

IATA
GLOBAL
MEDIA DAYS



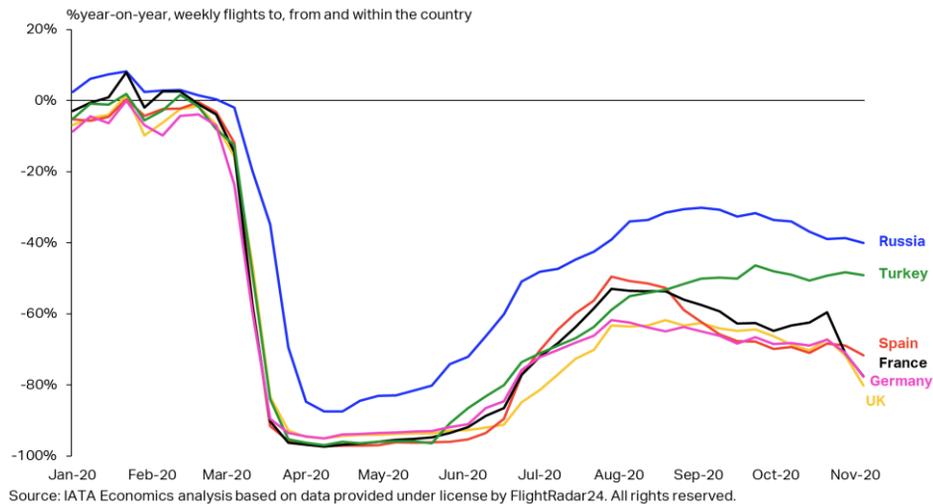
Europe Regional Briefing

Rafael Schwartzman
IATA Regional Vice President for Europe
25 November 2020

#IATAAGM



European Traffic has slumped in 2020



#IATAAGM



Air travel is in crisis across the globe, with revenue passenger kilometers (RPKs) expected to fall by more than 66% this year.

European markets have been even more heavily impacted. The estimated RPK fall for Europe is 70% in 2020. Of the world aviation regions, only Africa (-72%) and the Middle East (-73%) are set to fare worse.

This chart shows how core Western European markets have been particularly impacted.

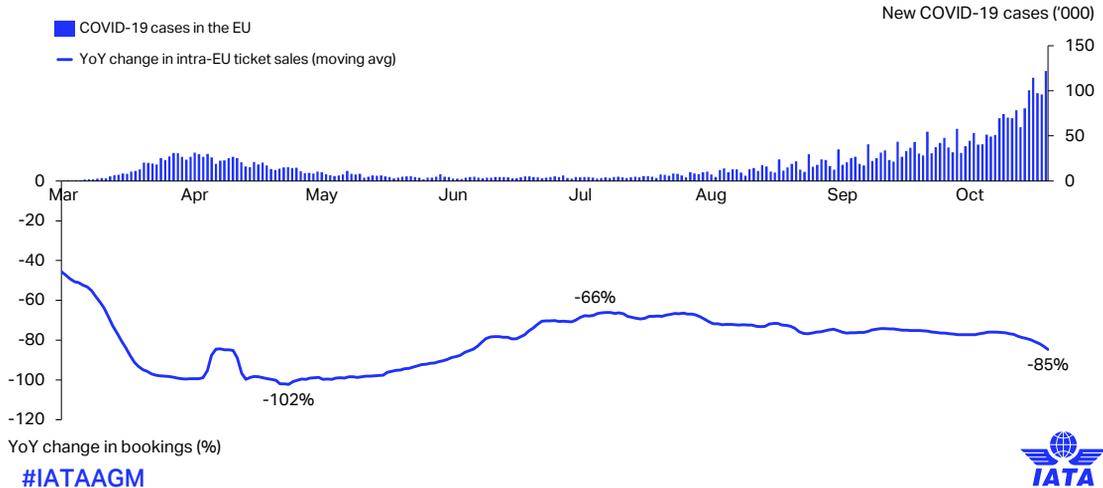
Russia and Turkey have fared better. In addition to following ICAO and EASA guidelines, both these countries kept their domestic markets open, and Turkey maintained its international routes.

