

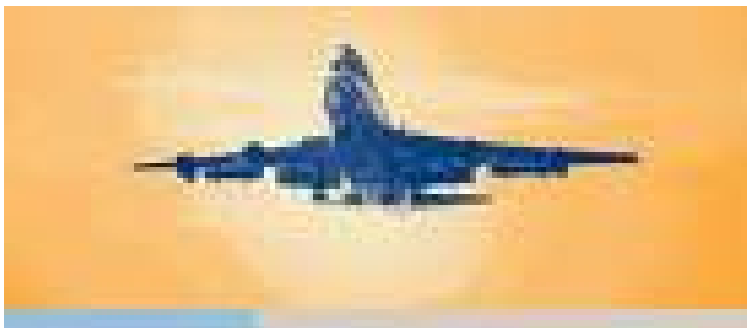


Ministerie van Verkeer en Waterstaat



# Economic Recession and the Aviation Industry; the Role of Government

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## Impact recession on open Dutch economy

Netherlands Bureau for  
Economic Policy Analysis:



- Economy will shrink by 3.5% in 2009
- Unemployment will increase to about 700,000 in 2010
- This means large budget deficit for government



## Aviation Industry in global crisis



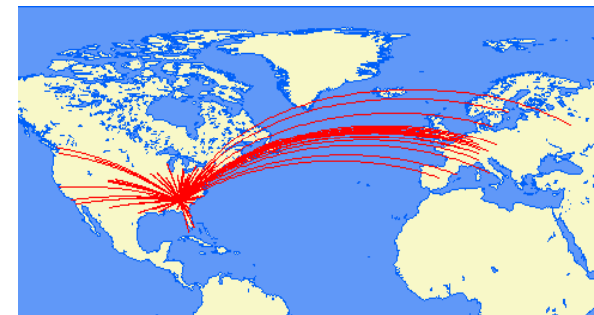
- IATA reports for January 2009:
  - 5.6% international passenger traffic decline
  - 23.2% air cargo decline
- Schiphol Group February 2009:
  - 14.0% total passengers traffic decline (-18.5% OD)
  - 27.3% air cargo decline (January 2009)
- Schiphol Group announced job cuts up to 25%





## ...and there are more challenges

- Emergence of new hubs such as Dubai
- Capacity expansion of Frankfurt and London
- Network rationalization by major alliances: hub-bypassing





## Impact of aviation on the Dutch economy

- In our open economy, international access to other economic regions in the world together with a high quality of air connectivity has a large impact on other economic activities such as the establishment of foreign companies, logistics, commerce and so forth.
- the Netherlands develop a comprehensive worldwide network that is much larger than would have been possible with our relatively small domestic market by its own.





# Aviation Policy by the Dutch Government

Strategic Policy document on Aviation (april 2009):

- Strong competitive economy
- Excellent international accessibility
- Hub function Schiphol essential corner stone

High quality network and aviation industry:  
clean, quiet, economical and safe





## High quality hub network is essential

High quality network depends on:

- Strong network despite small domestic market
- Transfer+OD passengers and logistic supply chains
- Flywheel effect between network and companies

... but is vulnerable, because:

- Transfer traffic is footloose
- Rapid erosion is possible if the network loses connections
- Once a hub position is lost, little recovery is possible



