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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

pursuant to Articles 9(1c), 21a(5) and 24a(4) of Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 on common rules for the operation of air services in the Community as amended by Regulation (EU) No 2020/696 of the European Parliament and of the Council of 25 May 2020 in view of the COVID-19 pandemic

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1 Introduction

Since the beginning of 2020, the COVID-19 pandemic has had a profound negative impact on air transport in Europe and worldwide. The health and travel restrictions introduced by Member States and third countries in response to the pandemic have heavily depressed consumer demand and confidence which in turn has led to a record and enduring drop in air traffic in Europe.[1]

The number of flights operated in European airspace fell by up to 90% in March-April 2020 compared to the same period in 2019.[2] Europe's airports still handled over 5 million passengers on 1 March 2020 but that number had reduced to just 174 000 by 31 March 2020 (down 97.1% compared to the same day in 2019). Since 2 August 2020 the decrease has been by around 70% compared to the same day in 2019[3]. Freight is less impacted, being 19% lower in August in terms of cargo tonne kilometres[4]. In October 2020 data collected by ICAO's Economic Impact Analysis estimates that 2020 will be characterised by an overall reduction of seats offered by airlines in a range of 50% to 52%, a reduction in a number of passengers in a range of 2 875 to 2 978 million and losses in gross passenger operating revenue in the range of EUR 330 to 340 billion.

The COVID-19 pandemic has led to difficulties in complying with certain provisions of the Air Services Regulation[5] and the Groundhandling Directive[6]. The unprecedented drop in demand and high rate of cancellations has resulted in a number of sudden problems for air operators and groundhandling companies. First, air carriers faced severe liquidity problems that could trigger the suspension or revocation of their operating licence, or its replacement by a temporary licence, without there being a structural economic need for this to occur. Second, groundhandling companies whose contracts/authorisations were coming to an end faced severe difficulties in access to finance. Third, because of the financial exposure of groundhandling companies, airports were put in a vulnerable position whereby they could lose the only groundhandling provider in case of its bankruptcy.

Moreover, the rates of contagions or deaths from COVID-19 as well as the fact that it was an unknown disease led many Member States to impose intra-EU flight restrictions under article 21 of the Air Services Regulation in an attempt to stop or slow down the spread of the disease, which due to the unprecedented length of the crisis and the applicable procedural rules, created a heavy and unnecessary administrative burden for Member States and the Commission.

Therefore, on 25 May 2020, in view of the COVID-19 pandemic the European Parliament and the Council adopted Regulation (EU) 2020/696 amending the Air Services Regulation to address the above problems and offer the affected stakeholders, the Member States and the

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1 The World Health Organisation declared it a "Public Health Emergency of International Concern" on 30 January and a pandemic on 11 March 2020 (see https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020).

2 https://www.eurocontrol.int/Economics/DailyTrafficVariation-States.html

3 https://www.aci-europe.org/industry-topics/covid-19.html

4 https://www.iata.org/en/iata-repository/publications/economic-reports/air-freight-monthly-analysis---august-2020/

5 Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 on common rules for the operation of air services in the Community (Recast), OJ L 293, 31.10.2008, p. 3–20.

6 Council Directive 96/67/EC of 15 October 1996 on access to the groundhandling market at Community airports, OJ L 272, 25.10.1996, p. 36–45.

Commission, the necessary relief from certain administrative rules and to secure better financial perspective to the stakeholders in the affected sector.

Pursuant to Articles 9(1c), 21a(5) and 24a(4) of the Air Services Regulation, the Commission shall continuously monitor the situation in order to address the criteria set out in the Regulation.[7]

According to the same Articles, based on the information and data available to it, the Commission is to present a summary report to the European Parliament and to the Council by 15 November 2020 and, where necessary, adopt delegated acts extending the periods of the temporary provisions. Those delegated powers are granted to the Commission for a period of one year from 28 May 2020.

This summary report assesses the situation based on data gathered from Eurocontrol, and data on flight cancellations and load factors from a sample of EU airlines. It also relies on evidence and data published by the European Centre for Disease Prevention and Control (ECDC) on the persistence of the COVID-19 pandemic. The Commission also consulted in July-August 2020 the relevant stakeholders, namely Member States and organisations representing airlines, airports and groundhandlers on the implementation and the ongoing necessity of the measures.

2 Description of the relief measures

2.1 Measures concerning temporary operating licences

Pursuant to Article 9(1) of the Air Services Regulation, Member States' competent licencing authorities must revoke or suspend the operating licence of an EU air carrier in financial difficulties and may replace them with a temporary operating licence.

With the COVID-19 pandemic, Union air carriers, which were financially healthy before the pandemic, started facing liquidity problems that could trigger the suspension or revocation of their operating licence, or its replacement by a temporary licence, without there being a structural economic need for this to occur. Issuing a temporary licence could send a negative signal to the market about the ability of an air carrier to survive, which in turn would aggravate any, otherwise temporary, financial problems.

