Europeans for
Fair Competition

# E4FC submission to the call for evidence on the Aviation Strategy

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Europeans for Fair Competition (E4FC) – a unique coalition of EU network airlines and employees – welcome the European Commission's initiative to revise the 2015 Aviation Strategy, acknowledging that over the past decade the global aviation landscape has fundamentally evolved, and the challenges the EU aviation industry is facing require urgent response.

E4FC has been calling on the EU institutions to address the increased (unfair) competition from non-EU competitors and ensure the strategic autonomy of EU airlines by creating a comprehensive and consistent regulatory framework for both the internal and external EU aviation markets, and update the EU's aviation policy to fit a new era, highlighting the key policy priorities for the future of the EU aviation industry.

EU airlines operate in a highly regulated environment, with decarbonisation a strategic priority. However, aviation is a global industry, and EU network airlines compete internationally to connect Europe with the world. Often, non-EU competitors that also serve the European market operate in a far more business-favourable regulatory setting. Still, EU network airlines take responsibility and play a significant role in the industry's global energy transition.

The sector has also witnessed increasing competition with the establishment of new EU business models within the EU and the growing access of non-EU carriers to the European market. Contrary to the efforts made by most European network airlines to maintain decent relationships with their staff and uphold high social standards, new business models often exploit regulatory loopholes to circumvent the applicable labour and social legislation. This creates competitive distortions and gives such airlines an unfair cost advantage relative to the labour cost base of most network airlines.

E4FC is of the view that a revised Aviation Strategy that supports the EU airlines' global competitiveness and shields them from unfair competition should be based on the following building blocks:

## 1. Strategic autonomy for the EU airlines

Air connectivity has been a fundamental pillar of global society over the past decades. European network airlines have built sophisticated hub-and-spoke systems, providing connectivity for citizens and cargo within Europe and worldwide. They also perform a vital function in connecting less popular European destinations[1]. The recent crises, such as the COVID-19 pandemic, Russia's war against Ukraine, or the ongoing Middle East crisis, show the aviation industry's essential role. Strengthening the EU airlines'

[1] https://www.iata.org/en/iata-repository/publications/economic-reports/europe-needs-connectivity-provided-by-all-types-of-airline-business-models/: In 2019, 79% of the entire intra-European airline network was served uniquely by network carriers, compared with 15% that was served only by LCCs

global competitiveness, thereby sustaining European employment, and reducing reliance on non-EU carriers is critical to promoting the EU's sovereignty.

2. **An EU external aviation policy that promotes EU interests and safeguards a level playing field**

One of the key objectives of the EU external aviation policy is to provide opportunities for EU airlines in third countries through EU comprehensive air transport agreements. These agreements should ensure that non-EU airlines comply with the same (fair competition, environmental, and social) standards as the EU carriers. This is already the norm for the EU's trade agreements with third countries,[2] since they contain rules on trade and sustainable development, both on environmental and social matters. To date, the enforcement of certain EU comprehensive air transport agreements, especially with the State of Qatar, has not been successful. Moreover, this agreement actually harms EU network airlines and their employees.
Existing agreements with third countries should be further improved by integrating strong, binding, and enforceable provisions on environmental and social issues, as well as fair competition. This will contribute to competition on more equal terms between EU and non-EU airlines. Moreover, making compliance with these provisions a condition for market access would be consistent with other instruments of EU external action, most notably the EU's trade policy. Any new negotiating mandate should incorporate these provisions. Member States should subsequently follow these recommendations in their bilateral agreements with third countries.

3. **Strong EU hubs by eliminating carbon leakage**

Considering the international nature of aviation, EU legislation – such as RefuelEU Aviation and EU ETS - that is not placed in a global context is putting EU airlines at a competitive disadvantage compared to their non-EU competitors. This already causes significant cost increases (which will worsen as of 2030) and shift traffic to hubs outside the EU (without any environmental benefit), consequently damaging the competitiveness of EU airlines, endangering European jobs in aviation, and resulting in carbon leakage.

The European Commission must prioritise putting in place competition-neutral corrective measures to avoid such distortions and unintended environmental consequences; therefore, ReFuelEU Aviation must be adjusted in a way that EU and non-EU airlines are treated equally, e.g., through measures like a SAF Border Adjustment Mechanism. Furthermore, the geographical scope expansion of the EU ETS to extra-EU flights and a kerosene tax, as part of the revision of the Energy Taxation Directive (ETD), must be avoided. Instead, the European Commission should advocate for the successful implementation of CORSIA as a global scheme to offset $CO_2$ emissions.

4. **Socially responsible aviation sector**

The aviation industry has experienced unprecedented competition in recent years, which has placed great strain on all aspects of aircraft operations.
Many non-EU carriers have far lower social standards with respect to their staff; there is also distortion in that area. As a starting point, third-country airlines operating to the EU should adhere to certain minimum European social standards and requirements, taking into account the right for every worker to unionise and to decent working conditions which respect their health, safety, and dignity. As an example, the airline must have at least the minimum wage applied to its staff and recognise the existence of

[2] E.g., the EU-UK Trade and Cooperation Agreement or the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada

unions. These fair and just working conditions are key social points to ensure a level playing field and maintain a high safety standard. It is a matter of fairness that non-EU airlines must adhere to these minimum fundamental social rights if they have access to the EU market.

The new Aviation Strategy must ensure a level playing field for all airlines and workers operating in the EU, including those from third countries. EU airlines must be able to operate within an unambiguous regulatory framework to avoid the misuse of loopholes in European and national laws. These include, but are not limited to, the use of fake or fictitious home bases, the misuse or fraud of social security certificates, the use of bogus self-employment, the misuse of the posting of the workers, and legal uncertainty regarding applicable labour and social laws to workers. These legal loopholes must be repaired sustainably and efficiently.

Third-country airlines operating to the EU should adhere to the above-mentioned European social standards and requirements.