



ICAO Global Symposium on Air Transport Liberalisation

Dubai, United Arab Emirates, 18-19 September 2006

The Single EU Aviation Market and Its External Dimension

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Presentation Outline

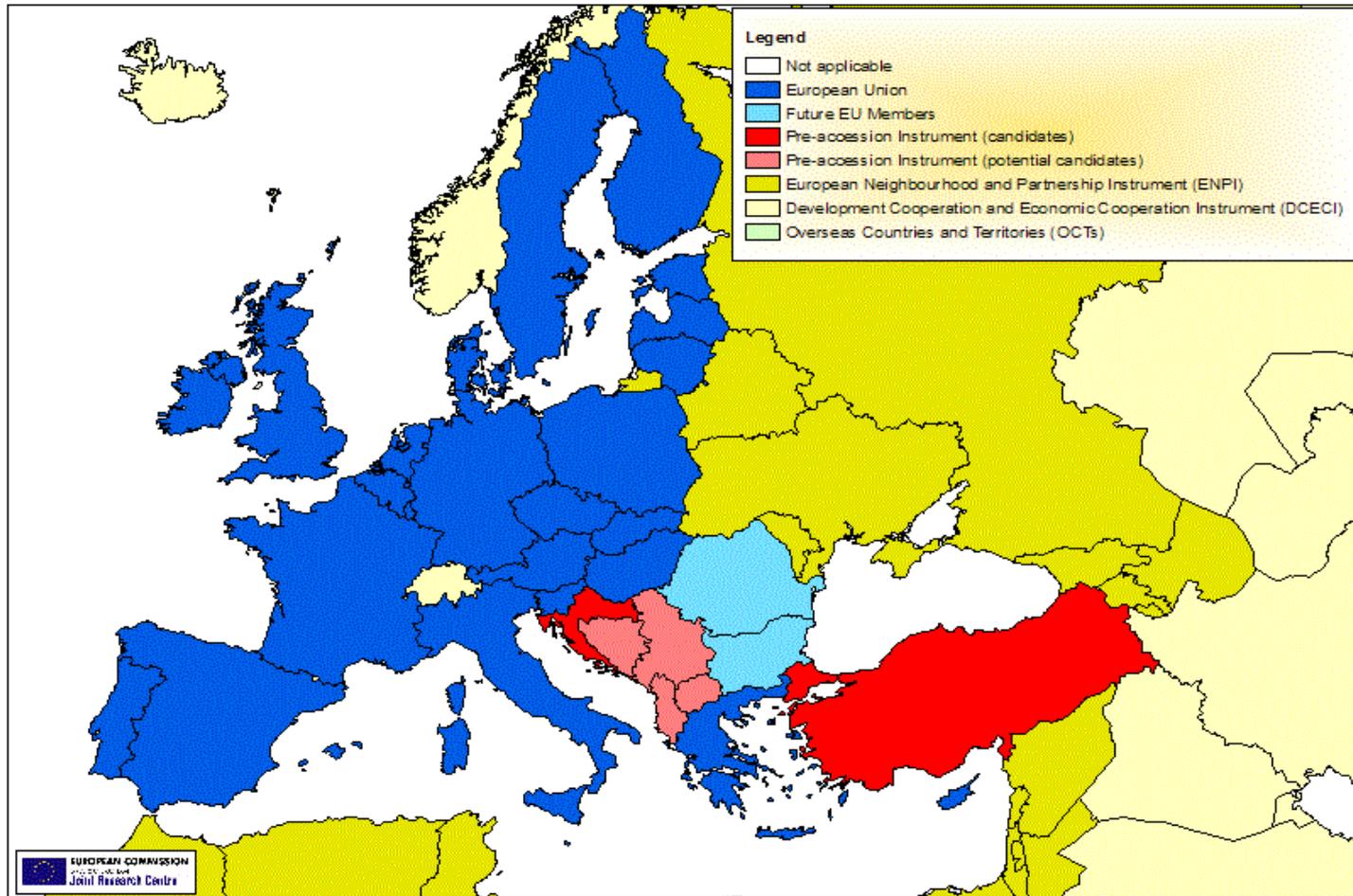
- ✓ Introduction
- ✓ The Single EU Aviation Market
 - ✓ From National Markets to Regional Integration
 - ✓ What have we Achieved so far?
 - ✓ Integration well Beyond Economic Regulation
 - ✓ Time to Consolidate
- ✓ The External Dimension of the Internal Market





