

**Resilience and efficiency through Leadership and Cooperation – how can shared leadership and collaboration between industry leaders help to address the challenges facing aviation today?**

Presented by EUROCONTROL

## Introduction

*In 2021, the aviation industry is facing two existential threats. The first and most immediate is how to survive the devastating impact of COVID and come out of the crisis with a sector that will be fit for purpose, structurally and economically able to deal with future crises. The second is sustainability, which is a deeper challenge that will be much more difficult to solve. Climate change is the single biggest issue facing society today, and aviation needs urgently to find workable solutions to lessen impacts and make our industry more sustainable.*

## What are the challenges facing our industry?

Before the COVID crisis hit, the aviation industry was already under tremendous pressure. With delays peaking at an average of 14.7 minutes/flight in 2018, the system was struggling to deliver enough airspace capacity and cost-efficiency, and unable to advance on key dossiers, particularly regarding the slow pace of delivering the Single European Sky (SES).

These challenges were tackled head on by the Wise Person's Group, which in its 2019 report called for 'a customer-focused SES that meets future needs for aviation services and environmental goals'. The group defined a clear and achievable vision for the future of ATM, envisaging "a **safe, seamless, scalable and resilient aviation network**" that "will be delivered through digital air traffic management services for all airspace users (civil and military) and passengers".

The Wise Person's Group also clearly identified that reducing the environmental footprint of aviation would be a key challenge for the future. Events over the course of 2019 and early 2020 would confirm this, as environmental issues moved up the agenda with remarkable speed, due in no small part to the flygskam movement coupled with increasing pressure from the European and national parliaments. This would culminate in the European Green Deal, proposed at the end of 2019 and adopted at the start of 2020, which defines very clear environmental targets for all sectors including the aviation industry, with the aim of achieving a reduction in the CO<sub>2</sub> emissions from transport of 90% by 2050.

COVID has given the industry its biggest shock ever. By April 2020, European aviation had collapsed with flights over 90% down. Despite a mini-recovery over the summer, uncoordinated State responses and changing advisories saw the year close with European aviation having lost 55% of all traffic – 6.1 million flights fewer than in 2019. At the time of submitting this paper in March 2021, European aviation remains 65% down on 2019 traffic levels. Losses to the aviation industry globally are estimated at close on €350 billion, with European aviation alone estimated to have recorded €56.2 billion in losses in 2020. The sheer number of bankruptcies, businesses closing, jobs being lost across the industry, and huge declines in flight and passenger numbers has brought into sharp relief the inefficiencies and deficiencies in the system that underline the need to strengthen our resilience.

Allocation of unbalanced State aid that has supported certain sectors of the industry over others, and some public entities over private ones, has changed the level-playing field that we started to build with deregulation at the end of the 1980s. It has also highlighted the tremendous interdependencies between all the players – airports, air navigation service providers (ANSPs), aircraft operators, industry, the military. As we struggled with the stop-start for air traffic over the course of 2020, with

closing of borders and inconsistent rules for travel, it became increasingly apparent that providing support to one part of the industry or one player was not the way of ensuring that the industry as a whole, with the millions of jobs that it delivers and its huge contribution to European GDP, would be able to survive.

That is why EUROCONTROL and its Member States took a series of bold and timely actions in 2020 to demonstrate leadership and to play their part in providing much-needed support to European aviation. A loan facility of €1.3 billion was secured by EUROCONTROL to support the ANSPs. Ten States used the facility, leading to a loan of €272 million which was successfully rolled out in the course of 2020. In parallel, immediate relief was provided to all airlines by deferring up to €1.1 billion of route charges as a way of easing their liquidity burden.

In addition to financial support, over the course of 2020, EUROCONTROL radically revised its approach to public provision of data, ramping up dramatically the quantity and quality of data and analysis provided to Stakeholders. Outputs such as Think Papers, weekly Comprehensive Assessments, dashboards and daily data tweets were all provided in an open and transparent manner to decision-makers across the industry, supporting them to take business decisions on the basis of reliable, comprehensive and shared information.

Transparency and inclusiveness in a network-centric approach are also a feature of the CDM process put in place within the EUROCONTROL Network Manager. This collaborative approach has significantly improved the operational management of the crisis, and ensured that preparations for recovery are strongly coordinated between the various operational actors. By bringing aircraft operators, ANSPs, airports and military partners together regularly, and transparently sharing information, EUROCONTROL has aided decision-making by helping establish a common understanding of the situation and how it is evolving.

Actions such as these can go some way to helping to create a level playing-field and supporting the different parts of the industry, but they are not enough, in particular in a context where some States are in a better position than others to support their national carriers their airports or their ANSPs. If we want to come out of this crisis able to build and grow again as an industry, we need to take on board these lessons and the need to look in a more global way at how our industry works. The challenges that face us in the post-COVID era are in fact larger and more challenging than the one we have faced in the past 12 months.

### **Post-COVID – what are we building to?**

Aviation is, and will remain, a cornerstone for our globalised and interconnected world. It contributes hugely to European and global GDP, providing pre-crisis 65.5 million jobs globally in an industry worth over USD2 trillion to the global economy. It facilitates international trade, creates jobs, unites people, and welds together far-flung regions. It makes Europe not a continent with distant islands, but a united whole that can be crossed safely and securely in 5 hours.

