E4FC MANIFESTO

Key policy priorities for the future of the EU aviation industry

May 2021
Since the publication of the first Aviation Strategy\(^1\) of the European Commission in 2015, both the global and the EU aviation landscape have changed significantly, but some basics remain unchanged: the necessity to have strong European airlines for the benefit of European citizens and their connectivity, high social standards and a sustainable industry.

Air connectivity has been a fundamental pillar of the global society over the past decades, facilitating a worldwide transportation network. European network airlines have built up sophisticated hub and spoke systems, providing connectivity for all European citizens to the rest of the world through their hubs; this is something that cannot be done by non-EU airlines. Aviation attracts business investments, human capital and spurs tourism. The aviation industry is essential for stimulating economic prosperity, creating jobs and boosting social progress all over the world. Even in times of the COVID-19 crisis, in which aviation is among the hardest hit sectors, the aviation industry reaffirmed its essential contribution to society by ensuring essential connectivity, i.e. transporting medical equipment and repatriating EU citizens.

At the same time, a realistic assessment of the competitive situation is difficult to make under the current circumstances. Due to the COVID-19 pandemic, the circumstances under which airlines were competing on the global market changed and the recovery in the EU should allow European airlines and their employees to continue operating on a level playing field.

To ensure fair competition conditions for EU airlines that operate globally, and thereby to safeguard connectivity for our citizens, E4FC advocates for comprehensive and consistent regulatory frameworks for the internal and external EU aviation markets.

E4FC grasps the momentum and calls for a new Aviation Strategy highlighting the key policy priorities for the future of the EU aviation industry.

E4FC’s key messages for a new Aviation Strategy can be found below.

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External aviation policy: reassess air transport agreements

The European Commission claims that one of the major benefits of EU comprehensive air transport agreements is the commitment of the parties to fair competition. As fair competition is a basic prerequisite of the European aviation market, the European Commission should ensure that non-EU airlines that operate and/or plan to operate to the EU comply with the principles set forth in the agreement before they are signed.

Due to the impact of COVID-19 on the aviation industry, as well as the extensive policy changes in the EU with the goal of transitioning to a sustainable and digital Europe, the circumstances under which previous comprehensive air transport agreements were negotiated, are no longer given.

As a consequence, the EU Member States should postpone the implementation of pending comprehensive air transport agreements - such as with the State of Qatar - and postpone the ongoing negotiations - such as with the Sultanate of Oman and ASEAN - until there is more clarity on how international aviation will develop in the coming years following the COVID-19 outbreak. Under the current circumstances, any extra capacity to the EU market by granting additional traffic rights to third countries would negatively impact the recovery of the EU aviation industry and would put additional jobs at risk.

Moreover, to promote sustainable development, the EU would be missing its chance to expand its environmental ambitions via agreements with third countries. Implementing air transport agreements without comprehensive and binding environmental requirements that would ensure a level playing field, would strongly undermine the credibility of the EU’s climate ambitions and in fact violate EU law that now requires all relevant EU policies, including external trade policy, to promote sustainable development.

The postponement of the agreements would allow the European Commission and EU Member States to thoroughly re-assess and preferably amend the provisions of these agreements in order to bring the agreements in line with the changed circumstances and to ensure the recovery of the EU aviation industry and its jobs.
Reinforce control over subsidies to third country airlines and ownership and control rules

The European Commission has understood the importance of maintaining strategic sovereignty of key EU industries. European Commission President, Ursula von der Leyen, stated\(^2\) that enabling a level playing field should also address subsidies that distort competition from third countries.

E4FC welcomed the White Paper\(^3\) and public consultation\(^4\) on levelling the playing field as regards foreign subsidies and looks forwards to the upcoming legislative proposal on foreign subsidies, which aims to intensify the efforts by the EU to safeguard European companies, including airlines, against unfair competition from third countries. This new legal instrument would provide an opportunity to address the gap between Regulation (EC) 1008/2008 on the common rules for the operation of air services in and Regulation (EU) 2019/712 ensuring fair competition in aviation.

At the same time, E4FC advocates for a strict enforcement of ownership and control rules to safeguard European aviation and the functioning of the internal aviation market. Clarification of existing rules should be considered as a ‘minimum requirement’ to improve the legal certainty for air carriers and investors and to ensure consistent enforcement of the current rules, while reducing enforcement costs. The clarification and proper enforcement of existing provisions could also mitigate the risk of social dumping by foreign investors and should serve the objective of safeguarding fair competition, while ensuring connectivity and consumer protection.

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2 Speech of von der Leyen at the Business Europe Day 2020, 5 March 2020
3 https://ec.europa.eu/competition/international/overview/foreign_subsidies_white_paper.pdf
4 https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12452-White-Paper-on-Foreign-Subsidies-/pub-lic-consultation
Aviation has seen an almost unprecedented competition in recent years, putting great strain on all aspects of an aircraft operation. Business models are constantly changing, new ones emerge, and as a part of this, circumvention of applicable social law and the disrespect of social rights is looming and often distorts fair competition.

The use of fake or fictitious home bases, the misuse or fraud of social security certificates, the use of bogus self-employment and legal uncertainty regarding applicable law to workers, are typical examples of such practices that should be addressed. Moreover, third country airlines operating to the EU should also adhere to a specified minimum of social standards, to ensure a level playing field.

E4FC urges the European Commission to ensure a level playing field applies to all airlines and workers operating in/into the EU. Airlines must be able to operate in the context of an unambiguous regulatory framework in order to avoid the misuse of loopholes in European law.
The European Green Deal is a comprehensive policy project, encompassing several elements applicable to aviation, most markedly the revision of the EU ETS as well as the upcoming ReFuelEU Aviation initiative promoting sustainable fuels. The increased efforts under the European Green Deal will require investments and significantly add to the costs of European airlines, thereby most certainly negatively impacting the global competitiveness of European network airlines. At the same time, the very mechanisms that put EU airlines at a competitive disadvantage also create the potential for something akin to “carbon leakage”, thereby counteracting the desired environmental effect.

There are solutions to avoid such distortions und unintended environmental consequences. The introduction of a carbon border adjustment mechanism for aviation could be a preferred complementing tool to reduce or eliminate the distortion of competition, the financial burden on EU feeder flights within the EU could be alleviated, as well as the integration of environmental compliance in the EU comprehensive air transport agreements with third countries.

E4FC calls upon policy makers to ensure that sustainability standards or any other measures foreseen under the European Green Deal are crafted in such a way that competitive disadvantages to European airlines and unintended environmental consequences are avoided.
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About Europeans for Fair Competition (E4FC)

E4FC is a coalition of European airlines and unions representing airline employees fighting for fair competition and high social standards with the objective to safeguard European aviation, European jobs and to sustain connectivity for Europe’s citizens.