

Keynote Speech

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EUROPEAN COMMISSION

Ladies and Gentlemen,

Dear friends,

- I feel immensely proud and privileged to be invited again to the International Aviation Club and I would like to sincerely thank you for that. It is now my fourth time addressing you and I have enjoyed this unique opportunity at every occasion. Evelyn and Dave, thank you for your kind invitation, I am most grateful for your generosity and I am very humbled standing here in front of you.
- Many of you who know me, also know that I am, have always been and will always be a firm proponent of a close transatlantic relationship and I am convinced that true and loyal friends are recognised during more challenging times. I am equally convinced that the EU and US have to continue to be the role models for the rest of the world and have to drive forward the global agenda in aviation and in many other areas.
- Why, some might ask? Because if we do not do this the void will be filled by others whose values, regulatory frameworks and global ambitions are very different from ours.
- In aviation, we have been showing the world the way forward, be it about safety, security or regulatory developments. The best proof of that is our transatlantic aviation partnership. A fundamental pillar of our relationship, which has opened up the possibility to travel more, more affordably, more frequently and to get to know each other better on both sides of the Atlantic.

- With more than 78 million scheduled seats, the EU-US aviation market continues to be the most important aviation market in the world. It is also the largest external market for both the EU and the US, providing unprecedented levels of connectivity and support to our economies. With nearly 6% growth last year, our mature market also continues to be extraordinarily dynamic.
- This proves that the transatlantic market is healthy, thriving and is the backbone of our respective aviation value chains. And we should do our utmost to make sure it stays this way.
- However, I think we should also ask ourselves if this vibrant market would benefit from more competition and from new opportunities. My answer to that is yes, absolutely.
- As you well know, Europe did not appreciate the artificial barriers that were applied in non-conformity of our Air Transport Agreement against Norwegian Air, when it wanted to enter the transatlantic market. I am happy that we have put this episode behind us and I would like to thank all those who helped us to do that and who fought for the integrity and validity of our ATA. I am sure we all learned a lot from this process.
- Or have we? I have understood that a new “Fair and Open Skies Act” has lately been tabled in the House, trying to open up the same discussion and questioning the integrity of the ATA. I sincerely hope that all parties honour and value our Agreement and if need be we will use all legal means to defend ATA.
- On the positive note, I am very happy that Jet Blue has recently announced its intentions to operate in the transatlantic market. I truly welcome this and I wish Robin Hayes and his team every success. More competition is definitely very welcome.
- In the not too distant future, the European Commission will consider re-evaluating whether the current transatlantic anti-trust immunities are fit for purpose. I assure you that when we will do this, we will do it thoroughly and diligently, having in mind the preservation of the vibrant and competitive market that best serves our travelling public.

- I will always remain a staunch defender of the integrity of the EU-US Air Transport Agreement which has been a historic game changer, which transformed the transatlantic aviation relationship forever.
- This means that we have to make sure that there will be no re-writing of the key principles of this agreement. I would just remind you that the definition of European carrier and US carrier in the spirit and text of the agreement would always be done by our respective relevant authorities to whom we have given the trust and competence and not by random political assessment. We will always defend this key principle of the ATA.
- To those, for who this was too cryptic, I just want to remind you that Air Italy is an EU carrier, and its rights under the ATA will be defended by the EU. If anyone wants to challenge that you are welcome to use the channels foreseen in our agreement.
- Let us also not assume that we can "rest on our laurels". We must decisively bring the agreement further and deepen our relationship.
- As a token of our commitment to the ATA, I am glad to announce that EU Member States, last week, authorised the signature of the wet lease agreement. It shows we keep our commitments and adhere to ATA.
- The policy to which the EU and the USA have committed until now - promoting liberalisation, opening markets, promoting innovation, promoting competition, fostering competitiveness - has had an enormously positive win-win effect for the consumers, trade, tourism and the aviation sector itself.
- We should resist putting up artificial protectionist barriers. Anywhere in the world. Instead, we should set an example by tearing down those barriers, which still exist, in order to support this sector and the development of our economies! I will do my utmost to maintain that spirit in our joint aeropolitical leadership.
- Last year, when I was here in front of you I called for a more strategic, frank and creative discussions in the context of the Joint Committee. I am glad that my colleagues from both sides of the Atlantic have followed this up and that the last discussions have been much more comprehensive than before. This is good progress and let us continue to make the Joint Committee a real driver of our cooperation, which is able to settle all

issues, raised, related to the implementation and enforcement of the Agreement.