Regulation (EU) 2020/696 therefore allowed the competent licensing authorities not to revoke or suspend the operating licence in the period from 1 March to 31 December 2020 if the financial viability assessment was carried out during that period and provided that safety was not at risk and there was a realistic prospect of a satisfactory financial reconstruction within the following 12 months.

2.2 Emergency measures (flight restrictions) linked to the COVID-19 pandemic

Pursuant to Article 21 of the Air Services Regulation, a Member State may refuse, limit or impose conditions on the exercise of traffic rights to deal with sudden problems of short duration resulting from unforeseeable and unavoidable circumstances. Such action shall

[7] These criteria are set out in Articles 9(1b), 21a(4) and 24a(3) and listed under section 4.

respect the principles of proportionality and transparency and shall be based on objective and non-discriminatory criteria.

In order to make sure that such action respects the principles of proportionality, transparency and objective and non-discriminatory criteria, the Commission and the other Member States should be informed without delay of such action with an adequate justification. Moreover, if the problems necessitating such action continue to exist for more than 14 days, the Member State must inform the Commission and the other Member States accordingly and may, with the agreement of the Commission, prolong the action for further periods of up to 14 days. The Commission grants its agreements to the prolongation periods by a decision.

Article 21 addresses problems of short duration and the experience in the early stages of the COVID-19 outbreak showed that it was not adapted to the COVID-19 crisis, expected to last several months, placing an unnecessary administrative burden on the Commission and the Member States.

Regulation (EU) 2020/696 therefore introduced a temporary derogation to the procedural requirements set out in Article 21 for the period from 1 March until 31 December 2020. This derogation allows the Member States to maintain a temporary, justified and proportionate emergency measure addressing the COVID-19 pandemic without the agreement of the Commission provided that it respects the principles of proportionality and transparency and is based on objective and non-discriminatory criteria.

2.3 Temporary rules on groundhandling services – contracts

Pursuant to Article 6(2) and Article 9 of the Groundhandling Directive, Member States may limit the number of suppliers of groundhandling services at airports. In such cases, the suppliers must be selected for a maximum period of seven years. The COVID-19 pandemic has led to a sudden reduction in air transport activity on an unprecedented scale, which resulted in severe financial difficulties for suppliers of groundhandling services. Suppliers whose contracts expire during the crisis or by the end of the year following the start of the crisis therefore cannot provide a sufficient guarantee of sustainability to their creditors as a criterion for getting a loan and consequently may experience difficulties in obtaining access to financing.

For this reason, Regulation (EU) 2020/696 provided that contracts of suppliers that expire between 28 May 2020 and 31 December 2021 may be prolonged until 31 December 2022.

2.4 Temporary rules on groundhandling services – selection procedure

Article 11(1)(e) of the Groundhandling Directive states that, in case a supplier of groundhandling services ceases its activity before the end of the period for which it was selected by a tender carried out in accordance with that Article, it shall be replaced using that same procedure.

The COVID-19 pandemic may lead to possible insolvencies of suppliers of groundhandling services resulting in ceasing of their activity. In airports where the number of suppliers is limited, this could result in a situation that one or several suppliers ceases to provide their services before a new supplier can be selected on the basis of the normal procedure laid down in Article 11(1) of the Groundhandling Directive. To ensure the continuity of the service, a fast replacement of this supplier would be necessary.

Regulation (EU) 2020/696 therefore allows the managing body of the airport, for the period from 1 March 2020 until 31 December 2020, to choose a service provider directly to provide the services for a maximum period of six months or for a period until 31 December 2020, whichever is the longer.

3 Conditions for extension of the relevant periods

Pursuant to Regulation (EU) 2020/696, the Commission is granted delegated powers to extend the periods of applicability of the relevant exceptional measures mentioned in paragraphs 3.1- 3.5. The table below gives an overview of the conditions to be met:

	Reduction in the level of air traffic as compared to the level of traffic in the corresponding period in 2019 is persisting	Reduction in air traffic is due to the outbreak of the COVID-19 pandemic	Reduction in air traffic is likely to persist in the foreseeable future	Interruption of supply of groundhandling services or difficulties in access to financing for suppliers of groundhandling services at Union airports	Persistence of COVID 19 pandemic	Limitations or impositions of conditions on the exercise of traffic rights by Member States are likely to be necessary beyond 31 December 2020
Measures concerning temporary operating licences (art. 9(1b))	x	x	x			
Emergency measures (flight restriction) linked to the COVID 19 pandemic) (art. 21a(4))					x	x
Temporary rules on groundhandling-contracts (art. 24a(3)	x	x	x	x		
Temporary rules on groundhandling – selection procedure (art. 24a(3))	x	x	x	x		

