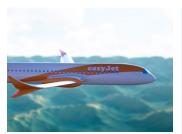# A4E NEWS

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20 YEARS' OF FLIGHT DELAYS. WE NEED A SEAMLESS SKY, NOW!

Page 2

ELECTRIC FLYING – THREE QUESTIONS FOR EASYJET

Page 3

COMMISSION UPDATES A4E ON FUTURE OF BORDER CHECKS

Page 4

FROM THE MD

It's the final countdown: What aviation policy-makers in Brussels should be focused on, right now

As policy-makers in Brussels revisit their to-do lists towards the end of their mandate next year, one can imagine it becomes even more difficult to tick off the issues they had hoped to get to. It is rather unfortunate, to say the least, that in these times neither politicians nor policy-makers have the capability to do a little bit more than what they are required to. This sometimes means finding the courage to deal with certain issues that have been on the agenda for a very long time, and not to simply brush them off their desks.

Take, for example, the lack of progress made by previous EU Council Presidencies on improving air passenger rights (Regulation EU 261). For some time now, A4E has called on Member States to make the air passenger rights rules clearer and easier to apply. The revision of Regulation 261 is extremely important for more legal certainty and to ensure a fair balance of both consumer and industry interests.

Now, earlier this year, in its Proposal for a review of the Injunctions Directive – an effort aimed at strengthening the collective interests of consumers across the EU – (and a consequence of Dieselgate), the EC proposed to include air travel in its list of sectors which should face the possibility of collective redress.

However, a recent survey from the U.S. Chamber Institute for Legal Reform showed that without critical consumer safeguards, the proposal could turn the EU into a global hub for abusive litigation that would be just as bad as, or even worse than the U.S. system! The EC itself, not long ago, considered the combination of punitive damages, contingency fees and opt-outs, as seen in the U.S., a „toxic cocktail" to be avoided in Europe. As long as national governments do not manage to make progress on a review of passenger rights, at the end of the day, it is the passenger who will continue to suffer.

Looking ahead, the airline industry continues to face mounting competitive pressure. Real competition means cost pressure, at least if you want to survive. More importantly, airlines have to provide a service to passengers at an affordable price.

The current Austrian EU Presidency stated one of its objectives for the next six months was, "Moving towards sustainable, fair, competitive and safe transport systems".

Here's what remains on the to-do list moving forward:
• Resume negotiations in the Council to review the passenger rights' Regulation (EU261)
• Reform EU airspace: Member States need to take urgent political action to help realize a Seamless European Sky
• Reduce the impact of air traffic control (ATC) strikes: In 2018, ATC strikes across Europe disrupted travel plans for millions of passengers, not to mention the financial toll they have taken on EU airlines.

The surge in European air traffic delays and subsequent forecasts reveal the time to act is now. Together with our members and other key industry stakeholders, A4E is doing its part to fast-track progress on a number of these issues. It is time for the politicians to do the same.

Thomas Reynaert, Managing Director, A4E

A4E **NEWS**

AIRSPACE

20 years' worth of flight delays in just one summer
Time is of the essence: We need a Seamless European Sky, now!

At the beginning of this year, A4E called on Member States and Air Navigation Service Providers (ANSPs) to take urgent measures to ensure this summer's peak travel season would be a smooth one for EU passengers. Fast forward to October, and here are the results*:
- June 2018 vs June 2017 en-route delays: +150,2%
- July 2018 vs July 2017 en-route delays: +102,4%
- August 2018 vs August 2017 en-route delays: +102,1%
- Sept. 2018 vs Sept. 2017 en-route delays: +39,8%

The main reasons for this shocking increase in delays: 1) A lack of capacity provided by ANSPs, and 2) an overall shortage among Air Traffic Control staff (ATCOs), with weather a contributing factor. Together, they have a detrimental impact on European airspace, making it less resilient.

On the flip side, it has never been easier or more affordable to fly. With a growing economy, European air traffic increased an average of 4% this summer versus last and is expected to grow even further in the future. As an industry, we should be celebrating. Instead, we are cringing.

All in all, the network managed more than 3.2 million flights during the summer period, while at the same time generating 10.6 million minutes of delay – the equivalent of over 20 years. Here's where it gets worse: In all of 2017, en-route delays totalled "just" 9.3 million minutes in comparison. This is proof that the system has simply reached its limit. Passengers should not suffer the cost of these delays -- nor should airlines, who are striving to provide an affordable, high quality travel experience.