Ladies and Gentlemen, dear friends,

- It has been another eventful year since I addressed you last July. European aviation has finally fully recovered from the 2008 crisis and the subsequent downturn and has reached new heights with 1.2 billion passengers in 2018 and more than 11 million flights in European airspace; with an additional 300,000 flights forecasted for this year.
- Over recent years, aviation has experienced a robust growth and I think it would be fair to call them “the golden years of 21st century aviation”. According to ICAO, last year, air transport carried 4.3 billion passengers worldwide on scheduled services. This is a 6.4% increase over the year before (*Asia Pacific: +7.3%; Europe: +6.7%; North America: +5.2%*).
- However, I feel that there is something changing now. Growth, albeit the figures are still good, is now slower than in previous years. Revenues are up but yields are generally down and this year many big airlines have already announced significant losses in the first quarter. Expectations of slower global economic growth would create less demand and an additional barrier for passenger yields to improve.
- IATA announced in June its expectation for airlines to achieve a collective net profit of \$28 billion (with a 3.2% net margin) this year. Slowing demand, rising costs, particularly fuel, and the ability to recover those costs will remain a major challenge for the industry and are behind the downward revision from the December forecast of \$35.5 billion. This year the overall costs are expected to grow by 7.4%, outpacing a 6.5% rise in revenues.
- As a result, this year, net margins are expected to be squeezed to 3.2% (from 3.7% in 2018).
- All these figures actually support the argument that something is changing and the prospects are not as great as they were a couple of years ago. We, as regulators, have to be very attentive and make sure we really understand these signs, which reflect the market developments.
- Last year I spoke about the challenges for aviation. These challenges have not disappeared - on the contrary - many have even increased. On top of

that, aviation continues to operate in an environment of increasing political unpredictability and volatility, which inevitably affects the sector and global trends.

- The rise of nationalism, protectionism and populism around the world, is fundamentally at odds with a forward-looking and liberal regulatory agenda. The threat of trade wars, high tensions in certain geographical areas and overall uncertainty is further fuelling the overall challenges.
- The growing capacity limitation and congestion on the ground and in the air affects not only Europe but also many of the fastest growing markets. As we approach the peak of the summer season, delays will also surge around the world.
- As will aviation emissions, which brings me to the main and arguably greatest current challenge - managing the environmental footprint of aviation. In order to maintain the “license to grow”, one pessimist even referred to the “license to exist”, emissions have to come down. In Europe, we observe that peoples’ mind-set about that is changing very fast and - without the slightest doubt - public demand and societal expectations for cleaner and much more sustainable air transport will grow rapidly in the coming years.
- In Sweden, there is even a new term “*flygskam*” – flight shame. People are publicly encouraged to use rail instead of aviation and peer pressure is growing. In the Netherlands, KLM, perhaps being ahead of the curve, is calling in its latest brand messaging to “fly less”. Moreover, France has recently decided to introduce an environmental tax on all flights in response to calls made during its recent social crisis.
- Let us also not underestimate that the millennials have a very different approach to social media, artificial intelligence and sustainable mobility. They expect sustainability and competing, customised door-to-door offers from anywhere to anywhere with whatever mode of transport. Their approach to aviation is also different.
- We already see these significant and rather disruptive signs that we did not witness just a year or two ago. If the industry is not delivering credible responses to show that, it can continue to grow while reducing emissions, this pressure will only mount and sooner than later regulatory intervention follows. Europe’s sentiment and societal expectations in this are today

ahead of other regions but trust me, it is just a matter of time before this wave spreads to the rest of the world. We know what wonders social media can do for elections, and aviation sustainability is no exception to this.