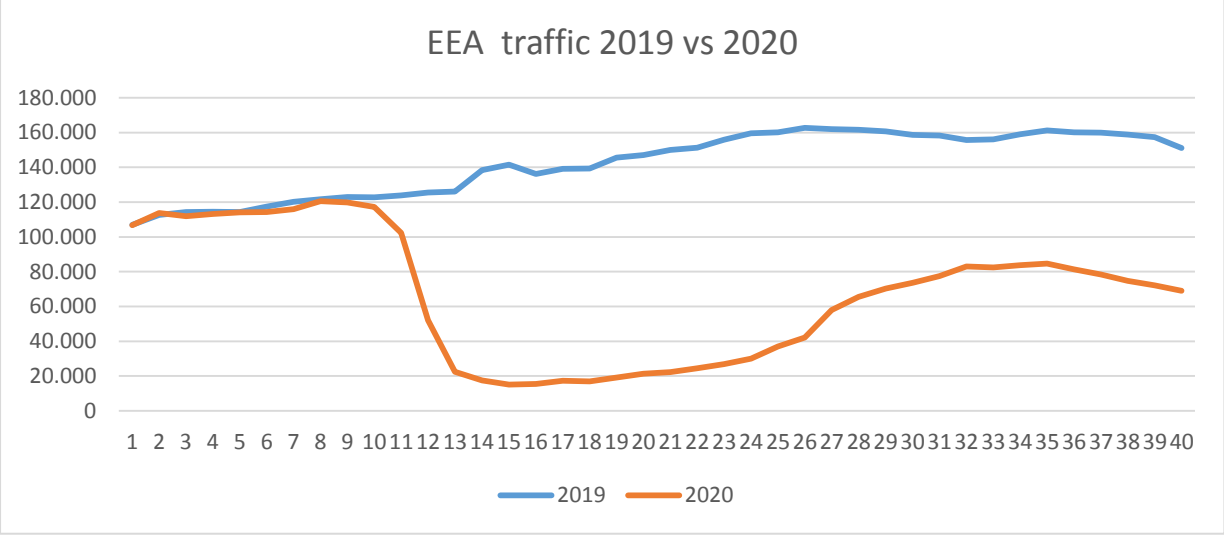
3.1 Persistent reduction in the level of air traffic between 2019 and 2020 (corresponding period)

For the purpose of this report, data on air traffic levels, slot use, load factor, and cancelled flights in a given week of 2020 have been compared to the same week of 2019.

Eurocontrol data sets the start of the downturn of air traffic in the EEA in week 11 in 2020 with a drop of 17% compared to the same week in 2019. Air traffic continued to fall quickly

resulting in a 59% and 82% decrease compared to 2019 in weeks 12 and 13 respectively. The lowest points were recorded in weeks 15 and 16 (89% decrease). Afterwards traffic started to gradually pick up, but was only at 26% of 2019 levels as of 22 June 2020 (week 26), a 74% decrease in air traffic compared to the previous year. During the month of August 2020 (weeks 32-36) air traffic levels reached 53% compared to August 2019, but early September 2020 the levels started to decline again and by the end of the month were at 46 % compared to the same period in 2019.

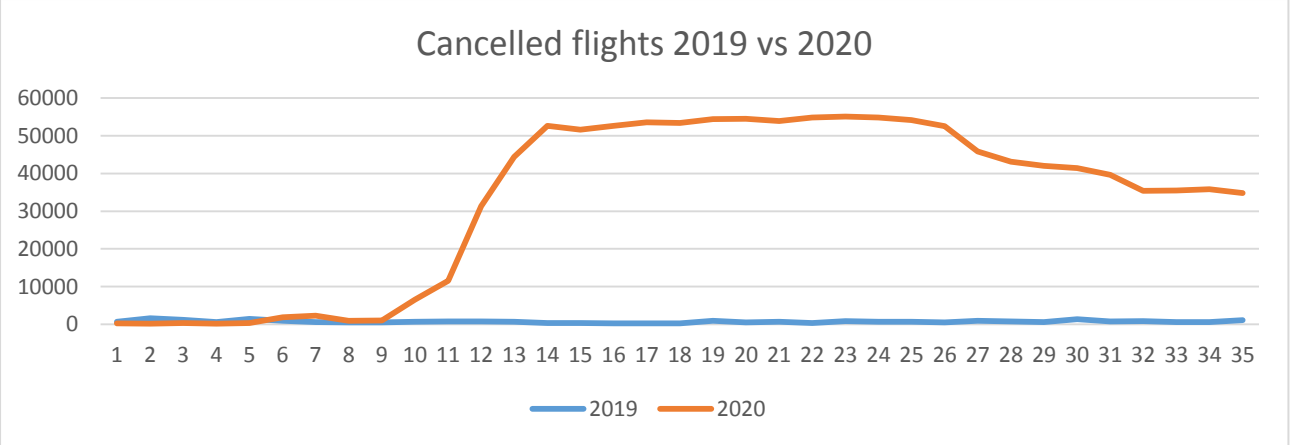
Figure 1.1



(source: Eurocontrol)

As a result of the drop in traffic, flight cancellations soared (figure 1.2) compared to the same period in 2019. Flight cancellations pick up from week 9 and increase at a steeper rate from week 11.

