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Working Together for the Benefit of the Client

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Ladies and Gentlemen,

At first sight, this issue is a no-brainer. Of course the aviation industry, all the players in the value chain, should co-operate far more closely; it is amazing that they don't. But the more you think about it, the more this becomes really fascinating. Why don't the players act more together?

Let me briefly outline the status quo, provide you with some perhaps provocative thoughts on why this is such a shambles or shame, and then suggest some concrete steps on improvements.

1. The Status Quo

For 10 years, I was head of an organisation which considered itself the "voice of the European aviation industry". The Association of European Airlines is indeed rightly proud to be the centre of competence for aviation-related issues; but - the "voice of the industry"?

- Joint conferences, public campaigns, actions of all industry associations together in 10 years: nil (before 2002 even less)
- Joint press releases of all aviation associations: nil
- Joint political demarches of all aviation associations: nil
- Appearance of one sector association at another's Assembly: occasionally. Impact and structural changes initiated in the wake of such encounters: negligible.
- Joint position papers? Arguably, the notable exception of the aviation industry position on the 4 pillars of a sustainable environmental protection programme confirms the rule: no.
- Joint expert meetings to discuss facts, issues, problems? Yes, notably on SESAR, to a lesser degree on environmental projects.
- CEO frustration? Increasingly visible.

What happened, or perhaps I should ask what did not happen, and why?

Firstly, industry bodies will only co-operate, if their members really want them to. Do they?

I personally believe that airlines, in fact any company and any individual person, will address problems in their own back yard first. The short-term, measurable, controllable remedies take preference over the systemic overarching issues. The shirt is more important than the coat.

Secondly, globalisation and the technological revolution have changed the dynamics of all industries, and certainly the speed of change within our aviation sector. The

dynamics are such that any sensible CEO of a company in our sector will be well advised to remain focused on reducing costs, increasing revenues and monitoring his competitors' movements. And not worry much – for the time being – about the inefficiencies of industry bodies' co-operation.

Thirdly, chronic overcapacity of supply, yield erosion and global pressures will increase and not decrease the need to ultimately address all costs. In that vein, all service suppliers in the value chain are primarily a source of *costs*. Next to labour and fuel, Air Navigation Service providers and airports are – from an airline perspective - "external" costs of the value chain.

As a consequence, after 30 years of restructuring, reshaping, resizing within the airline sector, there is generally no meaningful dialogue, and hardly any understanding of the internal logic of the other players within the value chain.

Given that in the last 10 years, the average EBIT for all traditional carriers in Europe was 0.8%, is it not natural that the airlines will see the value chain elements as a source of the problem, and not as part of the solution?

2. The Way Forward

Yes, and no.

Yes, with that mind-set, negotiations on fees, charges and increased productivity will drive the relationship. In *that* mind-set, airlines will push for further cost pressure on Eurocontrol and further projects on virtual air traffic control centres, as well as public investments into SESAR. From their perspective, the use of infrastructure is inefficiently managed and planned, and the other players in the value chain benefit from monopolistic or oligopolistic structures.

Ladies and Gentlemen, I believe time has come for a paradigm shift.

All players in the aviation value chain seem to have extrapolated their business from the 1930s to this day. Passengers are expected to arrive at buildings called terminals – not a good expression for those passengers who are afraid of flying – and then are processed into queues at check-in, queues at security, queues at the gates, and then again when boarding and de-boarding, and at the passport controls and luggage. The process is what it was 80 years ago, but now with millions of passengers, and not a few hundred thousand.

Given the incredible number of 1.8 billion passengers annually, of course technology is required. Nowadays, passengers plan their own trips, buy their tickets via the internet, and print their boarding passes themselves. But these developments are initiated to reduce costs and improve productivity *within* one player in the value chain, not necessarily *between* the players.

The paradigm shift I am advocating consists of re-establishing context, by re-establishing the total travel experience as the objective, creating an optimal whole, instead of focusing too much on optimising the individual parts.

In the wake of the privatisation of airlines, these now see passengers as "their" passengers; airports likewise have begun to see passengers as their, the *airports'* passengers.

- What if both are right, and the passenger wishes to use time in the air, *and* gain time on the ground?
- What if an optimal combination of airline and airport service creates value for the passenger, so that one airline-airport system gains competitive advantages over other airport-airline combinations?
- What if airlines and airports jointly establish how they can create added value for the passenger, and become a source of revenue for each other, as opposed to a source of costs?