- If this challenge is not constructively and jointly, met then individual governments will consider unilateral action – because they are under increasing political pressure to do so. The last thing we want is an accumulation of national “disruptive” measures, which will unavoidably affect also the US aviation and tourism sector.
- I have to say that the global response of the industry has so far being very timid and complacent. Far too timid. Arguing that CORSIA is a sufficient tool is not enough anymore. I think that the industry has not been able to grasp nor understand the changing societal trends and expectations. It is high time now. This innovative industry just cannot manoeuvre itself into being defensive on this important global and political issue.
- Even though the aviation sector’s emissions make up just 2% of global emissions and continued fuel efficiency gains have partially decoupled CO2 emissions from expanding air transport services, it is nevertheless one of the few sectors where emissions continue to grow. This is not sustainable. Literally!
- The airline industry has to step up and not hide their "head in the sand". I would also encourage considering all actions that show clear commitment to sustainability and which display the societal responsibility of the sector. The industry is in fact making real progress but the overall public perception does not at all recognise this.
- For example, some airlines have announced they will become plastics free and I think this could be a very clear and welcome message for the whole industry.
- In the last 12 months, the societal and political priorities in Europe have evolved and now I dare to say that sustainability has become the new number one challenge for aviation.
- This is going to be clearly expressed in the priorities and actions of the new European Commission and new European Parliament. Sustainability

has become mainstream across all political parties in Europe and citizens demand more and concrete action.

- European-level taxation of kerosene, tax through air passenger duties are among the issues on the table to be discussed and potentially proposed. I have expressed my views very clearly on this topic but I have to be careful what I say here, as the direction and actions will be decided by our new political masters and by the new Commission.
- I would just like to underline that there is no magic formula to make aviation much more sustainable in a short timeframe. It is without any doubt that a basket of different measures is the best and only way forward but I think that this basket is getting bigger and measures more draconian over time if tangible result are not achieved.
- Innovation, new aircraft types, new and more efficient engines, more efficient use of airspace are just a few examples. I believe that other effective measures must also be observed. We are currently working on proposals to incentivise the use of sustainable aviation fuels, including proposing concrete blending mandates. This measure can help to reduce emissions through gradual substitution of kerosene over time.
- I am also well aware that currently the share of SAFs is globally ca 0.05% and there are understandable challenges related to the infrastructure and the uptake of SAFs. However, in order to accelerate the uptake, we have to create a regulatory framework with a predictable legal framework for incentivising investments in production and innovation.
- I have discussed this idea with a number of key airline CEOs as well as fuel producers and they all agree that this is definitely one additional avenue that needs to be pursued. So, stay tuned to hear how we intend to take our proposal forward.
- With this in mind, I do really regret that we were not able to agree on the quantitative targets of SAF at the ICAO meeting in Mexico at the end of 2017. A global commitment through ICAO would have been a strong message but I am sure we will eventually get there. Europe is ready to show the lead.
- Let me now turn to another major European challenge - congestion and the lack of available capacity in the air and on the ground. Last summer

almost every 4th flight was delayed in Europe and the effect to the overall functioning of the network was grave.

- I know that, here in US, the issue is not so dramatic yet due to the fact that you have one airspace and one service provider and much less sectors and your airspace is geographically much larger than the European airspace. However, in fast growing emerging markets this is very quickly becoming a major challenge too, take for example South-East Asia or China.
- In Europe, in order to address this challenge, I brought together a Wise Persons Group who worked intensively for many months and came up with consensual recommendations. It is the first serious step, over many years, to reform the European air navigation system.
- Thanks to the severity of the current situation we have, almost, come to a common understanding that it is not possible any more to do things just a little bit better and a little bit more. We need new thinking, significant reform and strengthening of the Network Manager in Eurocontrol, who is and will be playing an increasingly important role. Besides operating European airspace more as a seamless network instead of a patchwork, we also need to push ahead with technological modernisation and introduce more market price signals in order to stimulate good services.

Dear friends,

- Let me now turn to open skies vs protectionism. When it comes to the distribution of airlines' net profit, we can look back on another year of impressive performance of North American airlines - 45% of the global net profits were generated on this side of the Atlantic (Asia Pacific: 29%; Europe: 23%, Middle East: 2%). The comfortable competitive environment in the US is surely working well for airline profits.
- European carriers, according to the IATA forecast, will this year post collective net profits of \$8.1 billion (down from \$9.4 billion in 2018) - representing \$6.75 per passenger and a margin of 3.7%. Both are the second strongest industry results, after North American carriers. So Europe is not doing too bad either.
- No doubt, that this has largely been achieved through the open skies policy and this serves and continues to serve us and our interests in the best way.