The Enlarging EU

- **25 Member States**
- **450 Million Inhabitants**
- **One Single Market**





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The Single EU Aviation Market





The EU Single Market

- **25 Member States**
- **450 Million Inhabitants (and consumers)**
- **One Single Market (in fact wider than EU25)**
 - **Freedom of establishment & provision of services**
 - **The “Four Basic Freedoms”:** Freedom of movement of goods, services, capital and persons
 - **No barriers to trade (technical harmonisation and common standards)**
- **EU law has primacy over national law**





The EU Single Aviation Market

- **Unprecedented example of regional integration**
 - Based on a comprehensive body of common legislation
 - Regional organisation/integration encouraged by ICAO
- **Consequences:**
 - **Benefits to the EU**
 - **But also benefits to non-EU countries**
 - Same rules applied across the EU
 - Market opening
 - **Adaptation of external bilateral relations becomes inevitable**
 - A common regulatory regime has unavoidable implications in relation to traditional bilateral relations
 - Confirmed by the European Court of Justice





From National Markets to a Common Market (I)

- **Pre-1987**: protected and fragmented national markets
 - To fly between two major cities: little alternative but to fly with one of the two national “flag carriers” (duopoly);
- Three successive packages of liberalisation measures adopted 1987-1992 have gradually completely transformed this landscape;
- Most extensive example in the world of regional liberalisation, by far. Widely regarded as successful;
- **Post-1992**: Liberalisation and market integration based on three main Regulations (“Third package”):
 - Air carrier licensing (Regulation 2407/92)
 - Market access (Regulation 2408/92)
 - Fares (Regulation 2409/92).





From National Markets to a Single EU Aviation Market (II)

- **Implications of “Third package”:**
 - **Non-discriminatory air carrier licensing across Europe (from national to Community carriers with equal rights)**
 - **Market access: no capacity restrictions – cargo came first**
 - **Full cabotage since 1 April 1997**
 - **Free air fare setting**
 - **Any Community carrier can now operate on any route within the EU – and they do!**
 - **Comprehensive body of Community legislation in relation to all key aspects of aviation**





Liberalisation within a Modern Regulatory Framework



Open Markets need coherent regulatory standards:

- **Common requirements for licensing**
- **Strict competition and state aid rules**
- **High safety and security standards**
- **Consumer protection – “Air Passenger Rights”**
- **Ground handling and slot allocation**
- **Single European Sky and SESAR**





Integration Goes Well Beyond Economic Regulation

- **Single European Sky**
- **EASA taking up increasing responsibilities**
- **EU-wide black-list of unsafe air carriers**
- **Airport policy initiatives (expected early 2007)**
 - **Communication on airport capacity defining the EU's added value**
 - **Directive on airport charges**
 - **Revision of ground handling Directive**
 - **Revision of slots regulation (2007)**
- **The possible inclusion of aviation in the EU's emissions trading system is being discussed**
- **Security**
- **Passenger's rights – consumer protection**





What Have We Achieved?

- **Tripling of air travel 1980-2000. Doubling expected by 2020**
- **25% more airlines than in 1990**
- **Emergence of low-cost carriers**
 - 1% of capacity in 1996. 26% in 2005
- **More competition between air carriers**
 - Lower fares – price response of traditional carriers to LCC
 - Massive productivity gains
 - More routes with more than two competitors (+300% 1992-2005)
- **More intra-EU routes (+145% 1992-2005)**
 - Since 1998 more intra-Community traffic than domestic





