



TEN/709

The future of EU air transport in and after the Corona crisis

OPINION

European Economic and Social Committee

The future of EU air transport in and after the Corona crisis

[Own-initiative opinion]

Rapporteur: **Thomas Kropp**

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1. Conclusions and recommendations

- 1.1 Aviation is one of the sectors most badly affected by the Corona crisis. Between March 2020 and May 2020 alone, the air passenger traffic market plummeted by 90%, with dramatic consequences for the revenues of all stakeholders and their employees in the aviation value chain.

Aviation plays a pivotal role for trade and tourism, as well as for connections inside Europe and with non EU countries. The tourism sector is a key contributor to national GDP in many countries and has suffered extreme losses. These are having an impact on EU countries, but their impact is even greater on developing countries, where the sector accounts for significant shares of GDP. For these countries, the shutdown of tourism activities threatens to undo important humanitarian progress (Study by the Institut der deutschen Wirtschaft, August 2015: *Entwicklungsfaktor Tourismus*; German tourists alone spent EUR 13.5 billion at tourist destinations in developing countries. That is 5% of all tourist expenditure in these countries and creates 78 000 jobs there.).

The EESC calls on the Commission to promote tourism as a cornerstone of its development cooperation.

- 1.2 The EU Member States are willing to assist all economic sectors in the recovery process. Nonetheless, because of an unprecedented global recession, as well as the uncertain duration of the pandemic, it is unlikely that global economic activities will regain pre-Corona levels in the near future. For this reason, the EESC calls upon the Commission to develop a comprehensive road map for the recovery of the entire European aviation sector; such an action plan should include dedicated resources to support all sub-sectors and their workforce.
- 1.3 All stakeholders and the social partners require planning stability. The Corona crisis requires a clear distinction between the recovery phase of the aviation sector in the short term, while securing the sector's international competitiveness and a level playing field in the medium to long term.

In this context, the retention of quality jobs and appropriate working conditions are key requirements to retain a skilled workforce, without which sustainable competitiveness cannot be secured. The continued recruitment and training of a qualified workforce in the aviation value chain is, therefore, a prerequisite for ensuring the recovery of European aviation.

- 1.4 In the short term, the Commission should prioritise re-establishing passengers' trust in aviation. The Corona crisis has created market conditions unforeseen in most of the relevant regulations. Passengers must receive reassurance of the conditions under which prepaid tickets will be refunded in the event of cancellations during this crisis; the Commission should also promote the understanding that travelling by air transport is safe, by encouraging binding international agreements on appropriate sanitary standards.

During this critical recovery phase, the Commission should also secure planning stability by imposing a moratorium on changes to the regulatory framework that would hinder effective recovery.

The EESC calls on the Commission to seek and maintain a good balance between the recovery measures necessary to overcome the Corona crisis and the desired adjustments to the financial regulations arising from the European Green Deal. The EESC urges the Commission to avoid imposing additional financial and/or regulatory burdens on the sector, particularly in a recovery phase, when the entire sector is financially extremely weakened. This includes, but is not limited to, the prolongation of the waiver of the "use-it-or-lose-it" slot provision for the 2020-2021 winter season.

- 1.5 In the medium term, the Commission should review the EU's Aviation Strategy (adopted in 2015) which should ensure a level playing field post-Corona, based on an assessment of the extraordinary fragility of the aviation system, and the changed parameters and market dynamics.
- 1.6 The EESC recommends that the Commission consider renegotiating bilateral Air Service Agreements (ASA) with non-EU countries with the aim of preventing the distortive effects of state aid, environmental regimes such as the EU's Emissions Trading Scheme (ETS) and social imbalances, based on a level playing field, so as to ensure continued sustainable market growth.
- 1.7 Once the European aviation sector has regained its stability, the EESC expects to see the Commission's commitment to a sustainable aviation policy that unleashes the potential of the European aviation sector.
- 1.8 The EESC urges the Commission to secure European competitiveness by accelerating the necessary regulatory steps to fully implement the Single European Sky after decades of unnecessary dispute between Member States and the EU, and thereby achieve an up to 10% EU-wide reduction in CO₂ emissions.
- 1.9 The Green Deal is a key EESC-backed policy package to ultimately reduce the impact of all sectors, including aviation, on climate change. The EESC expects further EU funds to be allocated to R&D, with the aim of promoting environmentally friendly products, services, procedures and technologies without undermining European competitiveness. Indeed, the EESC calls on the Commission and Member States to focus policy on promoting globally applicable standards for sustainability, including additional environmental measures, when providing financial aid by Member States.
- 1.10 The EESC seeks reassurance that the social partners who use the Social Dialogue formula will continue to be involved in the development and implementation of the necessary regulatory measures, and reiterates that it is prepared to fully support the Commission in its endeavour to promote the swift recovery of Europe's aviation sector.

