

14th February 2002

ADDRESS BY LEO VAN WIJK ON THE OCCASION OF THE LAUNCH OF THE EUROPEAN AIRLINE PASSENGER SERVICE COMMITMENT

Strasbourg, 14th February, 2002

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Mr. President, honorable colleagues, ladies and gentlemen,

Today's ceremony marks the completion of a process, which has taken almost exactly two years. During these two years, a unique consensus has been built up between different airline groupings, consumer representatives, and regulatory authorities. While credit is due all round, I am particularly pleased that the original initiative for a Voluntary Commitment on Passenger Rights came from the AEA.

As far as the European airlines are concerned, this is the first time they have sat down, as a group, and discussed together voluntary elements of service delivery with consumers and governments. That such discussion on service elements had not taken place before is hardly surprising, since service is a competitive tool, an inherent part of an airline's brand.

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So, what should cause airlines to get together and discuss topics, which one could consider not to be on the joint agenda of airlines? Many of you will have a fairly clear picture of how this debate began: in January 2000, the Commission published a Green Paper proposing legislation on consumer protection. Some of the suggested measures, such as outlawing overbooking and introducing compensation for delays, were in our opinion not necessarily in the best interest of the consumer, or were beyond the full control of the airlines.

I also recall that we had a very good working relationship with Vice-President de Palacio. She had backed us whole-heartedly on the Single Skies issue, and we were working well together on other matters. In a spirit of cooperation, we in AEA began to look at how we could address the valid concerns, which had prompted the legislative proposal.

For inspiration we looked at the United States where the airlines following consultations with the regulators introduced a so-called Customer Commitment in 2000.

Much of what we saw in the US model consisted of elements of service which are already addressed by the European airlines as part of their internal objective-setting. The Passenger Commitment, which we are launching today, sets these out in a very visible way, as well as going some way beyond the US model. We trust that the parties concerned will be satisfied with it.

When I talk of 'the parties concerned', I refer to all those who have worked, in good faith, to get to where we are today. We have always understood that one of

the conditions for a solution acceptable to the regulators was that it should be inclusive; with not only a large number of subscribers, but also representing a broad spectrum of the industry.

For that reason, our talks have brought around the table representatives of the Regional airlines, as well as the Leisure carriers.

There are, of course, absentees, and it cannot have escaped anyone's attention that these include the sector commonly referred to as 'no-frills'. I will refrain from commenting on this absence, other than to remark that their customers have certain expectations of them.

If those expectations do not include service elements, which we are happy to guarantee in the Commitment, that's a matter for the consumer. In any case, it should be transparent for the consumer.

As I have said, today marks the end of a two-year process, and that period has seen the most dreadful event ever to befall our industry. The airline industry today is in a much more fragile shape than it was when we began this process.

Despite this, the AEA Presidents' Assembly reaffirmed unanimously in October last year that it would not seek to delay or defer the progress towards today's occasion. Even in our darkest hour, our relationship with our customers remained a top priority.

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However, there was one element in the process, which caused us some concern. I am referring to Denied Boarding. Again, this is something, which could stand a little elaboration.

‘Denied Boarding’ is an emotive issue. And let me make myself clear, as airlines, we do not try to downplay the issue, but ‘denied boarding’ is a consequence of the flexibility the airline wishes to offer its valued customers and which is highly appreciated by them. While airlines wish to make money on the one hand and offer its customers attractive products at attractive prices on the other hand, Denied Boarding is the inevitable byproduct of only a very limited number of flights affecting well below 1% of all passengers.

Obviously, no passengers, holding a firm reservation, should be left behind if they are not satisfied with the support they receive from the airline as these circumstances arise.

In Europe we know a statutory compensation package; the levels were set more than ten years ago, and we acknowledge the need to update them. More importantly, though, there is no regular way of offering the compensation to the passengers who would be most happy to accept it in return for taking a later flight.

Under the current Regulation it may happen that those who are denied boarding are those who have the most pressing need to travel. One of the clauses in the Passenger Commitment is that airlines undertake to first seek volunteers who are prepared to stand down from the flight. This, we believe, is the key. With

everybody satisfied with the outcome, those customers who fly and those customers who wait voluntarily for the next flight, there is no 'denied boarding'.

In the context of working towards a system of volunteer calls, we believe the proposed increase in the statutory compensation **by a factor of five** is – to put it mildly - untimely and unhelpful. I urge the European Commission to reconsider its proposal and work towards a proposal acceptable for all parties concerned. We would be happy to enter a dialogue to make this happen.

In drawing to a close, I'll return to the more general aspects of the Passenger Commitment. It does not, as some may have anticipated, set hard-and-fast levels of service. The days are long behind us when IATA regulated the number of cucumber slices in an Economy-class salad – and, I might add, sent airborne inspectors around the world to count them.

On the other hand, the elements of the Passenger Commitment should give passengers confidence that they are getting a fair deal. For various reasons – some justified, some less so – the air travel experience is shrouded in mystique. Airline people talk a secret language, and an airline ticket is as unreadable as a doctor's prescription.

Thirty or forty years ago, this may have been all part of the fun. The privileged few that traveled in those days felt they were being admitted into some secret society. Nowadays, air travel is a mass market and, unfortunately, it brings with it certain inconveniences – delays, mishaps with baggage and so on.

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What we hope to achieve with the Passenger Commitment is to make the process much more transparent, much more user-friendly and, at the same time, make some meaningful promises we certainly intend to keep.

Throughout the development of the Passenger Commitment our regulators have assured us that voluntary industry agreements are preferable to the blunt instrument of legislation.

In a spirit of cooperation and good faith, we have worked together to deliver the best possible package, which will bring real benefits to the vast majority of Europe's air travelers.

In my opinion, the Passenger Commitment marks a beginning rather than it is an end goal as such. The beginning, I hope, of a constructive dialogue on the issues that need further elaboration. And please consider my statement as an invitation to all of you who wishes to be part of such dialogue.

Thank you for your attention.

For further information, please contact:

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