


# Procedure file

Basic information		
COS - Procedure on a strategy paper (historic)	<a href="#">1996/2210(COS)</a>	Procedure completed
Air transport: impact of the third package of liberalization measures		
Subject 3.20.01 Air transport and air freight		

Key players			
European Parliament	Committee responsible		Rapporteur
	<b>TRAN</b> Transport and Tourism		Appointed 19/11/1996
			PSE <a href="#">SEAL Barry H.</a>
	Committee for opinion		Rapporteur for opinion
Council of the European Union	<b>ECON</b> Economic and Monetary Affairs, Industrial Policy		Appointed 23/01/1997
			PPE <a href="#">JARZEMBOWSKI Georg</a>

Key events			
22/10/1996	Non-legislative basic document published	COM(1996)0514	Summary
28/11/1996	Committee referral announced in Parliament		
20/01/1998	Vote in committee		Summary
20/01/1998	Committee report tabled for plenary	<a href="#">A4-0015/1998</a>	
18/02/1998	Debate in Parliament		
19/02/1998	Decision by Parliament	T4-0094/1998	Summary
19/02/1998	End of procedure in Parliament		
16/03/1998	Final act published in Official Journal		

Technical information	
Procedure reference	1996/2210(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 142
Stage reached in procedure	Procedure completed

## Documentation gateway

Non-legislative basic document		COM(1996)0514	22/10/1996	EC	Summary
Committee report tabled for plenary, single reading		<a href="#">A4-0015/1998</a> <a href="#">OJ C 056 23.02.1998, p. 0003</a>	20/01/1998	EP	
Text adopted by Parliament, single reading		T4-0094/1998 <a href="#">OJ C 080 16.03.1998, p. 0189-0240</a>	19/02/1998	EP	Summary

## Air transport: impact of the third package of liberalization measures

**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. ?

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Only under strict conditions, the Committee would endorse the Commission's third package of air liberalisation measures. Although the Committee followed its rapporteur Barry SEAL (PES, UK) by stating that liberalisation should be fully implemented in the interests of consumers and industry, it also felt that it was totally inadmissible that the Commission ignored the social impact of the process that derived in particular from the restructuring of air carriers. The Commission was therefore called on to carry out an accurate study on the social and employment related implications. Barry SEAL was reporting on the Commission's communication, which made a first evaluation of the effects of air transport liberalisation. The third package came into effect on 1 January 1993, but the final measures would only be introduced from 1 April 1998 with full cabotage rights. The main conclusion was that there has neither been a spectacular fall in tariffs nor significant incursions made by foreign competitors into national markets. On the other hand, passengers had benefitted quite considerably from the extension of competition. The rapporteur had compared two groups of routes, one where competition existed and one where it did not. Route with competition..... Fare\*... Route without competition... Fare\* Heathrow-Amsterdam-374 km...£230..... Frankfurt-Amsterdam-364 km...£377 Heathrow-Frankfurt-634 km...£294..... Heathrow-Hamburg-718 km.....£442 Heathrow-Zurich-723 km.....£306..... Heathrow-Geneva-746 km.....£366 Heathrow-Nice-1032 km..... 413..... Paris CDG-Madrid-1043 km...£722 Heathrow-Palma-1347 km.....£330..... Madrid-Rome-1338 km.....£708 \*Business Class Return Fare. Finally, Barry SEAL pointed out that the measures required to intensify the competitiveness of the air transport industry in the EU should not be to the detriment of safety and jobs in the Union and of the quality of the services provided to the travellers. The Committee was also concerned about the implications of the transfer of services to low-wage countries, which would lead to social dumping and have an adverse effect on employees and employment. One of the main requirements for successful liberalisation was that competition between air carriers should be governed by uniform and transparent conditions. The Commission should also apply the rules governing the granting of state aid in a strict and consistent fashion, so as to eliminate any distortion

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In adopting the report by Mr Barry SEAL (PSE, RU) the European Parliament takes the view that liberalization of the transport sector should take place prudently and progressively in the interests of both the consumers and the industry. It regrets that the Commission failed to mention the social impact of liberalization and calls on it to carry out a detailed survey of the social and employment- related implications of air transport liberalization and submit to Parliament a report containing legislative proposals relating to flight times, working conditions and training. Parliament stresses that measures to intensify the competitiveness of the air transport industry in the European Union should not take place at the expense of safety and jobs and of the quality of the services provided to the travellers. It is concerned about the implications of the transfer of services to low-wage countries which leads to social dumping to the detriment of employees. Parliament considers that one of the main requirements for successful liberalization is that competition between air carriers should be governed by uniform and transparent conditions and it calls on the Commission to apply the rules governing the granting of state aid in a strict and consistent fashion so as to eliminate any distortion associated with such aid. It calls for a transparent and more cost-related airfares and asks the Commission to submit a proposal on the revision of the regulation on common rules for the allocation of slots at Community airports. ?