To the attention of
Mr. Adrian Aupperle
European Investment Bank

LOT Polish Airlines’ contribution to the European Investment Bank’s consultation on the new policy of the Bank.

Dear Mr. Aupperle,

We have pleasure to present our opinion in response for your call for public views. 
As the objectives and directions of the EIB policy are of highest importance for our company because they will impact the possibility of developing our business activities we thank you for taking into consideration our opinion.

1. Q. How might the Bank better contribute to “smarter growth” based on knowledge and innovation? 
   In particular:
   o Where and how do you see R&D and innovation (new technologies) contributing to modernizing and decarbonising the transport sector? How can new technology be used to encourage modal shift where this carries social benefits, and in which ways should the Bank support such trends?
   o How might the Bank better contribute to the introduction of new technology(ies) in the sector? For example, how can adoption of cleaner vehicles be encouraged to overcome their higher cost, and what tools should the Bank provide to support such developments?
   o Are there particular initiatives in which the Bank should be proactive eg the “green” car initiative?

We fully support the initiative of linking the credit policy of the EIB with the ambitious political agenda of the European Union.

We believe that the aviation in Europe can drive projects leading to a smarter growth by responding to the needs of the European economy. As the completion of the Single European Sky is the number 2 priority of the EC of “The Roadmap to a Single European Transport Area” we expect the EIB to support the finalization of this crucial endeavor.

We look forward as well to seeing the EIB finance the objectives of a sustainable alternative fuels strategy. These projects will improve safety, capacity and cost efficiency, which are fundamental elements of a smarter growth.

However, we think these above mentioned initiatives that have been taken into consideration in the revised EIB’s policy are not exhausting the objectives the Bank should concentrate on. The European Investment Bank ought to modify its policy with regard to the air transport sector. The European carriers’ recovery from the economic and financial crisis that has affected the airline
industry since 2008 is hampered by important deficiencies in the infrastructure of the airline sector, inter alia the financial infrastructure. In particular, air transport is deprived of financing opportunities to be offered by the European Investment Bank (EIB), which in 2007 adopted a policy specifically excluding the airline sector from access to funding, other than in the most exceptional circumstances. Yet the Bank continues to generously support transport in general and other elements of air transport, even for instance non-EU airports which compete with European hubs.

2. Q. How might the Bank better contribute to “sustainable growth” and to a more resource efficient, greener and more competitive economy? in particular:
   o How can the Bank support the improvement of mobility in a sustainable manner while contributing to a reduction of congestion and pollution?
   o How might the promotion of energy efficiency in the various transport modes best be supported?
   o How might the Bank encourage best practice in the management and deployment of innovation in energy generation, distribution, storage and use in the sector?
   o How can the Bank play a role in the development of renewable energy in the transport sector?

The marginalization of the airlines by the EIB impedes an important vector of economic growth, through a period of recession toward the recovery. But this situation has even more serious implications on sustainability of transport and quality of environment. European carriers currently have on order almost 500 aircraft, with options on a further 600 aircraft. These airplanes, technologically-advanced and ultra-efficient, represent the industry’s response to the environmental necessities of EU ETS and commitments made by the airline industry to the reduction of gazes’ emissions in the future. LOT has ordered aircraft of the newest composite based technology B787 that will reduce fuel consumption by 10-20% compared with actually used older generation planes.

The funding of their purchase or leasing is crucial, yet credit to the sector from European banks is severely restricted and has seen a shrinkage of 30% in last two years. The EIB represents a logical alternative to the dysfunctions and degradation of the financial market, and represents a guarantee against government intervention impacting the public debt. A revision of the 2007 policy is now urgently called for if the air transport industry is to play its role under the EU ETS. Both the competitiveness of European carriers and their ability to face increasingly stringent environmental conditions are at stake.

We would like to underline that a regular fleet renewal brings tremendous environmental benefits, in particular when taking into account the imminence of the EU ETS and other environmental measures. Should the EIB position towards the airline industry not to be revised a question should be asked how the EIB intend to solve the paradox between the imposition on the European airlines of an overly-ambitious environmental agenda set by the EU ETS directive of 2008 and the deprivation of means offered to the industry to achieve it, in particular with respect to the financing of more efficient aircrafts?

We expect the EIB to play a more prominent role in the development of a certain number of dossiers, especially with regard to SESAR.

SESAR will promote a smarter growth by increasing safety (by a factor of 10)\(^1\), cost efficiency (reduce the ATM cost by 50%)\(^2\) and capacity (by a factor of 3)\(^3\). The EIB should therefore support the airlines to equip their fleet and promote specific projects such as ADS-B (Automatic Dependent Surveillance Broadcast), SAT-COM (Communication via Satellite), or ADS-C (Automatic Dependent Surveillance Contract).