Figure 1.2



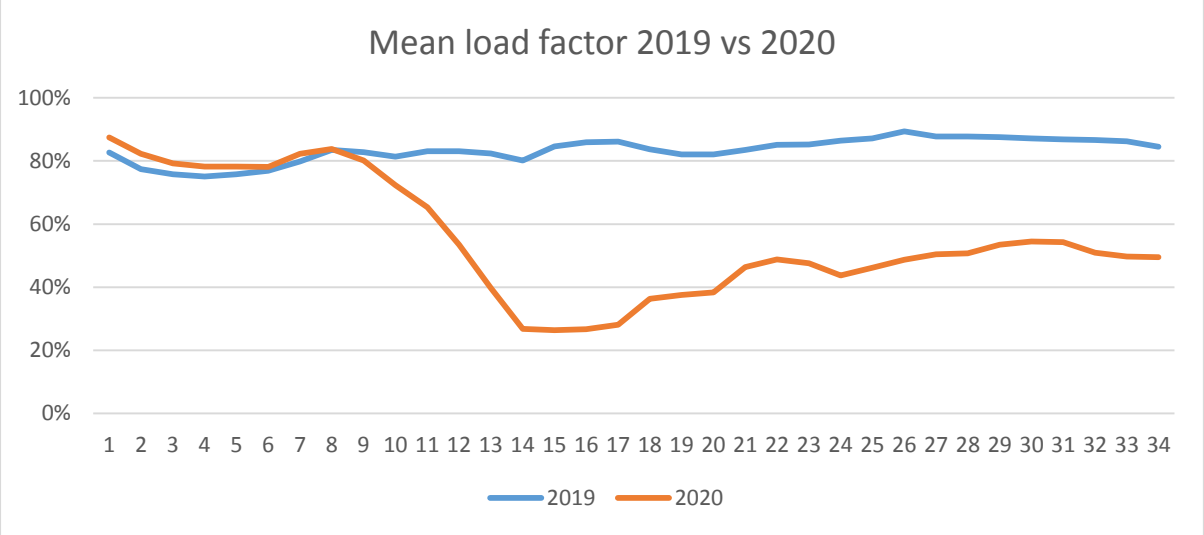
Source: Data collected by the Commission from air carriers[8]

[8] 6 major European air carriers (legacy, low-cost and regional) provided the Commission with the dataset on slot use. Figures refer to the number of slots operated compared to slots held before the start of the season (Historic Baseline

Meanwhile, the average load factor for ten European air carriers, which have provided the Commission with data decreased from 80% in week 9 to 26% in week 15. Not only do air carriers fly less, but the few remaining flights remain under-booked.

By week 23, when intra-EU air travel had been reopened to a significant extent, the average load factor recovered to 44% and during mid-August went up to 56%. During the same week in 2019, the average load factor of the same air carriers ranged from 75% (week 4) to 89% (week 26).

Figure 1.3



Source: Data collected by the Commission from air carriers[9]

3.2 The reduction in air traffic is due to the COVID-19 pandemic

Many countries responded to the COVID-19 pandemic by issuing bans and travel restrictions, some of which are still in effect today.[10] This has severely impacted intra-EU and international air travel as restrictions authorising only "essential travel" suppress demand to a level where most routes can no longer be operated commercially.[11]

Restrictions on intra-EU flights were used early on by some Member States as a measure to prevent or contain the further spread of COVID-19. In order to promote the continued operation of cargo services, the Commission adopted guidelines for facilitating air cargo operations during the COVID-19 pandemic.[12] The peak of the bans on passenger flights between Member States was recorded during the period 20 – 26 March 2020, during which 20 Member States had introduced flight bans. Thereafter, there has been a slow reduction, on 31 March 2020 there were 16 Member States with flight bans and on 6 April, 14 Member States. 11 Member States had issued flight restrictions when the procedural waiver entered into force. As of 7 July, seven Member States had flight bans towards a few specific Member

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Date). 6 major European air carriers (legacy, low-cost and regional) provided the Commission with the dataset on cancelled flights.

9 6 major European air carriers (legacy, low-cost and regional) provided the Commission with the dataset on load factors.

10 https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/travel-and-transportation-during-coronavirus-pandemic_en for an overview of measures still in place.

11 Demonstrated by the drop in traffic described in section 3.1 and the reason the waiver was introduced in the first place.

12 European Commission Guidelines: Facilitating Air Cargo Operations during COVID-19 Outbreak, adopted 26 March 2020. https://ec.europa.eu/transport/sites/transport/files/legislation/c20202010_en.pdf

States which have a higher rate of COVID-19 cases. End of September, four Member States still had flight bans (see section 4).

Regarding extra-EU flights, on 16 March 2020, the Commission adopted a Communication[13] recommending a temporary restriction of non-essential travel from third countries into the EU+ area[14] for one month. On 17 March 2020, the Heads of State or Government of the EU agreed to implement the temporary restriction of non-essential travel. The four Schengen Associated States also implemented it. This restriction was prolonged several times.

During the summer, Member States started reintroducing travel restrictions within the EU. On 4 September 2020, the Commission adopted a proposal for a Council Recommendation[15] to ensure that any measures taken by Member States that restrict free movement due to COVID-19 pandemic are coordinated and clearly communicated at the EU level. The Commission's proposal sets out four key areas where Member States should work closer together, such as on common criteria and thresholds for Member States when deciding whether to introduce travel restrictions, a common framework for measures applied to travellers from high-risk areas, and clear and timely information to the public about any restrictions.