2. Background

- 2.1 The EU aviation sector directly employs between 1.4¹ million and 2² million people and accounts for between 4.8 million and to 5.8 million jobs. The direct contribution of aviation to the EU's GDP is EUR 110 billion, while the overall impact, including tourism, totals EUR 510 billion, due to the multiplier effect.

This crucially important role of aviation – not just as a sector, but as a catalyst for economic prosperity, job security and tourism – has been very much underestimated to date.

In some Member States, tourism accounts for up to 25% of national GDP. The rapid resumption of air services – subject to adherence to the relevant sanitary measures – is therefore of paramount importance to maintaining tourism as an outstanding source of revenue.

Globally, European aviation also promotes trade and tourism to nations in dire need of economic support and political integration into the global community. The absence of international air travel during the Corona crisis has amplified the economic weakness of developing nations in particular.

- 2.2 Although aviation has faced crises before (Examples: terror attacks and airspace closure in 2001; SARS and Ebola virus outbreaks; the crisis of the global finance system in 2008; the closure of European airspace during the spread of volcanic ash in 2010), the current crisis is unprecedented. According to updated estimates, the recovery of the sector will not happen before 2024³. Neither the European institutions, nor international bodies have been able to coordinate regulatory measures to establish international standards. International aviation, however, requires consistent and science-based global standards if it is to re-establish sustainable and resilient pre-crisis service levels.

While the public and political spotlight has been on airlines during the crisis, the aviation ecosystem includes other important players, such as airports, air navigation service providers, ground handling and other service providers. Solutions must be sought to include the entire aviation value chain.

3. General comments on the current status of the crisis

3.1 Health concerns

The intensity and duration of the Corona crisis will depend on the ability of the competent authorities to contain the spread of a hitherto unknown virus. Multiple studies show that air transport is one of the safest modes of transport. Guidelines for a coordinated hygiene protocol, and coordinated health and hygiene measures by Member States have been developed at

¹ [Steer Davies Gleave – Study on employment and working conditions in air transport and airports, Final report 2015.](#)

² Aviation: Benefits Beyond Borders, Report prepared by Oxford Economics for ATAG, April 2014.

³ See <https://blueswandaily.com/european-capacity-may-have-grown-in-jun-2020-but-a-european-aviation-body-warns-that-the-recovery-in-passenger-traffic-is-proceeding-at-a-slower-pace-than-it-had-projected/>

European level by the European Aviation Safety Agency (EASA) and the European Centre for Disease Control and at global level by the International Civil Aviation Organization (ICAO). Airlines and airports have cooperated closely with the European Commission and the ICAO.

3.2 Lack of liquidity

In the second quarter of 2020, airline revenues fell by an average of 79% on average. Even when flexible costs are deducted, this left airlines with a cash burn of approximately USD 60 billion in this period. A major contributor to the liquidity problem were refunds of pre-sold tickets (The calculations are different for the low-cost carrier business model, which has lower operational costs but a higher dependency on pre-sold tickets.).

However, consumers are likewise hit by the Corona crisis; litigation has been initiated in several Member States by consumers seeking reimbursement of pre-paid tickets, in accordance with Regulation 261/2004. A transparent and realistic resolution of these cases and further claims within a realistic timeframe is required.

When exiting the Corona crisis, the air transport sector will thus be heavily indebted (Although governments globally have so far provided state aid amounting to approximately USD 123 billion to keep airlines operational, only USD 11 billion has been provided as equity, the remaining amounts being liabilities that the airlines will have to repay.). Moreover, the state aid granted to European airlines varies significantly in form and volume between Member States.

Several internationally operating airlines have filed for bankruptcy (Examples include: Avianca, LATAM and South African Airways.).