Now Time To Consolidate

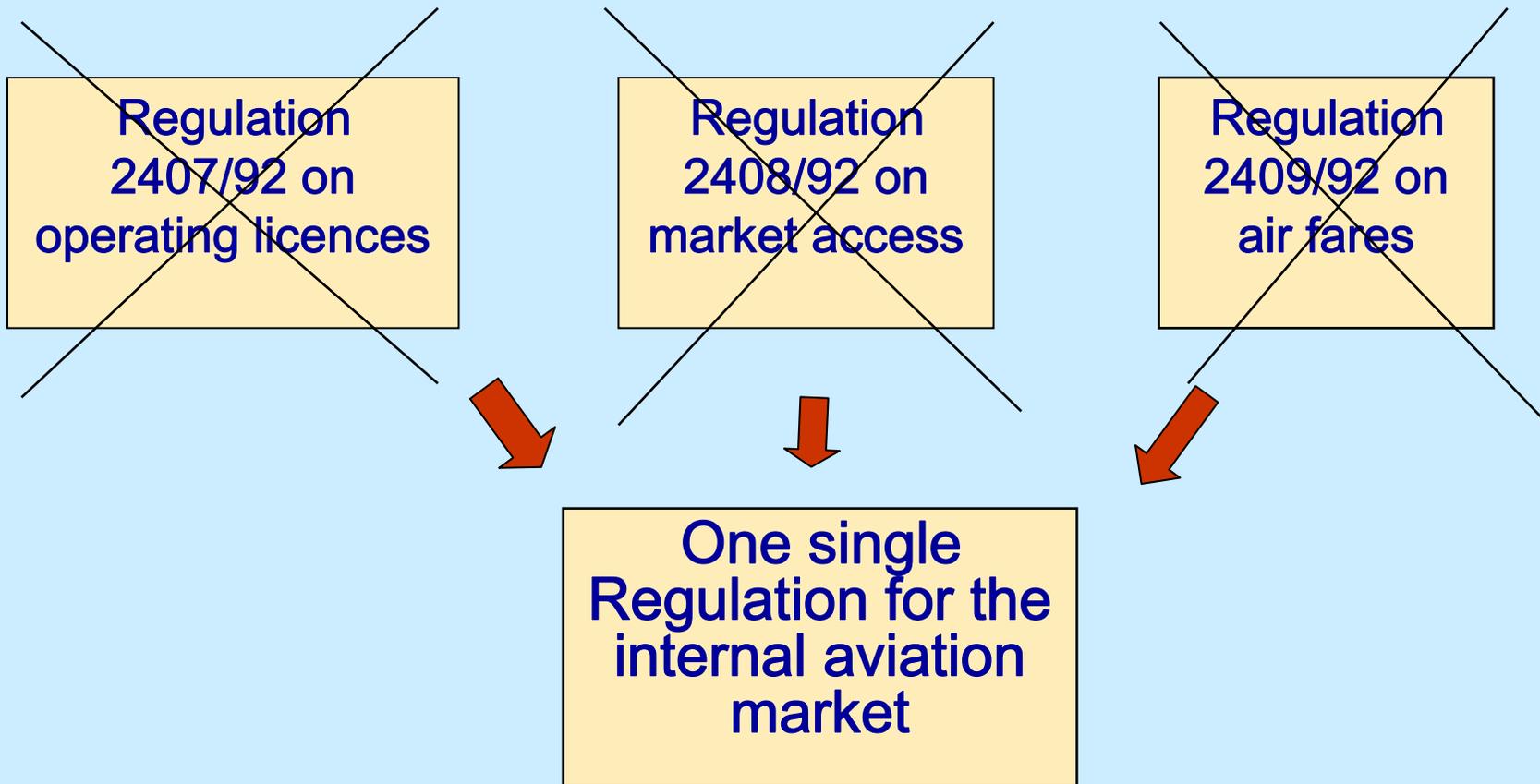
- 10 years after the full entry into force of the “third package” – time to up-date.
- Simplify, clarify and consolidate legislation.
- Ensure homogeneous application of Community legislation, especially with regard to the monitoring of the operating licence.
- Ensure consistency between the internal aviation market and its external dimension.
- Proposal presented in July 2006.





Simplification of Existing Legislation

“Three in one”





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The External Dimension of the Single EU Aviation Market





The External Dimension of the Single EU Aviation Market

- Regulation has external consequences
- Confirmed by the European Court of Justice:
 - Freedom of establishment
 - Community exclusive competences (e.g. airport slots, CRS, intra-Community fares and rates)
 - The "acquis" has expanded
 - Evolutionary process
 - Regulation 847/2004 lays down framework for negotiations with third countries.