Beyond the regulatory environment, consumer confidence is a key factor affecting traffic levels and suggesting a link between a decrease in air traffic and the outbreak of COVID-19. There is not much data on this yet. The Irish Central Statistics Office conducted a survey on passenger confidence to travel by plane. Almost four in five (78.0%) respondents reported feeling "uncomfortable" or "very uncomfortable" with the prospect of taking an international trip by plane.[16] The re-introduction of border and quarantine measures in a number of Member States in an uncoordinated and often unpredictable way has further undermined consumer confidence, as demonstrated by recent data, depressing travel well beyond the direct effect of the actual restrictions.

IATA's regularly published economic reports on the crisis show that since February 2020, year-on-year bookings fell at an increasing rate until about mid-April. Since then, bookings have partly recovered but remain down by 82% as of the end of June 2020. There appears to be a correlation between the increase in new cases and the decrease in bookings.[17] In addition, IATA has been commissioning regular surveys on passenger confidence since the outbreak of COVID-19. In April, around 60% of respondents indicated that they would be likely to return to travel within a few months of the pandemic having subsided. In June, this figure had slipped to 45%. In September more than half of respondents indicated they would wait 6 months to a year before returning to travel. Therefore, the willingness to fly remains low and it is expected to continue for the months to come. Also the risk of compulsory quarantine at destination is one of the key deterrents. 83% of the respondents indicated that they will not travel if there is chance of quarantine after arrival.

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13 COM(2020) 115, 16 March 2020.

14 The "EU+ area" includes all Schengen Member States (including Bulgaria, Croatia, Cyprus and Romania), as well as the four Schengen Associated States.

15 https://ec.europa.eu/info/sites/info/files/council-proposal-coordinated-approach-restriction-movement_en.pdf

16 https://www.cso.ie/en/releasesandpublications/ep/p-sic19cler/socialimpactofcovid-19surveyjune2020measuringcomfortlevelsaroundtheeasingofrestrictions. To be noted that Ireland had a quarantine in place for all international travellers arriving in Ireland when the survey was carried out, which had an impact on the public's perception of the safety of flying.

17 https://www.iata.org/en/iata-repository/publications/economic-reports/Flexibility-will-be-critical-to-restart/ slide 4.

The foregoing shows a strong link between the drop in air traffic and the outbreak of COVID-19.

3.3 The reduction in air traffic is likely to persist in the foreseeable future

Under the current circumstances, it is difficult to predict the exact evolution of air traffic levels, but available forecast show that the reduction in air traffic will persist in 2021 and a return to pre-COVID levels will not occur before 2024.[18]. Factors that will have an impact on how air traffic levels evolve are flight and travel restrictions, consumer booking patterns, and regulatory health measures imposed on the industry. These are closely linked to the possibility of a resurgence in cases and the absence of a vaccine. All forecasts are tainted by a high degree of uncertainty.

According to Eurocontrol[19] the total number of flights expected in Europe will again gradually decrease. In August a small recovery to 51% had been noted after the lowest point was reached in April 2020 but it was not sustainable. In January 2021, the number of flights is anticipated to be 60% lower than in 2019 (instead of 20% in its earlier scenario). This scenario assumes the likelihood that Member States remain uncoordinated in their response to cross-border air travel, that passenger demand remains extremely low as a result of COVID-19 uncertainty, unpredictability and confusion over restrictions/quarantine measures, and that airlines will further reduce capacity in light of very low forward bookings. According to Eurocontrol the traffic should slowly pick up in February 2021, still being 50% lower than in February 2020.

As of 29 September 2020[20], IATA also downgraded its economic forecast. It now expects global revenue passenger kilometres (RPKs)[21] to decline by 66% in 2020 compared to 2019 and by 68% in December 2020 compared to December 2019 against a 55% reduction that it forecasted in July 2020.

Regarding travel restrictions, the Commission recommended[22] Schengen Member States and Schengen Associated States to lift internal border controls by 15 June 2020. Most Member States that had previously reintroduced internal border controls due to the COVID-19 pandemic heeded the recommendation, which resulted in commercial scheduled passenger traffic picking up (see Figure 1.1). With regard to the restriction on non-essential travel into the Union, from 1 July 2020, a Council Recommendation[23] advised the lifting of restrictions on non-essential travel from an initial list of third countries, to be reviewed regularly.

However, while a continued improvement in air traffic was expected over the European summer period, due to measures being relaxed and restrictions being lifted in the context of decreasing trends in a number of cases in Europe overall, an increase in COVID-19 cases was

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18 https://www.iata.org/en/iata-repository/publications/economic-reports/Five-years-to-return-to-the-pre-pandemic-level-of-passenger-demand/

19 See Eurocontrol's latest "Current Status Scenario" from September 2020 - https://www.eurocontrol.int/sites/default/files/2020-09/eurocontrol-draft-traffic-scenarios-14092020.pdf

20 https://www.iata.org/en/iata-repository/publications/economic-reports/downgrade-for-global-air-travel-outlook/

21 Revenue passenger kilometres (RPK) is an airline industry metric that shows the number of km travelled by paying passengers. It is calculated as the number of revenue passengers multiplied by the total distance travelled.