Since the beginning of this crisis, Turkish Airlines and Pegasus were among the leading European carriers in numbers of flights performed despite the various lockdowns and border closures.

Second wave devastated bookings in Europe again

Slight summer recovery was washed away by renewed restrictions

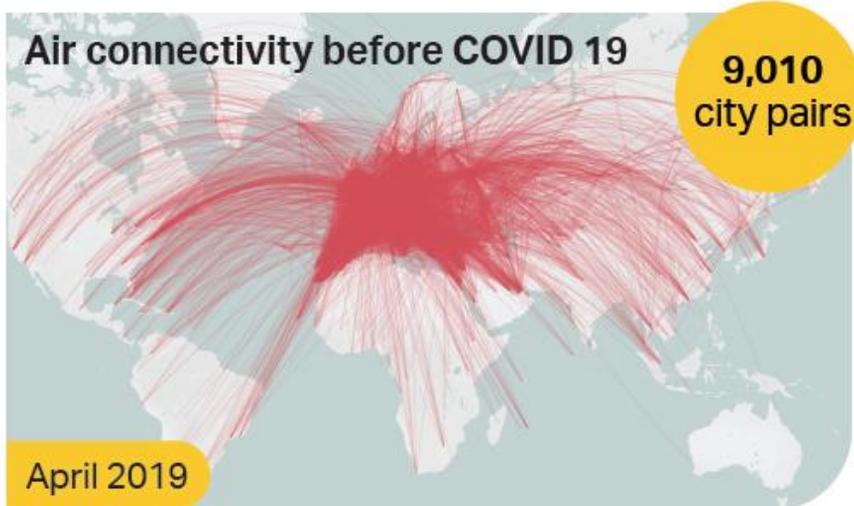
New COVID-19 cases in EU vs. moving average YoY change in net airline ticket sales



When the Schengen area initially opened up in May, this led to some optimism that at least regional traffic might rebound.

But the summer recovery was only ever partial, and you can see how renewed restrictions that came as the second COVID-19 wave hit Europe led bookings to collapse again.

We can connect the absence of a proper restart to a lack of harmonized measures and approach, border closures and quarantines deterring passenger demand.



Source: IATA Economics based on data provided under license by FlightRadar 24. All rights reserved

#IATAAGM



Air connectivity in Europe has been disrupted significantly due to the COVID-19 pandemic. The number of unique city pairs connecting Europe within the region and to the rest of the world reduced by a factor of four. In April 2019, there were over 9,000 unique city pairs connecting Europe to the world.



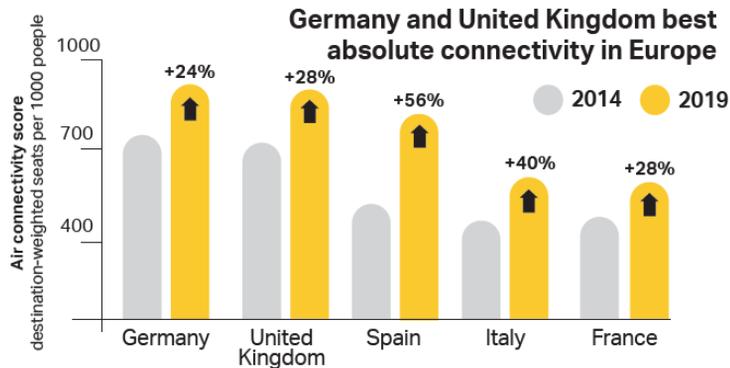
Source: IATA Economics based on data provided under license by FlightRadar 24. All rights reserved

#IATAAGM



But by April 2020, this was down to just 2,110 unique city pairs. Each lost connection means fewer opportunities to do business, boost productivity, study, visit loved ones, or boost cultural ties.