Some payments to air service navigation service providers (ANSPs) have been deferred; this alleviates the strain on the liquidity of airlines, but creates a significant revenue gap for ANSPs. A solution must be found that will enable ANSP to continue to provide essential services viably, and which will not lead to increased charges for airlines at a later date, when they are just recovering. Similarly, airports, cargo operations, as well as ground handling, catering and other service providers have been severely hit by the crisis and may, therefore, also need further support.

3.3 A coordinated approach to secure short-term recovery

The Commission has issued a Communication for the transport sector, recommending:

- an overall strategy towards recovery in 2020 and beyond;
- a common approach to restoring free movement and lifting restrictions at EU internal borders in a gradual and coordinated way;
- a framework to support the gradual re-establishment of transport, whilst ensuring the safety of passengers and personnel;
- making travel vouchers an attractive alternative to cash reimbursement for consumers;
- criteria for restoring tourism activities safely and gradually and for developing health protocols for hospitality establishments such as hotels.

These recommendations are not binding in nature; but they outline the degree to which Member States would benefit from an alignment of their respective measures.

In Spring 2020, the Commission issued a Communication for a Temporary Framework on State aid. The framework allows Member States to compensate companies for extraordinary financial losses and to retain jobs and employment levels. Furthermore, the Commission issued temporary derogations on slot allocation⁴, as well as on ground-handling licences. It is important and urgent to assess whether a further prolongation of these measures would contribute to planning stability for the companies concerned and, if so, to initiate the necessary regulatory steps at the earliest possible time.

The EESC has deep concerns concerning the failure of the European Union's Member States to implement consistent and science-based approaches to travel restrictions. Despite repeated calls from the industry for a science-based, harmonised and coordinated approach to new restrictions, differing national approaches have emerged. Some of these unilateral national measures are contrary to expert guidance and further damage consumer confidence. The EESC urges the Commission to safeguard a safe and transparent resumption of air traffic in Europe. Member States should aim to harmonise their gradual border openings, in line with the Commission recommendations.

4. **Specific comments on requirements for sustainable recovery**

4.1 The crisis as an opportunity for a reassessment of the strategic role of aviation for Europe⁵

The Corona crisis has changed the relationship between the stakeholders in the aviation value chain. Given the new market size and its structure, aviation stakeholders must be involved in developing mechanisms that are fit for purpose in the post-Corona air travel market.

The Commission will furthermore have to reassess its general State aid policy in the light of changing geopolitical realities. International hubs in the vicinity of the EU, such as Istanbul, London-Heathrow and in the Gulf, could divert air traffic and undermine EU connectivity in the absence of a consistent and compelling EU aviation policy aimed at promoting EU competitiveness and a level playing field, while preserving high-quality jobs in Europe. It will also be necessary to consistently evaluate the degree of State aid granted in non-EU countries (These can take the form of loans, wage subsidies, loan guarantees, equity financing, corporate taxes, funding of routes or cash injections.). This will furthermore require a rigorous implementation of Regulation 1008/2008 to prevent hostile takeovers of and investments in EU airlines by non-EU countries, thereby ensuring that the European economy can remain internationally competitive on the basis of quality and price and rely on connectivity provided by its aviation sector (Astra, a small Greek airline, was in negotiations with Chinese investors.).

⁴ EESC Opinion TEN/711 Allocation of Slots at Community Airports, not yet published in OJ.

⁵ [OJ C 13, 15.01.2016, p.169.](#)