22 COM(2020)399 final.

23 https://data.consilium.europa.eu/doc/document/ST-9208-2020-INIT/fr/pdf.

reported again in many EEA countries during summer 2020.[24] There is also a historic precedent on pandemics developing in several waves. This may induce renewed decreases in air traffic.

Regarding future demand for air traffic and consumer confidence, notably in the context of the summary report on slots[25], stakeholders contacted by the Commission services (airlines, travel agents, computer reservation systems) stated that it is very difficult to make projections beyond the winter 2020/2021 scheduling season. While pre-COVID-19, airlines may have already been able to offer schedules for the year ahead, airlines are currently facing difficulties in predicting schedules for the upcoming season. Airlines are keeping flight schedules under constant review, to react to unpredictable changes in travel or flight restrictions and hard-to-predict passenger demand.[26]

While intra-EU bookings started to pick up for summer 2020, recovery in passenger traffic across the European airport network stopped in August, most likely as a result of travel restrictions being reinstated by several States.[27] Booking rates for extra-EU flights were even lower. IATA's latest update on global air travel outlook points to weaker passenger bookings in the fourth quarter compared to third quarter 2020.[28]

Regarding other regulatory health measures, as part of the exit strategy, sanitary measures are being implemented in aviation, widely based on the EASA/ECDC guidelines.[29] Measures on distancing and disinfection of spaces may reduce the amount of passengers and flights airports can service, compared to the situation before the outbreak. They may temporarily or durably reduce effective airport capacity compared to the pre-COVID19 situation. These measures may at the same time contribute to restoring consumer confidence, however still to a limited extent.

As a result, airlines are now again gradually decreasing the capacity offered to the market. The foregoing suggests that the passenger air traffic levels in 2020 will not reach even half of the 2019 levels. Domestic markets will recover faster than international markets. ICAO expects a decrease in the number of seats offered in Europe in 2020 by 52%-58% for international passenger traffic and by 33% to 36% on domestic flights[30].

In light of the above, the outlook beyond 2020 is highly uncertain, but the renewed rises in COVID-19 cases and the need to maintain sanitary containment measures suggest that the

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24 https://www.ecdc.europa.eu/sites/default/files/documents/covid-19-rapid-risk-assessment-20200810.pdf. The ECDC reported on 10 August 2020 an overall risk of escalation of COVID-19 across all EU/EEA countries.

25 COM(2020) 558 final.

26 Airlines have to plan and prepare for multiple scenarios in the absence of clear trends on consumer behaviour, evolution of the disease, and alleviation from the slot usage rules. This leads to sub-optimal decisions on costs for infrastructure, labour and marketing. Even in a normal year, the winter season is a more challenging one for airlines, which would typically make most of their profits during the summer season. This year, without the buffer of a profitable summer season behind them, the outlook for airlines for winter and beyond looks challenging.

27 Airlines point out that consumer booking practices have changed. Previously consumers would book months in advance, whereas now as a result of decreased predictability and confidence in travelling, bookings happen much later. Information provided by IATA suggests that about 60% of bookings now come in the 2 weeks before the operation, whereas compared to the same period in 2019, more than 60% of bookings were made between more than 20 days to 11 days in advance.

28 https://www.iata.org/en/iata-repository/publications/economic-reports/downgrade-for-global-air-travel-outlook/

29 https://www.ecdc.europa.eu/sites/default/files/documents/EASA-ECDC_COVID-19_Operational-guidelines-for-management-of-passengers-issue-2.pdf

30 https://www.icao.int/sustainability/Documents/COVID-19/ICAO_Coronavirus_Econ_Impact.pdf

passenger air traffic may not reach 2019 levels for several years – even assuming a COVID-19 vaccine would be available in 2021.

3.4 The reduction in air traffic has resulted in interruption of supply of groundhandling services or difficulties in access to financing for groundhandlers

According to the information available to the Commission, groundhandling companies have been severely affected by the COVID-19 pandemic and the reduction in air traffic outlined above. Many groundhandling service providers have encountered financial difficulties, as demonstrated by the Swissport group entering restructuring and the news about financial difficulties encountered by its subsidiaries[31], Wisag laying off 800 employees in Germany[32], the rescue package granted to Aviapartner Belgium and Malév Ground Handling ceasing operations[33]. This shows that the reduction in air traffic results in interruption of supply of groundhandling services and difficulties in access to financing for groundhandlers.