The entire aviation industry as well as the European Commission acknowledges that we are in a capacity crunch situation when it comes to Europe's air traffic management system.

The truth is, coordinated actions which could have alleviated the problem have been scarce. Urgent challenges are not being addressed fast enough, like:
- insufficient ATC staffing;
- delayed/uncoordinated investments in technology/automation;
- basic inefficiencies in airspace design and cooperation across different Member States;
- State interests vs a European wide network approach

In addition, Eurocontrol states that the situation will remain challenging for some time to come. That said, there are already a number of ongoing
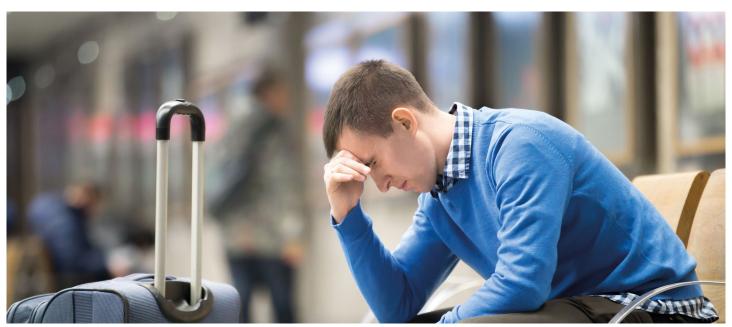
INCREASE IN DELAYS 2018 vs 2017

initiatives that should help to mitigate some of these issues in 2019. For example, ANSPs and Eurocontrol are making a solid effort to tackle the most pressing issues. But as the reality shows, it was too little, too late for this summer. Airlines reiterated this message recently at Eurocontrol's Route Network Development Sub Group, which is responsible for European airspace structure.

So how do we prevent the current situation from repeating itself in the coming years – or getting worse? The legal framework and the tools to prevent such a capacity crunch in the future are readily available – but:
- Single European Sky (SES) regulation has not been implemented to a large extent, due to lacking support of EU Member States;
- Functional Airspace Blocks have not delivered as promised, due to State interests;
- A seamless airspace (or European Upper Information Region) was not addressed at all, although it was part of the original SES regulation adopted in 2004.

Our message is clear: We need a collaborative environment where Member States, ANSPs as well as the European Commission, airports and airlines can come together to speedily implement a number of solutions – an approach that is long overdue. As airlines, we are taking an active role to lessen the impact on our passengers in the short term. In the long term, however, the politicians must be willing to put their national interests aside and work together with the wider aviation community to achieve the seamless European sky passengers deserve.

*Eurocontrol Monthly Network Operations Report, June-Sept. 2018

ENVIRONMENT

Airspace inefficiencies stifling airlines' environmental efforts

As of September 2018, 196 states had signed the Paris Agreement, which aims to limit the increase in global average temperatures to well below 2°C compared to pre-industrial levels. This provides increased momentum for discussions on the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Governments and industry are making the final preparations for implementation of the recently agreed CORSIA practices before the CO_2 emissions monitoring and reporting obligations begin in January 2019.

Under CORSIA, airlines will aim to stabilise CO_2 emissions at 2020 levels by offsetting the growth of emissions after 2020.

Aviation is currently responsible for just 3% of total CO_2 emissions in Europe. With fuel costs being one of the major cost components for airlines, efforts to reduce fuel consumption – and therefore CO_2 emissions – is speeding up. The recent increase in the price of allowances under the EU's emissions trading scheme (ETS) which covers intra-European flights since 2012, is an additional incentive to reduce emissions.

Airlines are already doing their own share to provide for more environmentally-friendly operations in the future, for example by purchasing modern, more fuel-efficient aircraft, implementing fuel-efficient taxiing, landing and take-off procedures, as well as investing in biofuels development.

Innovative, smart and environmentally sustainable solutions to the current challenges present an opportunity for the European aviation sector to increase its competitiveness in a global market.

At the same time, disruptions caused by airspace inefficiencies, such as the fragmented nature of European airspace, leads to suboptimal flight paths causing additional fuel consumption and CO_2 emissions. Such external factors therefore offset the emission reductions realised by airlines, making it a key reason why A4E plans to tackle this issue heavily as part of its 2019 agenda.

