

Competitiveness of the EU air transport industry

Speech by Vice President Siim Kallas

European Aviation Club

Brussels 15.12.2010

Ladies and Gentlemen:

Our citizens and businesses have benefitted greatly from developments in the area of air transport. Air transport allows people to enjoy a freedom of travel that is unprecedented in history. Air transport has enabled the economy to organise the production of goods in a most efficient way. At the same time, our European air space is saturated and the environmental impact of air transport is considered unsustainable.

The air transport policy of the Commission is of course part of a wider policy to develop a European Single Transport Area.

To develop the European Single Transport Area, the European Commission intends to implement the following main actions:

First, reduce barriers and fragmentation to smooth out the functioning of transport. This means the completion of the European Single Market in terms of transport.

In aviation it means achieving the Single European Sky – the creation of a united area of air traffic management. The Single European Sky project is expected to deliver considerable savings, to increase efficiency and to reduce the CO2 emissions.

The second main set of actions concerns **technological development**, first of all promoting Intelligent Transport Systems, IT applications, new fuels, new engines, and modern management of traffic flows.

In aviation, the flagship program is of course SESAR, the technological pillar of the Single European Sky. But we also need to promote alternative fuels and new technologies to reduce the environmental impact of aviation.

On Monday, I had a first meeting of a High-Level Group on Aviation Research with CEOs from all aviation sectors (aircraft manufacturers, engine manufacturers, fuel suppliers, avionics system providers, airlines, airports) to develop a vision beyond 2020 for aviation-related research and innovation in Europe.

And third – we prepare the new Trans-European Networks plan for the next financial perspective – 2014-2020. The Single European Sky should be seen as a core transport **infrastructure** in that context.

In all our activities to develop air transport we have to take into account two main factors.

One is the set of **environmental constraints**. We have to reduce the emission of greenhouse gases, CO² and other negative environmental impacts of air transport such as noise.

I am very satisfied that in October ICAO adopted a Resolution on International Aviation and Climate Change. It is a major achievement to have 190 countries adopting a Resolution on such a sensitive issue. It is the first mode of transport to succeed. We will have to analyse the results of Cancun, but aviation has already done a good part of its homework.

The second set is the **competitive environment**. Air transport is operating in a global market.

The internal market has allowed European airlines to engage in a process of cross-border consolidation. European airports have been converted from infrastructure providers to commercial businesses. Among the world's largest ten airports in terms of international passenger traffic, five are in the EU. However, Europe will be the region worldwide with smallest recovery. IATA expects a global net profit for the airline industry of 15,1 billion dollars in 2010, the European airline industry's share in that profit is expected to be only 0,4 billion dollars..

During the next ten years we will see global consolidation of the airline sector. We will have global carriers instead of regional and national carriers We have witnessed the development from national flag carriers to European carriers. In the process towards the development of global carriers, Europe should be a leader and not a follower.

Creating bigger aviation areas can help meeting global challenges. We aim at a normalisation of the airline industry with more freedom to invest in other countries.

The EU has an open sky agreement with the United States. Together we account nearly for 60% of world civil aviation. We propose to develop the EU-US open skies area further.

We need to increase our cooperation with third countries in all areas, including on safety and security. A strategic market like Brazil is a good example: We signed an Aviation Safety Agreement with Brazil this summer and we are currently negotiating an ambitious comprehensive air transport agreement with the Brazilians.

The engagement with strategic partners like the US, Canada or Brazil is an important aspect to maintain a leadership for Europe in worldwide aviation.

Few words about Russia: Today and tomorrow a team of my experts is meeting with Russian experts to discuss the concept of the "community carrier". I have no illusions.

However, I very much hope that Russia will see the benefit of closer co-operation with the EU in aviation sector , this could help Russia modernise and develop its today completely underdeveloped potential. And I very much expect Russia to solve the Siberian over-flights issue before it becomes a member of the World trade Organisation.

My wish is to extend the single market to all neighbours. **If we remove barriers to our neighbouring countries, we can create a common market of 58 countries and one billion inhabitants**. This is a big priority because with such a common market we would achieve a critical mass comparable to our competitors.

However, a key strategic area we need to develop strongly is reforming and modernising our infrastructure. The competitiveness of the European air transport system is currently hampered by inefficiencies of the air traffic management.

The fragmentation of the airspace costs the sector €3 billion a year. Inefficiencies of the air traffic management system in Europe are responsible for 16 million tonnes of unnecessary CO2 emissions. The implementation of the Single European Sky is therefore not an optional add-on – it is an essential requirement for an efficient and sustainable air transport system in Europe.

I am pleased to announce that we have achieved significant progress towards the Single Sky in recent weeks:

We have agreed EU-wide performance targets for cost-efficiency, capacity and environmental efficiency that will lead to cost savings of more than €1 billion.

We have also made significant progress toward the establishment of Functional Airspace Blocks with the signature of the FAB Europe Central Agreement on 2 December. This functional airspace block in the core area of Europe, covering France, Germany, Switzerland and the Benelux countries is an important step to reduce airspace fragmentation in Europe.

SESAR as the technological dimension of the Single European Sky will need an effective governance and innovative funding for the deployment phase. The cooperation with the US and other partners is very important to reach global interoperability between SESAR and NextGen and European leadership in this area.

The Commission is going to present next year an airport package to the Council and the Parliament. Together with the White Paper and the Trans-European network, this is one of our 3 strategic initiatives in the field of transport for 2011. This reflects the importance given to aviation by the European Commission.

In conclusion

Ladies and Gentlemen.

The world is becoming increasingly global. This is especially visible in the developments in air transport. Fair competition is good. And we need to work together – Commission, Member States and stakeholders – so that European industry will maintain a leadership in global competition.

Thank you for your attention.