Based on the predictions for the level of air traffic till end December 2021, it is likely that more groundhandling service providers will have to interrupt their supply of groundhandling services before the market has recovered from the crisis caused by the COVID19-pandemic.[34] There is real risk that further bankruptcies among groundhandling service providers may take place throughout 2021. Such bankruptcies may very likely lead to sudden interruptions of groundhandling services. Hence, airports may find themselves in a situation where they would need to find an alternative groundhandling provider within a very short period of time. The case of Brussels airport, where Brussels Airport Company (BAC) was able to urgently select a replacement after the demise of Swissport Belgium, demonstrated the usefulness of the measure.[35]

However, suppliers of groundhandling services that have difficulties in access to financing due to the expiry of their contracts can continue benefiting from their extension under the current derogation (until 31 December 2022) in order to obtain the necessary credits and assure their business continuity. Moreover, the extended contracts give airports sufficient time to tender for additional groundhandling providers to improve their resilience in case of ongoing volatility in the air transport sector.

3.5 Flight restrictions are no longer necessary to deal with the persisting COVID-19 pandemic

Since Article 21a of the Air Services Regulation was adopted, the Commission have been in close contact with the Member States, in particular the civil aviation authorities, to

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31 E.g., Swissport Belgium's demise and Swissport Finland's announcement of the need to lay off up to 700 of its 1350 employees, (https://yle.fi/uutiset/osasto/news/upm_swissport_to_cut_1200_jobs/11512488) while Swissport Western Europe is considering cutting some 4500 jobs in UK and Ireland (https://www.euronews.com/2020/06/24/swissport-to-cut-over-4-000-jobs-in-uk-and-ireland-due-to-covid-19).

32 https://newsabc.net/aviation-in-crisis-ground-service-provider-wisag-cuts-around-800-jobs-in-berlin/

33 https://hungarytoday.hu/national-asset-management-terminates-remnant-of-former-hungarian-airline-malev/ https://bbj.hu/economy/govt-declares-malev-gh-of-strategic-importance_185815

34 https://www.ft.com/content/82d6c72a-4a9c-4210-a235-fadbe326ff34

35 On 8 June 2020, Swissport Belgium had filed for bankruptcy, leaving Brussels Airport with one groundhandling company. Since 1 July 2020, Alyzia SAS has been providing the service. Pending the organisation of the usual procedure for selecting a new handler, the French company has been granted a temporary licence for a period of six months for baggage and ramp handling. It can also offer passenger handling services (such as check-in) and cleaning. Source: BAC.

continuously monitor the situation. This has shown that flight restrictions as such may not be the most appropriate and necessary measure to contain the COVID-19 outbreak as further explained below.

There have been quite differing approaches from one Member State to the other throughout the period of application of the Regulation.[36] The Commission published the information once received from the Member States to ensure transparency[37] and Eurocontrol has been issuing on a daily basis summaries of the corresponding NOTAMs[38]. In line with its guidelines on how to progressively restore transport services, connectivity and free movement as soon as the health situation allows it[39], and also taking into account the implementation of the COVID-19 Aviation Health Safety Protocol adopted by the EASA/ECDC[40] providing guidance on how to facilitate the safe and gradual restoration of passenger air transport, the Commission has been regularly inviting the civil aviation authorities to review their flight bans. As a result, Member States have been gradually lifting their flight restrictions, sometimes replacing them with other measures such as travel restrictions and public health measures. During the summer period, however, a few Member States started reinstating flight bans towards a number of Member States as a reaction to the increase in COVID-19 cases in several countries.[41]

The simplified procedure under Regulation (EU) 2020/696 allows Member States to take emergency measures to address COVID-19 pandemic without unnecessary administrative burden, but still leaves the obligation for Member States to adequately justify the measure given its significant adverse effect on the functioning of the internal market and ensure it is proportionate to the public health objective pursued.

COVID-19 has now spread across the globe with cases appearing on five continents. In the early stages of the crisis, both the WHO together with the International Civil Aviation Organisation (ICAO) and the ECDC suggested that short-term travel restrictions could contribute to the containment of the outbreak by slowing down the spread of the disease. However, evidence shows that restricting movement of people and goods in the longer-term is ineffective in countering pandemics in most situations and may divert resources from other interventions.[42] Today, even if the pandemic continues to pose a major public health threat to EU countries, there have been important developments since the beginning of the crisis, such as improvements in knowledge about the risk of transmission and the development of other diagnostic and preventive measures, which allow to progressively restore transport services.[43] All Member States have put in place other measures, such as health and sanitary measures,

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36 A few Member States notified bans on all intra-EU flights with some exemptions (such as for emergency or repatriation flights). Some notified bans directed to one or a few Member State(s). Seven Member States did not make use of the possibility offered in Article 21 or 21a of the Regulation as they considered the need to do so for public health reasons did not exist. They privileged measures restricting or conditioning access to their territory to people from certain regions or countries and health measures (such as testing and tracing).

37 https://ec.europa.eu/transport/coronavirus-response_en

38 https://www.public.nm.eurocontrol.int/PUBPORTAL/gateway/spec/index.html Notices to Airmen contain all the information on the conditions imposed by countries on the operation of air services.

