – many of you are to be thanked for that achievement – however elsewhere in Europe our passengers are taxed at punitive levels;
- The regulators of 20 years ago had the foresight to realise that a liberalised air travel market would be in the interests of airline customers and, eventually, the airlines themselves. However, since then, there has been little attempt to spread this free-market philosophy to other parts of the value chain, such as ground handling;
- Rather, the choice has been to micro-manage in such areas as the environment and consumer protection, in the way that airline operations used to be micro-managed;

So how are we going to get things done?

- The AEA recently released its strategic plan for the next five years, Flightpath 2019; this plan aims to sustain or even improve the industry's value and competitiveness in the future as well;
- Speaking in terms of basic aerodynamics, we need to enhance and stimulate thrust and lift and decrease weight and drag; in order to achieve this, at the AEA, we have defined four key areas of our requirements;
- Firstly, we need a holistic approach to regulation, viewing European airlines not in isolation, but as part of an extended value chain, and as part of a global business with global competitors;
- Secondly, it is essential that we avoid unintended consequences and in particular heavy financial burdens of inappropriate regulation. In short, we need to do away with overburdening taxes, levies and charges on the industry as they create impediments for the sector to invest and innovate, currently 2/3 of costs are beyond the control of the airlines, this needs to stop;
- Thirdly, industry stakeholders and regulators should be working in partnership to create better and smarter regulation. Also, we need to avoid unintended consequences of regulation that affects us – many so-called consumer protection rules end up harming the consumer. Over-zealous regulation of hazardous materials does not remove them from aircraft-maintenance, it merely exports maintenance business – and jobs – to locations outside the EU;
- And last but not least, we need a level playing field within the Single Aviation Market, and between the Single Market and the rest of the world;

Conclusion

- As airlines, we are committed to rise to the challenge of the future and continue to provide value for our customers, business, the economy and a sustainable Europe;
- However, we count on our industry partners to play their part as well, in particular the other actors in the aviation value chain;
- In addition, our message for the changes at political and regulatory level in Brussels this year will be that Europe is in need of a comprehensive, cohesive aviation policy – allowing it to look forward to a brighter future.