Electric flying in the future?

Three Questions for Chris Essex, Head of Fleet Strategy and Procurement, easyJet

A4E easyJet has come out as one of the industry's front-runners in the development of commercial electric aircraft. What is the timeline for this?

CE easyJet has an ambition for a more sustainable aviation industry. We have been partnering with US firm Wright Electric to offer an airline perspective to support the development of an electric commercial aircraft. Wright Electric has an ambitious goal to produce an all-electric commercial passenger jet in the next decade or so. To-date, Wright Electric have a two-seater electric aircraft flying and are working on a nine seater which they aim to fly next year. They have also submitted a patent for an easyJet-sized aircraft. The Wright Electric plane is being specifically designed for short haul flights which perfectly suits easyJet's route network where our average flight is around less than two hours.

A4E How does this align with some of your other environmental objectives?

CE We are committed to minimising our environmental impact, which we do with our current fleet of new generation Airbus A320neo aircraft. These aircraft will continue to reduce our carbon and noise footprints, which have already been reduced by 38% and 50% respectively since 2000, compared to current generation aircraft. However, innovation and efficiency are in our DNA and we will continue to be pioneering. Our partnership with Wright Electric will reach a number of milestones in the development of an all-electric commercial passenger aircraft in the coming years and so easyJet, and the industry can start to look towards a future which isn't wholly reliant on jet fuel.

A4E What are the key takeaways for the wider industry?

CE Just as we have seen with the automotive industry, aviation is now looking to electric technology and we believe it is not a question of 'if', but 'when' this becomes a reality. Operating a sustainable fleet and continually working to reduce carbon emissions minimises the impact of the industry on the environment.
A fully electric plane would not only eliminate CO_2 emissions but also benefit communities living near airports as the noise footprint would be significantly reduced. We think that for the benefit of local communities and the environment it is crucial to adopt policy measures with a real impact on climate change, such as investing in greener technologies and implementing the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) for both intra and extra-EU flights. For this purpose we hope the EU will continue devoting funds to develop electric planes beyond 2020, in the Multiannual Financial Framework 2021-2027, and will replace EU ETS with CORSIA as from 2021.

About the author: Chris joined easyJet in 2002 and heads its Fleet Strategy and Procurement team. He has seen the airline successfully grow its fleet from 20 aircraft to over 300 today.

INTERVIEW

QUESTIONS FOR JOANNES DE CEUSTER, HEAD OF UNIT BORDER MANAGEMENT AND SCHENGEN GOVERNANCE, AND ROB ROZENBURG, HEAD OF UNIT INFORMATION SYSTEMS FOR BORDERS AND SECURITY, EUROPEAN COMMISSION

A4E Given rising temptations throughout Europe to restrict or stifle mobility within Schengen, what changes do you foresee in the tools that could be used by the Commission and the Member States to preserve and strengthen Schengen?

JdC Temporary reintroduction of border controls at internal borders is one of the measures that Member States have in their hands to address serious threats to internal security and public policy. These measures are part of the Schengen acquis. As shown by the example of the temporary reintroduction of border controls with regard to passengers arriving from Greece to Germany, it is possible to achieve the same results by boosting the operational cooperation; thanks to the deployment of liaison officers in these two countries, these border controls have been effectively lifted as of end of March 2018.

Based on this experience, but also in view of other success stories in other Member States (e.g. the Netherlands where no border controls have been reintroduced in the recent past), the Commission strongly supports the better use of proportionate police checks and cross-border police cooperation as promoted in its Recommendation of 12 May 2017. In our view such measures better ensure the balance between free movement and security needs.

Schengen rules remain without prejudice to the exercise of the police powers as long as they do not amount to measures equivalent to border controls. The police powers to carry out checks on persons in the border areas including at the airports remain in line with the Schengen rules as long as such powers are subject to limitations in particular as to frequency and intensity (so to ensure that they do not become border controls in disguise). In the airports environment such proportionate police checks can take place occasionally at the gate or in the terminal, concerning occasionally all passengers on a certain flight(s) or targeting travellers based on the available intelligence.

