The European airline industry: competitiveness, from singlemarket to world-wide challenges

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PURPOSE : the objectives of the present communication include, first of all, to take stock of the progress made by the European air transport industry in the wake of market liberalisation, and then, to define new strategies in order to improve competition in the sector. CONTENT : the Commission points out that European airlines, forced to adjust to a new competitive environment and to cope with the pressures resulting from the United States' open skies policy, have had to adopt new strategies, whereby, over the last decade, they have achieved considerable productivity improvements and created jobs. The available statistics show that AEA (Association of European Airlines) member airlines' traffic increased by 9.7%; capacity by 6.7%; and freight traffic by 5.3%. More recent data tell us that the trend is continuing in 1998. However, the European airlines still suffer from relative commercial fragility compared with their main competitors, notably, North-American carriers. The present communication highlights the deficiencies of the regulatory framework of air transport activities, which stand in the way of adjustment by the European companies. To help the industry towards this strategy, the European Commission identifies the following policy orientation : - the Commission uses all the tools at its disposal to ensure integration of the European market. This includes the application of EC competition law to prevent attempts to re-fragment the market through public intervention or anti-competitive alliances or mergers; - the elimination of technical obstacles to trade, in particular by faster and more efficient harmonisation of safety rules through the creation of a European Aviation Safety Authority and by giving impetus to ICAO activities in the environment field will help the industry; - the fragmentation of the internal market results also from the lack of an external dimension. Ownership rules and the bilateral agreements system create obstacles to industry restructuring at European level and to fair competition with the open skies countries. These economic consequences add to legal justification for a genuine external dimension permitting to insert the alliances within a fair European framework; - the Commission reinforced its role as an observatory of the European air transport industry. For this purpose, it is carrying out a long term project for the creation of a comprehensive database of the European airline industry. This will increase the quality and availability of data and analyses on capacity, traffic, financial performance, productivity, industry and route structure, airports, and employment that are necessary to support a policy aiming at safeguarding the competitiveness of the industry. Information and analyses on industry trends will be available to the general public on the Commission's internet site. This communication will be the subject of discussion that the Commission intends to hold with the industry, national regulators and users.