If we become serious about putting passengers first, the total travel experience and therefore the *interface* between the players in the value chain, becomes just as relevant as the efficiency of the player itself.

So what is in the interest of the passenger? A safe, hassle-free, seamless and affordable total travel experience. In that one sentence, I see a lot of added value opportunities.

A key starting point should be *one* source of information that provides the passenger with inter-modal transport connections in real time.

The transport information system should in future combine current data sources to tell me on my smartphone when to best leave my office to reach the airport in the most convenient and affordable manner for my flight. I also need to know what to do upon arrival to reach via bus/train/taxi my final destination. I know where my aircraft is in real time thanks to the Radar Screen App; and I know where my tram in Brussels is thanks to the App of the city train service. But I have no clue if I will make the connection to the train for the airport, and which alternative buses I could take.

The information system should enable bookings and re-bookings to maintain optimal connectivity between the modes. It should be inter-active. The airline informs the airport of cancellations, so that the airport can anticipate additional or less requirements for taxi and bus operations to or from the airport, just as an airport in a tourist region will know that there will be an incoming wave of travellers on Saturdays leaving their hotels and others traveling to the hotels. In case of delays that do not enable deviations, the airport can at least flexibly operate fast tracks for security controls. This in turn requires a mind-set change of the public services operating at the airports; currently, the shifts at immigration control are not driven by banks of incoming and outgoing aircraft operations.

The airline can – and many already do – inform passengers individually on their smartphones of cancellations and delays of booked flights and connecting flights; but had they the information, they could also provide the passenger with access to information about the other connecting transport modes.

Isn't it fascinating that, practically immediately after touchdown, 8 out of 10 passengers will automatically switch on their smartphones and check whether they missed important messages during the flight? Well, in future, the first message could be about the further travel connections.

The New Doha International Airport, just to give one of many possible examples, has Is neither a glass palace, nor a hut. It divides passengers into two flows; the economy passengers pay for IT-supported hassle free access to their aircraft. And – consistently separated – premium passengers pay for service. And the design was a joint achievement of the ministries of the interior, transport, finances, as well as the airport and the airline. This was not the result of experts defending their zones of responsibility against other stakeholders, but a joint effort to optimise the performance in the interest of the travelling public. Exemplary.

Putting passengers first turns transportation into a "nice experience". But it also generates new sources of revenue because it identifies where value is created. I could say this negatively: what happens when you do not promote inter-operability could be witnessed during the total closure of air-space in the wake of the volcanic ash eruption in Europe two years ago. Railways services under-performed; it took too long for passengers to reach their final destination by alternative modes of transport.

Somehow regulators sense that something is wrong with the transport sector; they have gradually extended something called the Denied Boarding Compensation into a complex compensation scheme when things go wrong. My point is: the transport system is not even designed to go right. If I have a flight from A-B-C, but I choose the train from A-B, upon arrival in B I will find that my flight B-C has been automatically cancelled because the system has me as a no-show on the first leg; thus I cannot be in B, even if I am.

There is certainly a lot to be done in placing passengers first, and seeing the other players in the value chain as a benefit rather than a cost. Let me briefly summarize the actions required:

1. Creating platforms to set and measure improvement. A first step would be a follow-up seminar to today's event to discuss exactly what should be achieved by whom and by when.
2. Setting benchmarks; there are, for example, several airports with exemplary steps to improve passenger convenience, such as minimising travel time within airports.

3. Interface with the local staff of airlines, airports and passengers for individual feedback via the social media.
4. Intermodal connectivity. I want to have *one* app on my smartphone that provides me with ideal connections to and from my airport; and real-time corrections if necessary.
5. Regulatory initiatives should be contemplated that focus not so much on the stick, the penalty when things go *wrong*, but the *carrot,* the incentive for things to go *right*. This may require reorganisation of the administrations, away from a sector-specific organisation with each mode regulated by "its" authority, to a matrix organisation to focus on the interface between the modes. It will also require a review of the airport-ANSP relationship: how can passengers be transported most efficiently from the departure gate to the arrival gate?

And finally, putting passengers first will reveal that there are limitations to the system of transport, however seamless it will become. "Reaching New Horizons" can also mean that, under certain circumstances, state-of-the art technology can actually substitute mobility. Do I really have to travel a day for a one-hour meeting? These limitations should not, however, be imposed governmentally; they are reached when the market will no longer pay for value added.

Ladies and Gentlemen, this was simply food for thought. I am evidently happy to discuss ideas further with you

Thank you.