We do however need to recognise that the world post-COVID will not be the same as before. In a 5-year forecast released at the end of 2020, EUROCONTROL found that the most optimistic scenario would see traffic returning to 2019 levels by 2024. However, in the second scenario (based on a vaccine only being widely available and taken up in 2022), the 2024 traffic would only be at 92% of

the 2019 figure. In the third scenario, traffic in 2024 would be 75% of the 2019 figure and would not reach numbers seen in 2019 until 2029.

These numbers highlight the need to seize this opportunity, and not only to build back better, but **build forward differently**, if our industry is to survive and thrive in the post-COVID world. We need to be able to adapt quickly to changing consumer patterns and societal requirements and to do that, we need to build an industry that is **resilient, flexible** and **scalable**, able to deal with the ‘black swan’ events that will certainly come in the future.

As a first step, we need to revisit how the industry is funded. **Clear and transparent funding mechanisms** that allow balanced operation of market forces and state support are needed to ensure we can achieve our common goals. During COVID we have seen a very different picture of funding support from different States. In some cases, partially or fully State-owned legacy carriers have received emergency support, while in general privatised airlines including all low-cost carriers have been left to fend for themselves. The picture is equally fragmented when we turn to airports, where some have received funding, while others have had to manage alone. Even among ANSPs the level and type of State support provided have varied widely. We have to challenge this approach head on because it distorts competition and poses a real risk that when the crisis has receded, a playing field will be in place that is far from level, stocked with many companies that are less resilient, less competitive, and ill-suited to compete internationally and in an open market. This risks undoing all the gains in competitiveness built up in recent decades, with negative effects on the European consumer and the European economy.

This approach is also important if we want to ensure that the future European aviation industry remains globally competitive. We have seen all too clearly how taking a purely local, regional or national approach is catastrophic for any business that needs to operate seamlessly across borders, providing services that are vital to European society. So to achieve this objective, we must ensure that Europe’s aviation industry is indeed truly European and operates on a basis of financial equity regardless of what is seen to be national interest.

The second and key element to building back better and building forward differently will be to build an industry that is **sustainable in the long term**. Different parts of the aviation industry have different roles to play in this sustainability roadmap. Up to 10% of emissions today can be addressed through improvements to air traffic management systems, and many of these evolutions are available today. Reducing the environmental footprint of the fuel that powers aircraft is another powerful lever; alternative airframes fully powered by carbon-neutral fuel sources is another. Airports are already making major strides in improving the footprint of their infrastructure and working through programmes such as ACI’s carbon accreditation scheme to pursue carbon reductions in line with the goals of the Paris Agreement. Much more work needs to be done however to ensure that ground-based infrastructure can achieve carbon-neutrality in the coming decades and to incentivise sustainable solutions such as the uptake of Sustainable Aviation Fuel (SAF), as well as research and development into new technologies like electric or hydrogen-powered commercial airliners, which will require significant investment to realise.

As a European industry, we need to take all of these different strands of work forward in a coherent manner, with a shared vision and a common understanding of how each separate element can contribute to our common goal. Crucially, we need a shared understanding that no one part of the industry can promote its green credentials at the expense of another, one of the reasons

EUROCONTROL has recently started publishing a Sustainability Briefing aiming to highlight the different kinds of work being done across the sector as a whole.

State actions during COVID have shown that different legislative frameworks across Europe create a patchwork of confusing and fragmented measures. Without **coherent legislative frameworks**, the airlines in particular but also the associated industry partners do not have the certainty and predictability that they need to return to profitability and then to grow in a sustainable manner. Part of building back better and forward differently will be to ensure that there is at European level the appropriate mechanisms to take coordination action between States on matters that affect aviation.

EUROCONTROL has tried to be a catalyst for this discussion and to help the industry see beyond the near term problems which have been extremely challenging, so that aviation will be fit for purpose when the COVID crisis passes, as it eventually will. We have coordinated our positions with Industry groups such as IATA, A4E, ACI, CANSO and well as our member states. EUROCONTROL has also looked inwards to ensure that we also continue to deliver the best possible service to our member states and the industry with the recent Deloitte study which proposes far reaching reform of EUROCONTROL over the next 10 years.

**Institutional reform**, the fourth area in which we must take action, is clearly needed across the industry as a whole. The Single European Sky package developed following inputs from the Wise Person's Group is desperately needed to deliver the changes needed to ensure that Europe's aviation industry will continue to prosper in the future. We need to seize the golden opportunity to reform how airspace is managed as ATM's contribution to improving Europe's aviation system.

## **Conclusion**

In summary, there are four key lines of action that we must pursue collectively to ensure Europe's aviation industry will be resilient and efficient in the future. We have to address funding, identify a clear pathway to carbon neutrality, develop coherent legislative frameworks and tackle institutional reforms head on.

The Wise Persons Group in their report identified a number of principles that served as the basis for their recommendations. While the report was written before the COVID pandemic, those principles and the approach behind them remain true. We need the real commitment of all Member States and stakeholders as well as the full involvement of industry to make the changes that will ensure Europe can remain competitive and a hub of future global connectivity.

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