The proposal of amending the rules applicable to the temporary reintroduction of border controls at internal borders, as presented by the Commission in September 2017, fully reflects this approach by reinforcing procedural safeguards in order to make sure that border controls are reintroduced only as a last resort measure, after investing sufficient efforts into less intrusive measures such as police checks. The Commission remains strongly committed to lifting persisting border controls at some border sections as soon as possible. To be noted however, that the current controls mostly concern land borders (except France where the reintroduced controls at internal borders concern also air borders).

A4E With the multiplication of layers in passenger data requirements that need (or will need) to be transferred by air carriers to national authorities, are you hopeful that these systems (API, PNR, EES, ETIAS) will interoperate efficiently? Could interactive API (iAPI) be an effective option for the future?

Rob Rozenburg At present, air carriers send API and PNR data to national authorities in line with EU legislation (API and PNR Directives) and the national law that implements that EU legislation in Member States. The Entry/Exit System (EES) and the European Travel Information and Authorisation System (ETIAS) legislations have only recently entered into force. It will only be once EES and ETIAS are operational by 2020-2021 that we will begin to see tangible results.

From then, air carriers will be required to query the EES/ETIAS data to receive an ‚OK/Not OK' answer for every third-country national travelling for a short stay in the Schengen area. EES and ETIAS have the big advantage of providing only one single contact point for the whole of the Schengen area. There will be no need to exchange carrier messages with each Schengen Member State individually.

Will these systems inter-operate efficiently? The Commission is conducting a study on a possible „central routing mechanism". This would work on the principle that air carriers could send passenger data (API/PNR) to one single point, and so avoid any legal requirement that would impose yet another data transmission — for API, PNR, EES and ETIAS — by the carrier to a national authority. This study could potentially lead to a streamlined information exchange. As to whether these systems work together efficiently, it is perhaps too early to say. The integration level of the various information elements happens indeed at Member State level, and will be very dependent on whether or not the information transmitted is handled in a coordinated way.

On whether interactive API (iAPI) could be an effective option for the future — the aforementioned is seeking to define the required technology to best support the data exchange with carriers. It is common knowledge that iAPI is viewed as a feasible option, at least for the required consultation of EES and ETIAS. However, we cannot yet give an authoritative answer. Our understanding is also that carriers do not so much insist on a given technology to be used but essentially expect a streamlining of information exchanges.

AIRPORTS

TARGETED REGULATION OF EUROPE'S MONOPOLY AIRPORTS IS POSSIBLE AND PRACTICAL. HERE'S WHY IT MATTERS.

It is no secret that A4E has been campaigning for economic regulation of monopoly airports for several years now. Why? Because our experience – and the initial findings from the European Commission's Airport Charges Directive (ACD) review – shows that some European airports misuse their dominant position by setting excessive airport charges.

Thanks to intense competition between airlines, air travel within Europe has never been more accessible. Nevertheless, monopoly airports levying excessive charges undermine airlines' ability to offer consumers adequate choices at affordable prices. The Commission's 2017 ex-post evaluation study on the ACD was striking: Average European airport charges increased by almost a quarter between 2009 and 2016, significantly above inflation, with many airports increasing charges by over 40% - some by more than 100%. Regulation of airport charges is inconsistent and ineffective across Europe. A lack of transparency about airport costs persists, and some airports continue to show monopolistic behaviour. Quite the opposite of the competitive dynamics we see in the airline industry.

So what can be done? The EU has successfully established frameworks to regulate market power in other sectors, such as energy and telecoms, resulting in lower prices and more consistent regulation. As airlines also require access to infrastructure (i.e. airports) to provide a final service to consumers, why not create a similar framework for airports with market power?

This sub-section of the more than 400 airports in Europe is powerful in their ability to set excessive charges and generate returns consistently above the cost of capital; a clear indication of significant market power (SMP).

Recently, A4E and IATA asked the Competition Economists Group (CEG) to analyse how a simple yet robust model could be developed to identify airports with SMP. The report identifies a set of tests that can be used to determine whether an airport faces effective competition, or whether it has the market power enabling it to set excessive charges. It shows there are few competitive constraints on airports, making it possible for national regulators to decide to regulate appropriately by examining key criteria.

This is a suitable, concrete and constructive contribution to the debate around developing a more effective regulatory framework for airport charges in Europe. It shows that there is a practical way to identify and regulate airport market power, where needed, in a uniform manner.

Ultimately, such regulation will help to limit abuse and ensure that air travel remains affordable and accessible to consumers and businesses alike.