- Sometimes, and I am sure for a good reason, we like to think of aviation as something special and unique which connects the globalised world while at the same time being separated from other global industries by very distinct rules and regulations.
- I would like to challenge a bit this “uniqueness” as other important sectors are equally providing critical connectivity for our economies and citizens. What sets them apart - or rather, what sets aviation apart - is that over time we have been able to fully liberalise those sectors and move towards truly open markets, creating large international companies, increasing competition and bringing better quality and lower prices to consumers.
- I personally see no reason why this should not work in aviation. In Europe, our fully integrated aviation market is an excellent example of the potential benefits of normalising the sector. The full liberalisation of all 9 freedoms and the abolishment of ownership and control restrictions within the EU has proven to be one of the best policy decisions of the EU of all times.
- Globally, the situation is still very complex. Following the regulatory approach chosen when World War Two was still waging, we are working within the constraints of rigid ownership and control rules and air transport agreements - the most liberal of which still remain just an approximation of truly open markets.
- While the industry found ways to adapt to this environment, it is clear that antitrust immunity, alliances and joint ventures are, in the end, only a substitute for a real open legal framework. We need truly global carriers that are inherent to our globalised world.
- Europe has demonstrated the benefits of a regional abolishment of all restrictions. I believe that, with the appropriate rules and safeguards in place – we should not be afraid nor shy away from re-thinking that on a global scale. I know, I keep on saying this but I am glad to see that more people would agree with that and if we do not talk about this we will never move out from the 1944 setting that is not fit for purpose anymore, 75 years later, in an entirely different world.
- In negotiating new Aviation Agreements, the EU is trying to be the trendsetters in creating global block-to-block Comprehensive Air Transport Agreements. We are currently very close to completing the

negotiations between EU and ASEAN and as a result, we will create a 1.2 billion pax aviation market. I am confident that we will complete these negotiations still this year.

- The basis of our approach is to pursue an open markets aviation policy with strong safeguards in order to guarantee fair conditions for competition and adherence to international social standards.
- Earlier this year, in March we initialled the Comprehensive Air Transport Agreement with the State of Qatar. This is a very far-reaching modern agreement that fully takes into account all those principles that I just mentioned. There were very few who believed that we would be able to do that and defend these key European principles of doing business, but we did it.
- Our understanding of open skies policy is based on the principles of Comprehensive Air Transport Agreements which do not just further open up the markets but help to build a genuine, predictable legal framework for long term holistic aviation partnerships between EU and the partner countries. We believe in multilateralism, cooperation and legal obligations and we also believe that win-win solutions are not only possible but also doable.

Ladies and Gentlemen,

- We are all very proud of the highly innovative and globally leading aircraft manufacturers Airbus and Boeing. Airbus lately marked its 50th anniversary and revealed at Paris Air show its new long-range Airbus A321XLR. Airbus is a unique display of a truly integrated European company and their emergence on the global markets changed the pace of the aerospace industry.
- Even though Airbus is European and Boeing American, a significant amount of Airbus parts has a US origin, and vice versa for Boeing. This underlines how important our cooperation is and why we need to deepen it in all aspects of aviation policies.
- The global value chains are generating growth on both sides of the Atlantic and are interdependent. Yet, lately, this spirit of positive co-existence and cooperation is unfortunately being undermined to an extent by a tit-for-tat approach.

- Without going into the details of the ongoing trade dispute, I wish to share my thoughts as a sympathetic bystander on the matter.
- There is no doubt that both sides have to bring themselves in line with WTO rulings. Any escalation of the situation serves none of us; any measure, which hurts one side, will equally hurt the other. More than that, escalating trade disputes might shake investors' confidence in the entire industry. The only winners will be those third parties who are reaping the potential benefits of this standoff. I think it is important that our decision-makers keep this bigger picture in mind and find the best constructive outcome on both sides of the Atlantic.
- One of the truly successful areas of cooperation between the EU and US is aviation safety. The cooperation between the European Commission, EASA, our aviation safety agency, and FAA has been exemplary and over the years, we have achieved a lot together.
- We have raised the global bar and made aviation so much safer and better for everyone. In this context, I want to sincerely thank Dan Elwell, with whom I have interacted a lot over the last months and Michael Huerta for the many years was a good partner and key for our sincere and most appreciated cooperation.
- The EU and the US have a shared vision that drives the close cooperation on aviation safety and I am particularly pleased that we have constantly managed to enhance and widen the scope of our excellent bilateral cooperation that dates back to 2011 when we laid down a solid and evolving framework - bilateral aviation safety agreement (BASA).
- Thanks to this agreement, we most recently implemented concrete reductions in fees and processing time for industry applications at FAA and EASA.
- The framework of trust and confidence, laid down over the years has also allowed us to cooperate very closely in the context of Boeing 737 MAX case. Here, I would like to express our appreciation for the FAA's full engagement, good cooperation and sharing information with Commission and EASA.
- It is difficult of course to make predictions concerning the date when the return to service of the Boeing 737 MAX in Europe will take place. I can