External Aviation Relations – Political Decisions



June 2003 Council agreement on:

- US negotiating mandate to the EC
- “Horizontal” mandate to the EC
- Regulation on the negotiation and implementation of air service agreements between EC Member States and third countries (formally adopted as Regulation 847 in April 2004)

June 2005 Council agreement on:

- Road-map on external aviation policy





Three Key Pillars of EU External Aviation Policy

- I. Bringing existing bilateral agreements into line with Community law**
- II. The creation of a “common aviation area” with neighbouring countries**
- III. Conclusion of ambitious global agreements with key partners (US, China, Russia, India, Australia, New Zealand, Chile).**





Pillar I: Correcting the Legal Problems



The Council authorised the European Commission to open negotiations with third countries on the replacement of certain provisions in existing bilateral agreements with a “Horizontal” Community agreement.

Replace nationality restrictions in designation articles with a **Community designation clause**.

Ensure that provisions on safety, pricing on fifth freedom intra-EC flights, aviation fuel taxation and competition are in conformity with EC law.





Progress on the Legal Issue

- **63 non-EU states have accepted Community designation**
- **426 Bilateral ASAs have been brought into conformity with Community law**
- **23 Horizontal Agreements covering 342 Bilateral ASAs (since September 2004)**
- **Negotiations/talks on-going with many countries**





Pillar II:

Common Aviation Area by 2010

- **Southern and Eastern neighbouring countries**
 - **Morocco (Euro-Mediterranean agreement)**
 - EU-Morocco Agreement expected to be signed end-September 2006
 - **Pre-accession context: Bulgaria, Romania, Western Balkans (ECAA)**
 - ECAA Agreement signed in June 2006
 - **Next: Ukraine, Jordan and Lebanon**
 - **Particular case of Russia (Siberian overflight)**
- **Why a common aviation area?**
 - **Economic and aviation policy reasons**





Pillar III: Comprehensive Mandates

- **EU-US Agreement**
- **Further requested mandates:**
 - **China**
 - **India**
 - **Australia**
 - **New Zealand**
 - **Chile**





Key Principles



- Principles of the road-map on external aviation policy agreed by June 2005 Transport Council:
 - Added-value (case-by-case) } Inseparable
 - Market access } Inseparable
 - Regulatory convergence → Mutual recognition
 - ≠ “Open skies” (“Common skies”)
 - Level playing field for air carriers
 - Technical co-operation





The US Mandate: Towards an Open Aviation Area



- **Objective of the Council's mandate of 5 June 2003: To create an open market for aviation between and within the EU and the US**
 - **Remove all market access restrictions**
 - **Open foreign investment on a reciprocal basis**
 - **Ensure effective competition**
 - **Guarantee high standards of safety, security, environmental protection and passenger protection**
 - **Bring bilateral agreements into conformity with EC law**





Draft EU-US Air Transport Agreement – The Process



- **Negotiations launched in June 2003**
- **8 rounds of negotiations since June 2003**
- **On 18 November 2005 the text of a draft agreement was finalised**
- **Comprehensive first-stage agreement**
- **Commitment by both sides to begin negotiations on a second stage within a defined time-table**
- **Subject to approval by Council**





State of Play and Next Steps



- **Ownership and Control not covered in the draft Agreement**
- **US DOT NPRM and SNPRM Processes**
- **No final US rule before October 2006 Transport Council**
- **Final rule will be examined**
- **A successful conclusion of the negotiations with the US will be dependent on a clear, meaningful and robust rule on actual control of US carriers by foreign investors.**





Possible Wider Implications



- **Combined share of the US and EU markets close to 60% of world air traffic**
- **Major new opportunities and economic benefits of an open aviation area**
- **Would provide more freedom to the airline industry**
- **More than “open skies”: regulatory convergence component important**
- **The EU wishes to deepen aviation relations and create “common skies” with other key partners**





EU-India Aviation Summit 22-24 November 2006, Delhi

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Conclusions

- **Successful EU-wide market integration**
 - EU regional integration an example of what ICAO is calling for
 - Market access restrictions being lifted
 - Based on more stringent rules
- **The EU's emerging external aviation policy is a logical consequence of the internal market**
- **The EU invites other states for co-operation and gradual alignment through regulatory convergence**
- **Regulatory convergence is being supported by the EU by technical co-operation and assistance**





***Thank You For Your Attention!
For More Information:***



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***[http://ec.europa.eu/dgs/energy
_transport/index_en.html](http://ec.europa.eu/dgs/energy_transport/index_en.html)***