\(^\)\(^1\) IATA data
\(^\)\(^2\) IATA data
\(^\)\(^3\) IATA data
SESAR and bio-jet fuels will promote as well a sustainable growth—another paradigm of the EC priorities. SESAR will reduce the CO2 emissions of the air transport sector by 10 to 12% per flight (150 million tons of CO2 in 10 years)\(^4\). On bio-jet fuels, the EIB should promote R&D Funding—focusing on alternative feedstock with low environmental and social impacts such as algae and provide low-interest rate loans, match-funding and loan guarantees for bio-jet fuel investments.

The coordination between SESAR and the US system (Next Gen) is essential to reach a harmonized global system. The US government has already decided to fund the ADS.B technology. Meanwhile, some Member States have decided to refrain from timely implementation of such crucial service. The EIB could help the EU to keep the leadership on this kind of project.

More direct contacts with airlines are required in order to ease and speed up the implementation of these projects of first priority for the Commission, Members States and the airline industry. In our opinion the above projects linking economy and ecology can only be reality with the support of the EIB.

European carriers must be eligible to access credits from the Bank for two more reasons: to establish a level playing field between comparable transportation sectors and to sustain European competitiveness vis-à-vis international competitors with less difficulties in accessing credits. It is worthy to note that, despite the industry’s insistence on the noxiousness of state aids, many third-country carriers did receive substantial amounts, creating increasing distortions to competition. An unprecedented low in the amount of funding available to airlines impacts the international competitiveness of European airlines and unnecessarily reduces European airlines’ ability to perform even better when measured against ecological performance indicators.

In DG MOVE’s consultation on “The Future of Transport” it is recognized that, in order to reduce emissions, pollution and accidents “the optimization and operation of the(transport) network as a single entity” is required and that the “optimal functioning of the transport system requires full integration and interoperability of the individual parts of the network, as well as interconnection between different (modal) networks.”

This support of a co-modality policy will necessitate the inclusion of air transport into such a network.

A reasonable change to the EIB prioritization of transport sectors will also send a strong signal to financial agencies, by indicating that the European institutions have confidence in the industry and in the vital role it plays in the European economy.

3. Q. How might the Bank better contribute to “inclusive growth” fostering employment and delivering social and territorial cohesion? in particular:
   - Which strategic projects with high European value added addressing critical bottlenecks, cross border sections, inter modal nodes (cities, ports, logistic platforms) should be accelerated through Bank interventions?
   - What role might the Bank’s operations in the transport sector have in fostering employment?
   - How might the Bank’s activities in transport better contribute to territorial cohesion, particularly in convergence areas, peripheral regions and remote islands?
   - How transport investment (in means and/or infrastructure) may contribute towards urban and regional development?

We strongly believe that the air transport can drive projects leading to inclusive growth developing employment and the social and territorial cohesion. Aviation is a key pillar of Europe’s cohesion and international competitiveness; 35% of the value of trade in global manufactured goods is transported by air, and global air freight volume has increased by 65% cumulatively in ten years. Moreover, air transport plays a vital role in the further integration and

\(^4\) IATA data
development of European regions, by enabling economic and social participation of outlying communities. As further evidenced during the Icelandic volcano eruption and snowstorms last year, aviation remains an irreplaceable means of transport which gives access to global markets for European business. Moreover, 4.5m jobs in Europe are directly or indirectly supported by air transport sector. Yearly, air transport directly and indirectly contributes to about €275bn to the European GDP. European aviation is about 50% more productive than the European economy as a whole. Every 1 percentage point of lower growth in air transport reduces the number of jobs supported by the sector by about 1.5m. An additional 3.3m jobs in tourism are supported by air transport, contributing €140bn to GDP yearly\(^5\).

According to LOT’s estimates 1 aircraft based in a Polish airport generates 40 jobs in the aviation industry and 300 jobs in the region. In other words 1 m passengers carried out generate 150 aviation linked jobs and support 1200 jobs in Poland.

In Poland however many regions have very weak aviation infrastructure and their population - difficult access to air transportation. It is worthy to mention that air mobility of Polish citizens is among the lowest in Europe representing sometimes a tier of the rate observed in the most developed EU states. Improving of intermodality could help the situation by allowing better integration of transportation in the regions. Many airports are not now easily accessible for the inhabitants they are supposed to serve.

One of the main reasons of the need for enhancing the intermodality in the regions is a very limited possibility of developing the existing biggest airport in Poland - Frederic Chopin Airport in Warsaw - due to the environmental constraints. The present airport is located inside the capital city and surrounded by the habitations. During the coming 6-7 years the airport is supposed to reach the limits of the allowed traffic. A new airport is planned to be build between Warsaw and Lodz agglomeration and would be connected in the coming 10 years via high speed train as well as via North-South and West-East motorways A2 and A1. The airport is supposed to play a national, European and intercontinental hub role for Eastern part of Europe\(^6\). This investment would need a huge financial support from external sources.

Yours sincerely,

Ole Orvér
Director Network Management
Alliances and External Affairs

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\(^5\) AEA data

\(^6\) To learn more on this project please see http://www.mi.gov.pl/files/0/1793849/PrezentacjaCPLdlaprasy21032011.ppt