39 See https://ec.europa.eu/info/files/covid-19-guidelines-progressive-restoration-transport-services-and-connectivity_en

40 See https://www.easa.europa.eu/document-library/general-publications/covid-19-aviation-health-safety-protocol

41 On 1 October 2020, four Member States still had intra-EU flight bans.

42 https://www.icao.int/Security/COVID-19/Pages/default.aspx; https://www.ecdc.europa.eu/sites/default/files/documents/Considerations-related-to-measures-for-travellers-reduce-spread-COVID-19-in-EUEEA.pdf

43 See EASA/ECDC Aviation Health and Safety Protocol.

which appear more suitable, effective and proportionate to contain the COVID-19 pandemic than flight restrictions as such.[44]

Few Member States take the view that since the epidemiological situation is difficult to predict there could be a need to reinstate flight bans while the other Member States that responded to the Commission's consultation consider that there are other measures and mechanisms in place to ensure that the spread can be limited and that imposing unilateral restrictions on flights would interfere with the coordinated response to COVID-19 and hamper recovery. Moreover, they argue that Article 21 of the Air Services Regulation will continue to allow Member States to take necessary emergency measures, where justified.

With the COVID-19 Aviation Health Safety Protocol adopted by the EASA/ECDC in place[45], airlines consider that unilateral flight restrictions are no longer necessary and could be revoked since pre-flight monitoring measures and a high level of health and safety on board are considered more effective and proportionate to deal with passengers from countries with high transmission rates than flight bans as such. Unilateral intra-EU flight bans based on varying criteria from one country to the other, imposed sometimes with just a few hours' notice, and mostly for short periods, have created a lot of confusion and legal uncertainty on the market with negative impact on carriers but also on passengers, as well as indirect impact on the situation of groundhandlers and airports. The industry considers that a coordinated approach at EU-level with objective criteria applied uniformly across the EU would help to avoid confusion on the market.[46]

While it is clear that the COVID-19 pandemic is persisting, the evolution of the pandemic, improved knowledge of the virus and its epidemiology and the implementation by all Member States of comprehensive health and sanitary measures no longer seem to warrant the necessity for Member States to impose intra-EU flight restrictions as such in order to address the COVID-19 pandemic. The condition in Article 21a(4) to extend the simplified procedural rules beyond 31 December 2020 is therefore not met.

4 Conclusion

At the time when this report is presented to the European Parliament and the Council, the level of air traffic is still significantly reduced compared to the same period in 2019. Despite the difficulties in accurately predicting the recovery path of air traffic levels, it is reasonable to expect that the low levels of air traffic and passenger demand attributable to the COVID-19-pandemic will persist throughout 2021. A return to pre-COVID levels is not expected for several years. It is however too early at this stage to conclude whether capacity reductions will continue to occur beyond 2021 at similarly significant levels.

National and uncoordinated restrictions on passengers and flights to/from certain destinations, quarantine requirements, sanitary measures allowing for safe travel, and consumer confidence, will be key factors driving the speed at which air traffic recovers.

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44 According to the ECDC, given that there are now dedicated COVID-19 surveillance systems, extensive public health measures in place, and ongoing testing and contact tracing of the population, countries should be better prepared to prevent and control any resurgence in cases.

45 See https://www.easa.europa.eu/document-library/general-publications/covid-19-aviation-health-safety-protocol

46 See footnote 15 - proposal for a Council Recommendation on a coordinated approach to the restriction of free movement in response to the COVID-19 pandemic.

Because of the persistence of the COVID-19 pandemic and its impact on air traffic, it is expected that air carriers will continue to face severe liquidity problems in 2021 that could trigger the suspension or revocation of their operating licence. It is also expected that the difficult market conditions in the groundhandling sector will prevail in 2021 and further aggravate the financial situation of groundhandling service providers with the resulting risk of additional bankruptcies. The interruption of supply of groundhandling services and difficulties in access to financing for groundhandlers are therefore also likely to persist throughout 2021.

The conditions to extend by delegated act the measures in Articles 9(1b) relating to temporary licences, and 24a(3) concerning groundhandling services that currently end on 31 December 2020 are thus met.

In the light of the above, given their expiry already on 31 December 2020, and in light of their continuing necessity pursuant to the conditions in Article 9(1b) and Article 24a(3), the Commission will extend the derogations relating to **operating licences** and **selection of groundhandlers** by delegated act until 31 December 2021.

Regarding the current derogation on the extended **validity of groundhandling contracts**, which enables prolongation of contracts until 31 December 2022, and based on the limited long-term data available, the Commission does not consider, at this stage, that the conditions for its extension beyond the end of 2022 are met. The Commission will nevertheless continue to closely monitor the situation.

Regarding the possibility for Member States to take emergency **measures refusing, limiting or imposing conditions on the exercise of traffic rights** to address COVID-19 pandemic, based on available evidence on the developments in the pandemic and the knowledge of the risk of transmission of the disease, such measures are no longer necessary in view of other more appropriate measures to contain the spread of the disease, such as effective health and sanitary measures, and in view of Article 21 of the Air Services Regulation. The condition in Article 21a(4) to extend the measure by delegated act beyond 31 December 2020 is thus not met and the current validity period will not be extended.

The Commission will continue to keep the situation in the aviation sector under review and is ready to consider further measures, where justified, to manage the crisis and aid recovery.