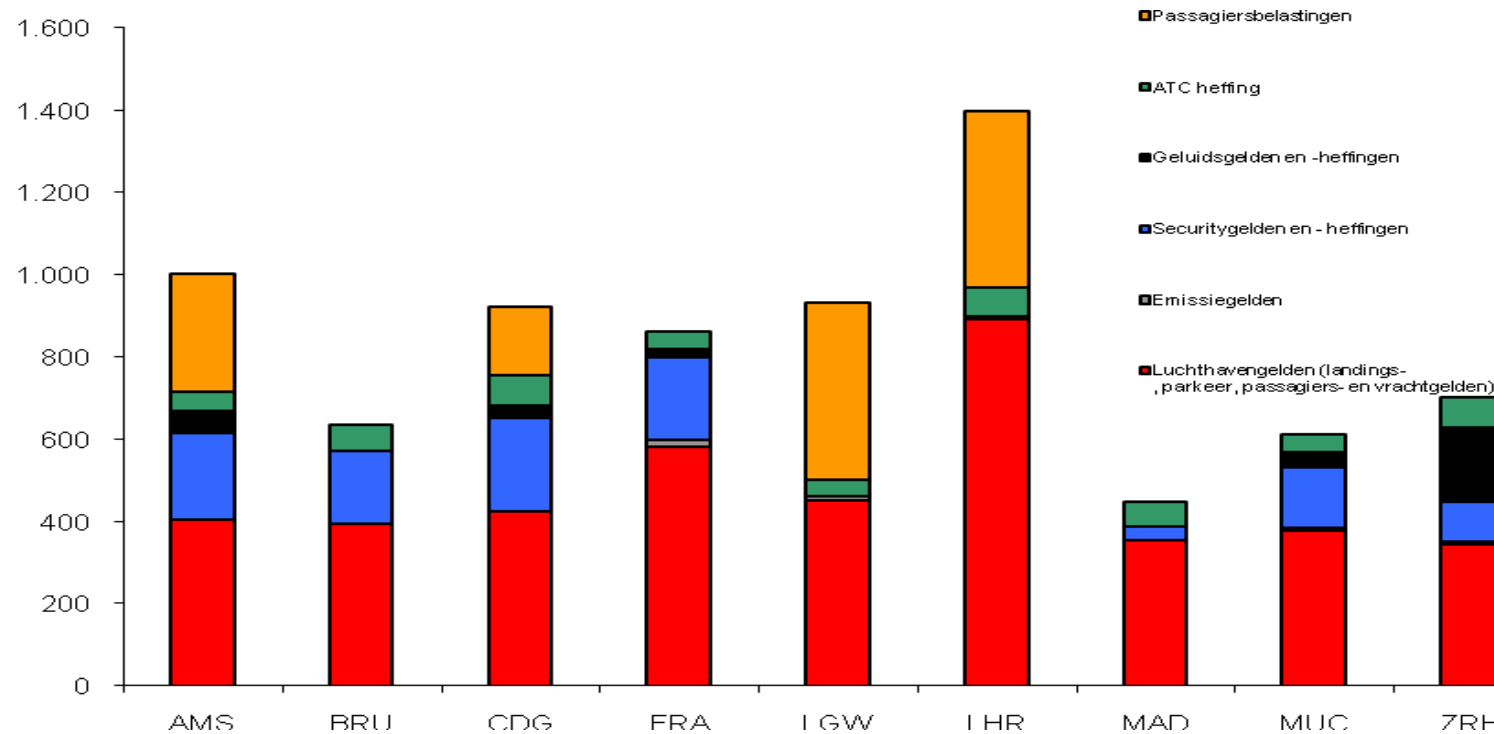


## Measures by the Dutch Government

- Focus on reduction of aeronautical costs
- Benchmark Airport Charges and Governmental levies 2008:
  - Schiphol second most expensive airport after London Heathrow
  - Governmental Passenger tax per July 2008 impact on position of Schiphol
  - Governmental levies about 60% of total costs
- Interdepartemental working group to analyze costs reductions: outcome in coming months



# Results Benchmark 2008





## Other policy issues (1)

- Global integrated strategy in approach CO2 emissions reduction
- Market access and regulation: creation of fair market and free competition
- Achieving a level playing field more important than ever: costs, state aid, transparency security costs
- Support of EU air transport negotiations towards third countries
- EU-US agreement catalyst for EU-agreements and further development of global networks



## Other policy issues (2)

- Maintain effective bilateral policy: new licencing policy with revised aeropolitial framework
- Support global trend towards concentration (AF/KL, SPL/ADP)
- Alders advise: role of regional airports
- Selectivity at Schiphol
- EU: internal market with equal conditions for airlines and airports, support aviation industry through the crisis





## To conclude

- The role of Government is primarily:
  - To ensure a level playing field and competitive costs
  - To accommodate growth
  - To stimulate quality (clean, quiet, economical and safe)

suggestions from the aviation sector for other response measures?