Abstracts of the presentations at the Third Airneth Annual Conference

'Innovation in the air transport industry in times of recession'

16 April 2009

Mathijs Bouman

The world is in the middle of what is probably the worst financial crisis and economic recession in three generations. Nothing in the recent past has prepared consumers, businesses or governments for the scope and intensity of the economic problems.

What lies ahead? Is the worst behind us. Or are we just in the first phase of what will turn out to be a structural transition to a lower economic growth path. And: what can central banks, governments and other institutions do to mitigate the impact?

Prof. Joachim Szodruch

Air transport fulfils society's needs for mobility and is today a major economic factor that contributes substantially to globalisation. After more than 100 years of powered flight we have established a rather optimised system with dramatic performance improvements in aircraft (fuel emissions, economy and environment) compared with any other form of transportation.

All the forecasts predict in the next 20 years that passenger air traffic will increase on average by 5% annually. The resulting challenges for the entire air transport system have been central themes for discussion within the European Advisory Council for Aeronautics (ACARE), and the major goals are quantified in the ACARE Vision 2020.

This document has become the most important and widely accepted strategic guideline, valid for all aeronautical research activities in Europe. The Vision 2020 has been further detailed in the Strategic Research Agenda (SRA) where a wide range of technological solutions are offered for all the elements of the air transport system: aircraft, air traffic management and airports. In order to focus research activities six major High Level Target Concepts (HLTC) have been formulated addressing the future challenges in a system oriented approach.

The “green” scenario of the SRA is presently under detailed discussion in the public and in politics. Air traffics impact on the global climate system requires the highly eco-efficient air transport for the future. Presently research activities are strongly directed toward achieving these goals of the Vision 2020. The question remains to be answered if we are able to fulfil the already ambitious “green” goals of the Vision 2020 and if these goals are really sufficient in order to build a competitive and sustainable air transport system for the future.

Whatever the market requires and industry can economically provide the basis will be strong continuous research programmes focussed on the air transport system. Reaching new frontiers depends furthermore on our willingness also to invest in “pioneering research” for revolutionary technology breakthroughs, on a broad support for enabling technologies and last but not least on a qualitative and quantitative sufficient young professional workforce.

Prof. Peter Morrell

Airlines are likely to face increasing costs associated with acquiring emissions allowances under the EU Emissions Trading Scheme. Their reactions can range from shorter term operational changes to the longer term introduction of more fuel efficient aircraft. However, significant reductions in fuel used and CO_2 emissions can be achieved by using larger aircraft. The recent high fuel prices have already resulted in a reversal of longer term trends towards increasing aircraft size on routes within Europe, sometimes at the expense of frequency. This presentation will explore the potential for further fuel saving from this source, highlight some of the complexities in alternative fleet and network strategies, and examine recent changes to Lufthansa's higher frequency intra-EU routes.

Paul Mifsud

- Brief statement of goals of the EU-US Second Phase
- Discuss Pendulum Power Swing in US
    - New sources of power
    - New directions
- Oberstar Amendments
    - Foreign Repair Stations
    - Citizenship
    - Antitrust Immunity
- Prospects for Cap and Trade.
- Suggest approaches

John King

The paper will identify policy and regulatory reforms in the Asia-Pacific region with an emphasis on ASEAN and Australasia. The Pacific Islands will be used as an example of regulatory reform to reinforce the general proposition that multi-lateral liberalization between partners of unequal strength is extremely difficult. The uneven pace of regulatory reform will be examined as will some specific examples of liberalization in both a domestic and an international context. An interesting case study of the interplay of a domestic policy with an international common or single market will be examined, especially in the context of a proposed common border: regulatory reform in one area may well impact on another.

ASEAN is a special case in movement towards an "Open Sky", a substantial growth of low cost carriers has both challenged mainstream carriers and small nationally owned carriers but LCCs have responded positively. One of the barriers to regulatory reform in aviation in ASEAN is its voluntary nature. ASEAN has no mechanism to enforce change and is resistant to external pressures.

The policy initiatives leading to regulatory reform in Australia through a Green Paper / White Paper process will be examined with a predicted outcome of creeping liberalization but with some levels of protection to home grown airlines.

Engbert Hofstee

In line with the Single European Sky program the EU airspace will be divided in so-called Functional Airspace Blocks (FABs). Main characteristic is an airspace designed to handle traffic flows irrespective of state borders, resulting in a better performing air traffic management provision. States have to establish FABs by 2012. Currently 9 FAB initiatives are under preparation. One of the most important initiatives is the FAB Europe Central (FABEC), covering the airspace of Belgium, France, Germany, Luxemburg, the Netherlands and Switzerland. This airspace block handles 55% of the total European air traffic and serves the majority of Europe’s major airports. In 2008 a feasibility study, jointly performed by the 6 states and the 7 air navigation service providers (ANSPs), was completed and an implementation program was started.

During the presentation the main results of the feasibility study and the characteristics of the implementation program, including a stepwise growing cooperation between the ANSPs, will be discussed.

Prof. Stefano Paleari

It's been already 20 years since the deregulation process in Europe began, and 10 years since full cabotage rights have been granted. The new competitive environment has sped up the privatization process of airlines and airports, favoured the boom of the low cost phenomenon and increased the need for industry consolidation. Despite of liberalization spread, the massive use of cabotage and seventh freedom rights by traditional carriers in Europe has been limited, and the likely hubbing activity of Lufthansa Italia at Malpensa might be the first case of an airline company setting up an hub in a foreign country.

Therefore an in-depth analysis of rational and business model behind the Malpensa-Lufthansa case is indeed of great interest.

This case differs from previous takeovers, such as the cases of Swissair and Sabena, where brand and rights on bilateral service agreement were kept by the new airlines. In the case of Lufthansa-Italia, several restrictions on intercontinental market apply at least in the short term, because the new Alitalia is the designated airline even if, at the moment, it is not running full service. The re-hubbing by a foreign airline is still an untried strategy. Its success depends on many factors, and winning the support of a foreign political body is definitively one of them.

In the short term, the Lufthansa strategy seems to be attractive for two reasons. Firstly it allows Lufthansa to re-enter the domestic Italian market, the 2nd European domestic market by size, after the merger of Airone and Alitalia, and the end of Lufthansa –Airone codesharing agreement. Secondly, with a limited investment, Lufthansa takes advantage of slots and capacity released by Alitalia, therefore preventing the entry of new competitors, considering either the further expansion of low cost carriers -with an option on long haul markets- or traditional carriers, members of other alliances.

In the medium term, the setting up of the new Italian company, Lufthansa Italia, gives the chance to be designated for restricted intercontinental destinations as well, providing further capacity for Lufthansa, additional to the level offered by German airports.

In the long term, the development of hub activities in Malpensa by Lufthansa is uncertain, but still an option. Firstly, it supplies Lufthansa with spare capacity, preventing further congestion in its main hubs, if an increase in demand outpaces the new planned capacity. Secondly, when the new accessibility infrastructures to Malpensa are available, in order to support the 2015 EXPO, they will drastically increase the catchment area, providing new O-D traffic. Finally, it is still unclear whether a multi-hub structure is a superior strategy in a competitive environment, with respect to a single mega-hub system.