



HERMES
AIR TRANSPORT ORGANIZATION

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2018

HERMES LEADERS FORUM

Ownership and Control in Aviation

Friday 2 March 2018 · Ekali · Greece



WELCOME

Dr Kostas Iatrou

Director General

Hermes - Air Transport Organization



Dear Delegate,

Dear Hermes members, I would like to welcome you to the 2018 Hermes Leaders Forum. This is the first event that Hermes organizes in 2018 and also the first since its establishment as an organization.

Hermes plans to focus on an important topic in air transport every year thus contributing to the development of our sector.

Our inaugural Forum evolves around “Ownership and control in Aviation”, an issue that has influenced air transport since its very beginnings.

We are glad to have key people from the industry discussing and making recommendations that may influence or even shape the future course of air transport.

2018 HERMES LEADERS FORUM

Ownership and Control in Aviation

CHAIRMAN OF THE FORUM

Henrik Hololei

*DG, European Commission
and Chair of the Forum*



Dear Distinguished Forum Participants,

It is my utmost pleasure to welcome you to the first Hermes Leaders Forum. Over the years Hermes has brought together numerous distinguished aviation personalities and acted as a forum for exchanging ideas and fostering contacts. This is the first time such a Leaders Forum has been organised and I am very pleased we have come together here, in Ekali, to discuss the challenges the aviation sector is facing in the years to come. One of those challenges is the Ownership and Control of airlines. The restrictions in the aviation sector do not exist in any other economic sector. Let there be no doubt about it: these restrictions are limiting the ability of attracting fresh capital and the creation of truly global airlines. Isn't it time to push for a change? And if so how can this be done? During this event, we will benefit from the expertise and insights of prominent experts and aviation professionals and I am convinced that we will have a very interesting exchange of views with recommendations that will generate food for thought for future occasions.

I wish you all an interesting event and pleasant stay in Ekali.

PROGRAM Ownership and Control in Aviation

FRIDAY 2 MARCH

09:00–09:30 **Registration**

09:30–09:35 **Welcome Address**

Dr Kostas Iatrou, *Director General, Hermes – Air Transport Organization*

09:35–10:00 **Keynote Speech**

Filip Cornelis, *Acting Aviation Director, DG Mobility and Transport, European Commission*

10:00–11:30 **SESSION 1 – SETTING THE SCENE**

Moderator

Professor Andreas Papatheodorou, *Editor-in-Chief, Journal of Air Transport Studies*
Panel

Pavel Telicka, *Vice President, European Parliament*

Salvatore Sciacchitano, *Executive Secretary, ECAC*

Rob Huyser, *Acting Director General for Civil Aviation, Netherlands*

11:30–12:00 **Coffee break**

12:00–13:15 **SESSION 2 – THE INDUSTRY POSITION AND CHALLENGES – Part 1**

Moderator

John Hanlon, *Head of International Government and Industry Relations, Norwegian*
Panel

Abdul Wahab Teffaha, *Secretary General, AACO*

Dr Yiannis Paraschis, *CEO, Athens International Airport*

13:15–14:30 **Lunch**

14:30–15:45 **THE INDUSTRY POSITION AND CHALLENGES – Part 2**

Moderator

John Hanlon, *Head of International Government and Industry Relations, Norwegian*
Panel

Haydar Yalcin, *Deputy Director General, Turkish DGCA*

Jeffrey N. Shane, *General Counsel, IATA*

Mauro Oretti, *co-author of “Airline Choices for the Future”*

15:45–16:30 **Coffee break**

16:30–17:00 **CONCLUDING SESSION – CONCLUSIONS AND THE WAY FORWARD**

Chair and Moderators

17:00–19:00 **Reception**

Air transport promotes freedom of movement and brings people closer together. Yet the providers of this freedom, the airlines, operate in a cage of regulatory complexities second to no other international industry. One of these complexities is the “ownership and control clause” found in international air services agreements and most national (or regional – EU) legislation alike. Ownership and Control (O&C) restrictions, by the way applicable only to airlines and no other part of the aviation value chain (airports, manufacturers etc), have caused airlines some headaches:

First, the restrictions prevent cross-border mergers which are an important component to expansion, consolidation of operations and growth in any other industry. Airlines have had to make do with (awkward) structures of joint ventures and airline groups (even within the EU where actually O&C has been fully liberalised). This was the only way to achieve economies of scale and expand networks to better accommodate consumer demands but does not replace or fully realise the potential and benefits of full mergers.

Second, the airline industry is highly cost intensive, characterised by cyclical demands, vulnerability to external shocks, and low profit margins compared to other industries. These difficulties are aggravated by the EU air carriers’ limited access to financing. For some airlines securing capital from foreign investors is vital to their survival. Limiting foreign investment also negatively impacts transfer of know-how to the EU airline business and may deprive EU passengers from stronger competition.

In light of all this, why stick to the O&C restrictions? What purpose do they still serve today? And what impact would their removal or liberalisation have on the industry, workers and consumers?

Some of the arguments put forward in favour of maintaining O&C restrictions are: the maintenance of traffic rights under bilateral air service agreements, providing a clear identity and link to a regime of national labour law and safety and security oversight, preventing “abuse” of traffic rights by nationals of States that do not have rights under the governing air services agreement.

The Forum will provide a good opportunity to explore these arguments as well as the impact of O&C restrictions on changes in the aviation market. For example, an interesting current development is the effort at international level to promote recognition and acceptance of clauses that focus on the principal place of business of air carriers rather than their ownership and control. At the same time however, new business models based on reducing operating costs by outsourcing have arguably eroded the notion of principal place of business in the EU. What is the experience in other parts of the world?

Is O&C the only remaining element giving airlines an identity allowing a strong link to safety, security and social oversight? Must the liberalisation of O&C go hand in hand with the creation of a new concept of regulatory control? What would this look like? How can national and international authorities provide the best business environment for airlines while ensuring the highest standards in quality and safety to passengers?