Air connectivity in the top 5 European markets



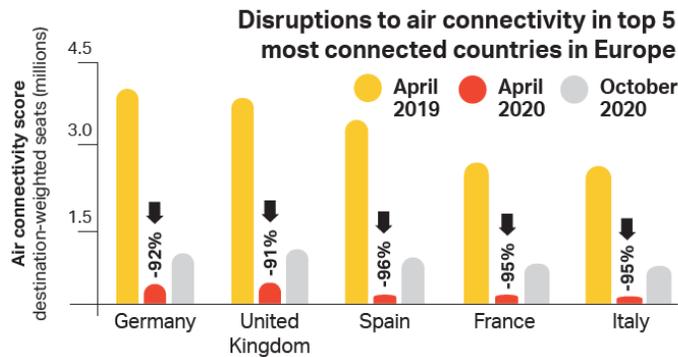
Source: IATA Economics based on data provided under license by FlightRadar 24. All rights reserved

#IATAAGM



The growth in connectivity during the five years to 2019 was a clear success story. This chart shows the connectivity growth in the top 5 most connected countries in Europe (Germany, the United Kingdom, Spain, France and Italy). But connectivity levels increased markedly at all levels across Europe.

Air connectivity in the top 5 markets in Europe



Source: IATA Economics based on data provided under license by FlightRadar 24. All rights reserved

#IATAAGM



The contrast in 2020 is clear. Across the top 5 most connected countries in Europe connectivity levels reduced by more than 90%. Since the April low point connectivity has been recovering, although it still lags considerably compared to pre-COVID levels.

Restoring air connectivity in Europe is essential to support the recovery of European economies. Air connectivity plays a vital role in enabling trade, which itself has resulted from globalized supply chains and associated investment. Air transport is vital for manufactures' trade, particularly trade in components which is a major part of cross border trade today. Air connectivity is also vital for supporting tourism flows, especially relevant for European economies reliant on tourism as a source of economic growth. Every year 743 million international tourists arrive to Europe with 46% of those visitors travelling to Europe by air.

Aviation generates massive benefits for Europe

Total jobs and GDP generated by air transport in Europe, 2018.



Direct jobs generated by air transport in Europe.



#IATAAGM



Aviation generates massive jobs and GDP benefits for Europe: \$991 bn in economic value, and 13.5 million jobs, 2.7 million of which are generated directly by the air transport sector (airports, airlines, ANSPs, manufacturers).

The COVID-19 pandemic is threatening more than a half of the economic activity (555bn) and 7.6 million jobs, meaning almost 1 out of 2 employees in the industry could lose their job.

I'd like to give a special mention to tourism. In 2019, more than half of the 1,460 million international tourist arrivals worldwide were accounted for by visits to Europe. In the European Union, tourism contributes 10% to EU GDP. And aviation supports 5.6 million jobs in tourism, Europe-wide. Some countries such as Greece and Spain rely particularly heavily on tourism, which requires enhanced connectivity. Reducing the latter is therefore extremely detrimental to their societies and economies.

In Greece, 10.2 percent of the country's GDP is supported by inputs to the air transport sector and foreign tourists arriving by air. In the case of Spain, out of the 83.7 million international tourists visiting Spain in 2019, nearly 69 million arrived by air, which represents 82% of the total number.

The shutdown of air traffic due to the COVID-19 is forecast to cost Greece some 270,000 jobs and USD 11.8 bn in GDP. In the case of Spain: over 1 million jobs, and \$69 billion in GDP.

Testing is the key to restart



#IATAAGM



The only way to avoid this jobs catastrophe is to restart aviation. Eliminating quarantine and testing passengers for COVID-19 is the key to that.

We have already seen some trials begin. In Italy, they permitted a trial of passenger testing on flights between Milan (LIN) and Rome (FCO). The trial was based on 100% testing of passengers immediately pre-departure or on receipt of a proven negative test within 72 hours prior to departure. The data revealed:

- Of 3700 passengers in the scope of the trial, 85% were tested at the airport, and 15% arrived with pre-existing negative test
- Of the 3145 passengers tested at the airports, 25 (0.8%) tested positive and were denied boarding (12 at LIN and 13 at FCO)

Based on this evidence the government is exploring extending the trials to international destinations, and accepted antigen testing.

