Air transport: impact of the third package of liberalization measures

1996/2210(COS) - 22/10/1996 - Non-legislative basic document

OBJECTIVE: presentation of a first interim evaluation of the impact of the third package of air transport liberalization measures (1993-1996). SUBSTANCE: the Commission's report first notes that liberalization of air transport has happened in a progressive way and without major upsets: in contrast to the situation in the United States, there has been no spectacular reduction in the fares, nor any dramatic disappearance of the more important carriers, nor a substantial penetration of the domestic markets by foreign competitors. Almost all operators have made use of the new possibilities offered by the third package. Thus, the number of routes has increased from 490 in 1993 to approximately 520, of which 30% are served by two operators and 6% by three operators or more. It should be noted that 64% of routes remain monopolies because of the lack of commercial interest for other carriers. The possibilities for access to the market have been used: there are now 30 routes operated on a 5th freedom basis as opposed to 14 in January 1993. Also, routes operated with cabotage traffic grew from 0 in 1993 to 20 today. The public service obligations have been used on a hundred routes in Ireland, Sweden, the United Kingdom, Portugal, France and Norway. Market dynamics have been most visible in the creation of new airlines: 80 companies have been created, for the most part private companies, while 60 have disappeared. More important, new entrants appeared on the markets of the United Kingdom, France, Germany, Denmark, Ireland, Spain, Italy, Greece, Austria and Belgium. However, while it is clear that the foundations of liberalization have been established, the Commission deplores four grey areas: 1) air fares: the drop in fares has not been noticeable except on routes where competition has played a full role, i.e. where more than two airlines have been active. In general, however, fare structures have remained complex and unclear for users. 85 to 90% of passengers travel at reduced prices, but these prices are often accompanied by restrictions on schedules flexibility and the number of seats available. The most flexible fares have even continued to increase and can be described as excessive to the point where the Commission is considering an in-depth examination of the situation to pinpoint the cases of excessive fares under the rules of competition. 2) capacity restrictions: they remain significant and can restrict the effects of liberalization (problems of capacity of terminals and use of runways, air traffic control, fragmentation of European airspace and slot allocation). The Commission has just conducted a series of consultations on the question of slot allocation and has announced that by the end of 1996 it will present a proposal for amendments to Regulation 95/93. 3) the costs of air transport: infrastructure charges account for 25% of total operational costs. These costs are 40% higher than those in the United States. The Commission welcomes the recent adoption of the directive on the liberalization of ground handling. It intends to present before the end of 1996 a proposal on airport fees which will be based on three major principles: non-discrimination, transparency and cost effectiveness. 4) access to the market: the internal market remains fragile insofar as it remains incomplete as regards external relations as these continue to be subject to bilateral agreements between the Member States and third countries. The Union should therefore be able to negotiate on behalf of the fifteen with the major partners such as the United States and the CEEC. The Commission also considers that the effects on competition of the alliances which have increased rapidly should be assessed on a case by case basis. Lastly it will be advisable to check that the public service obligations which have been used frequently do not become a disguised means of restricting the market.