only echo the words of Dan Elwell; “we do it when the aircraft is safe to fly”. This is the common responsibility of the world’s leading safety authorities and I can assure you that EASA is working very intensively in order to get there, as are you in this side of the Atlantic. I hope we will be able to complete that very soon.

Dear friends,

- Lately, there has rarely been a speech about aviation when I have not mentioned drones, so I will not disappoint you today either! I think we all agree that drones and drone-related services represent tremendous economic and employment opportunities of the future. They are the new kids on the bloc for aviation.
- The figures speak for themselves. In the years to come we expect a steady uptake of drones in commercial activities. By 2022, the global number of drones is projected to reach 45 million units; the number of specialised drones is expected to rise to more than 9 million units.
- In order to support this development - safety, security and public acceptance are essential. In Europe, we have worked very intensively on this and I would like to mention briefly three areas of action.
- First, already in 2015, we decided to make drones an integral part of our new “Aviation Strategy for Europe” by embedding drones in our wider innovation, decarbonisation and digitalisation policies.
- We recently adopted the first set of detailed rules enabling safe drone operations in Europe that not only addresses safety but also contains important building blocks to mitigate drone-related security risks.
- Secondly, we are supporting the development of the U-Space, the European unmanned traffic management system. The aim is for an automated and digital system that will eventually enable drones to fly in a fully automated way and over longer distances and to integrate them to the new airspace architecture.
- Thirdly, we are working on a robust security approach to drones, based on risk-assessment, both in the areas of civil aviation as well as horizontally as part of our Action Plan to support the protection of public spaces. The ICAO Global Risk Context Statement plays an important role in this respect, bearing in mind that the risk environment is continuously

evolving and focussing on the new challenges brought by the need to maintain the highest level of cyber security. Also in doing all this, we liaise with our partners at the FAA and the TSA to make sure we have the best and most reliable safety and security in place.

- With this, I am pleased that, in Europe, today, we have developed the most comprehensive regulatory framework for drone operations in the world and we are very happy to share our experience and explain our choices made to promote further innovation for the benefit of the sector.

Ladies and gentlemen,

- Finally, let me remind you that the evolving aviation landscape calls for common actions at global level, in order to address the key issues that concern global aviation. By working together, we can drive developments in ICAO and ensure a robust and ambitious roadmap for a forward-looking and future-proof aviation sector.
- This is particularly important in the context of the upcoming 40th ICAO General Assembly. We have set our European priorities for the global roadmap:
 - *we need sustainable aviation;*
 - *we need an ever better cooperating oversight and investigation;*
 - *we need to raise the global bar on security and make more efforts for an economically viable global aviation system;*
 - *we need a suitable framework for a safe uptake of innovation and modernisation, including to address capacity challenges in the air and on the ground.*
- I am also pleased to see that these issues are very close to the US priorities. We need global interoperability and I look forward to the EU-US cooperation and a maximum of mutual support!
- Finally, in the spirit of a good tradition, I would like to express my personal gratitude and appreciation to A4A. You have always been a very good and treasured partner for us, an active partner who is always ready for dialogue and who helps us to better understand the trends and developments in US aviation.

- I would personally like to thank Nick and Keith for your engagement but above all for your friendship. I am always very privileged to welcome you in Brussels and I really value the excellent cooperation between the EU and the US that involves the key stakeholders as well as the pilot Unions (thank you Dave) on both sides of the Atlantic.
- And very lastly, I am immensely flattered and appreciative for the 4 times I have had the opportunity to address you here and even, if I sometimes might have been a bit critical, be aware that I am forever your friend and fully committed to drive our cooperation further and deeper. Always and wherever I am.
- Thank you for your kind attention!