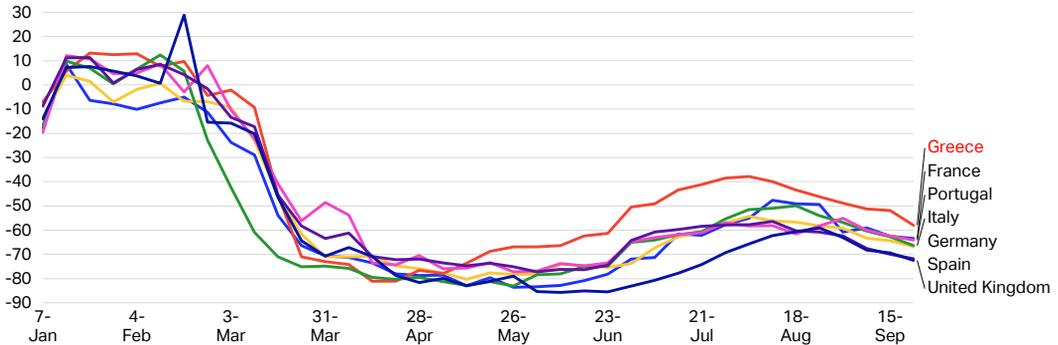
France has also shown leadership in moving to rapid testing using antigen, with the Government enabling the use of antigen at main airports, providing testing facilities for departures and arrivals of passengers where required.

Travel to Greece recovered faster than to peers

Testing policy might have played a role

YoY change in airline passengers from Europe to selected countries

YoY change (%)



Source: IATA Economics based on data from DDS

#IATAAGM



There's evidence that testing instead of quarantines allows for restart.

For example, testing may have played a role in Greece's comparatively stronger performance over the summer compared to some other European markets. The average fall in bookings for Greece in July and August was roughly -45% in July and August compared to similar tourist markets such as France (-60%), Italy (-65%), Spain (-60%) and Portugal (-60%).

Logistics, time and cost of a test are important factors. PCRs require laboratories to process. This can take hours to days. These tests are also too expensive. In the Greece example the cost of a test was almost half the cost of the flight. The WHO is clear that the cost of testing should be born by governments. The public agree. Some 39% stated that the government should pay for testing while only 25% believed it should be the responsibility of travelers.

Testing is a public good. Not only does it enable a restart of air connectivity and all the economic benefits that brings, but testing passengers also reveals asymptomatic people carrying COVID-19 who would otherwise be unaware and would never get a test.

Platform for restart

- Eliminate quarantine requirements
- Start testing passengers without delay
 - Tests must be fast, fast, practical, accurate, low-cost, easy-to-use and supported by public health authorities
 - Antigen testing is the preferred solution of both industry and the European Commission
- States should consistently follow ICAO *Takeoff* guidelines and EASA/ECDC protocol
- Continue vital financial relief and work with industry to agree flexible slot regulation that allows airlines to rebuild regional & global networks.

#IATAAGM



It is clear that Europe should take the lead on antigen testing and eliminate quarantine, allowing the safe reopening of borders and free movement of passengers while minimizing health risks. Mutual recognition of antigen testing is key. In order for the restart to be effective, we urge states to implement the EC guidance.

Pilot schemes to re-establish international travel must be established as soon as possible.

ICAO guidelines clearly enable a harmonized approach, and we urge states to adopt them.

Vaccines may take a while to be available to be available to everyone. Waiting for vaccines before reopening borders is not an option.

Financial aid will still be required to assist many airlines to maintain viable networks and retain skilled workers.

We need aid on charges too. Air Navigation Service Providers, for example, continue

to charge the same amounts to airlines for the use of airspace, putting further strain on the airlines' financial situation. In fact we see that for 2021, nine European states have already increased their charges at an average of 47%. European states could and should cover losses for their own state entities. Direct funding from government to cover their shortfall would give governments a strong incentive to extract value for their taxpayer's money.

And a flexible approach to slot regulation is essential. Flexibility on the rules for slot usage is vital to enable airlines to rebuild regional and global networks and return the industry to health.

Any questions or comment?

Please use the chat to submit any question or comment, we will try to answer as many as possible.