4.2 Maintain competitiveness

- 4.2.1 The air transport sector will not be able to return to a pre-Corona normality (Scenarios vary between a recovery by 2022, and by 2025.), because the scale of the Corona crisis will have structural effects on the market. In order to maintain planning stability for stakeholders and consumers, EU Air Service Agreements (ASAs) with non-EU countries should be used as a platform to jointly monitor the degree of State aid granted during the Corona crisis, with the aim of identifying and resolving distortive trends. Market access should play an important role in determining the level of State aid in this context. Retaliatory measures should be applied if a non-EU country refuses to address the issue of aid. Unequal environmental and social standards between EU- and non-EU carriers need to be addressed in these ASAs.
- 4.2.2 Over-capacity in the market, combined with a foreseeable decline in purchasing power during the forthcoming global recession, may even require temporary or structural changes to ASAs, with a view to safeguarding reciprocity during the recovery period.
- 4.2.3 The Commission could, and should, initiate unilateral proceedings against non-EU countries and their carriers, if solutions cannot be reached through negotiation (Regulation 2019/712 offers the option to initiate proceedings.).
- 4.2.4 One issue of particular sensitivity is the tension between the liquidity constraints of passengers demanding reimbursement of prepaid tickets, and those of the airlines, many of which would need to file for bankruptcy if all reimbursements were actually made. The upcoming revision of EU 261 should aim to clarify the rules, in order to provide a win-win solution, in the interests of both passengers and airlines (Several possibilities could be considered such as, for example, a government-guaranteed time-limited voucher: should the airline file for bankruptcy before expiration of the voucher, or should the airline not be in a position to offer the flight, the passenger receives reimbursement and the airline gains some further time to use its cash reserves.).
- 4.2.5 The EESC believes that the current state of the sector is so critical that regulatory initiatives that distract from stabilising a globally competitive EU aviation sector should be suspended for the duration of the recovery phase.

In this context, the EESC reiterates the priorities that the Commission should pursue in order to regain and maintain European competitiveness while ensuring the necessary level of social protection⁶.

4.3 Social dialogue is a key pillar for recovery

The current crisis has confronted the entire aviation ecosystem and its employees with existential anxieties, irrespective of the efficiency of the services offered. It is crucial to strike an appropriate balance between entrepreneurial and social considerations, in order to ensure sustainable quality job creation in the future.

⁶ [OJ C 13, 15.01.2016, p.110.](#)

This is not just an issue of policy and principle, but one that requires immediate consideration: market practices such as flying-on-demand, bogus self-employment, lack of social protection in the event of a call for tender and/or partial loss of activities, or the severance of contracts with employees only to rehire the same staff at significantly lower wages, are unacceptable⁷.

Social dialogue will also be necessary during the inevitable resizing in most companies and should, therefore, be fostered at European, national and company level. This does not preclude the EU institutions and Member States from assuming their responsibilities in the social field.

4.4 Ensuring the sustainability of the aviation ecosystem

4.4.1 The EESC notes the agreement by the entire global aviation sector on measures to contain CO₂ emissions at both global⁸ and EU level⁹. Any additional EU measure must therefore be seen in a competitive context; the diversion of air traffic from EU airlines to their non-EU competitors, for example, has no positive effect on sustainability.

The EESC believes that sustainability must be evaluated in a new, post-Corona context. An assessment is required of the effect of measures on the ability of EU airlines to recover sustainably from the Corona crisis and remain competitive.

Like all other sectors, the EESC stresses that aviation should adhere to the long-term objectives of the Green Deal. The EESC urges the Commission to coordinate its actions on a global level, notably at the International Civil Aviation Organization. The EESC advocates further expansion of a high-speed rail network in Europe, with direct connections to hub airports.

The EESC welcomes the fact that EU Recovery Plan provides for investment in future-oriented sectors. This should include, in the view of the EESC, strategic investment in state-of-the-art interoperable technology for all aviation stakeholders. Markets for sustainable aviation fuels, sustainable technologies and data markets should be actively promoted. Fossil-free liquid fuels have great potential for achieving low-carbon aviation. Significant research and development is still needed to provide such fuels at reasonable costs.

The EESC is pleased to note the various funding initiatives for such alternative fuels (power-to-x, synfuel) under the EU's current research funding instrument (Horizon 2020) and encourages the Commission to step up these efforts for the next Framework Programme for Research and Innovation (among other funding instruments: Horizon Europe).

4.4.2 The EESC insists, however, that the funding of new technology and measures designed to strengthen the sustainability, resilience and scalability of the aviation ecosystem should be integral elements of an all-encompassing aviation roadmap, which should be implemented with

⁷ [OJ C 13, 15.01.2016, p.110.](#)

⁸ CORSIA (Carbon Offset and Reduction Scheme for International Aviation).

⁹ [OJ C 133, 9.05.2013, p.30.](#)

the aim of providing the necessary support for the recovery of the European aviation value chain.

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Luca Jahier

The president of the European Economic and Social Committee
