



EUROPEAN CIVIL AVIATION CONFERENCE

Air Transport Liberalisation: The European experience

Gabrielle Hubler
European Civil Aviation Conference



What *is* ECAC?

ECAC is...

- ✓ ...Europe's only pan-European forum for Directors General
- ✓ ...a generator of guidance and best practice in aviation policy
- ✓ ...a capacity builder in and beyond its own Member States
- ✓ ...with EC, the coordinator of European inputs to ICAO

ECAC is *not*... a REGULATOR

Established in 1955

OBJECTIVE

Development of safe, efficient and sustainable European air transport.

ROLE

Acts as a pan-European aviation think-tank;

Supports crafting of harmonised pan-European positions;

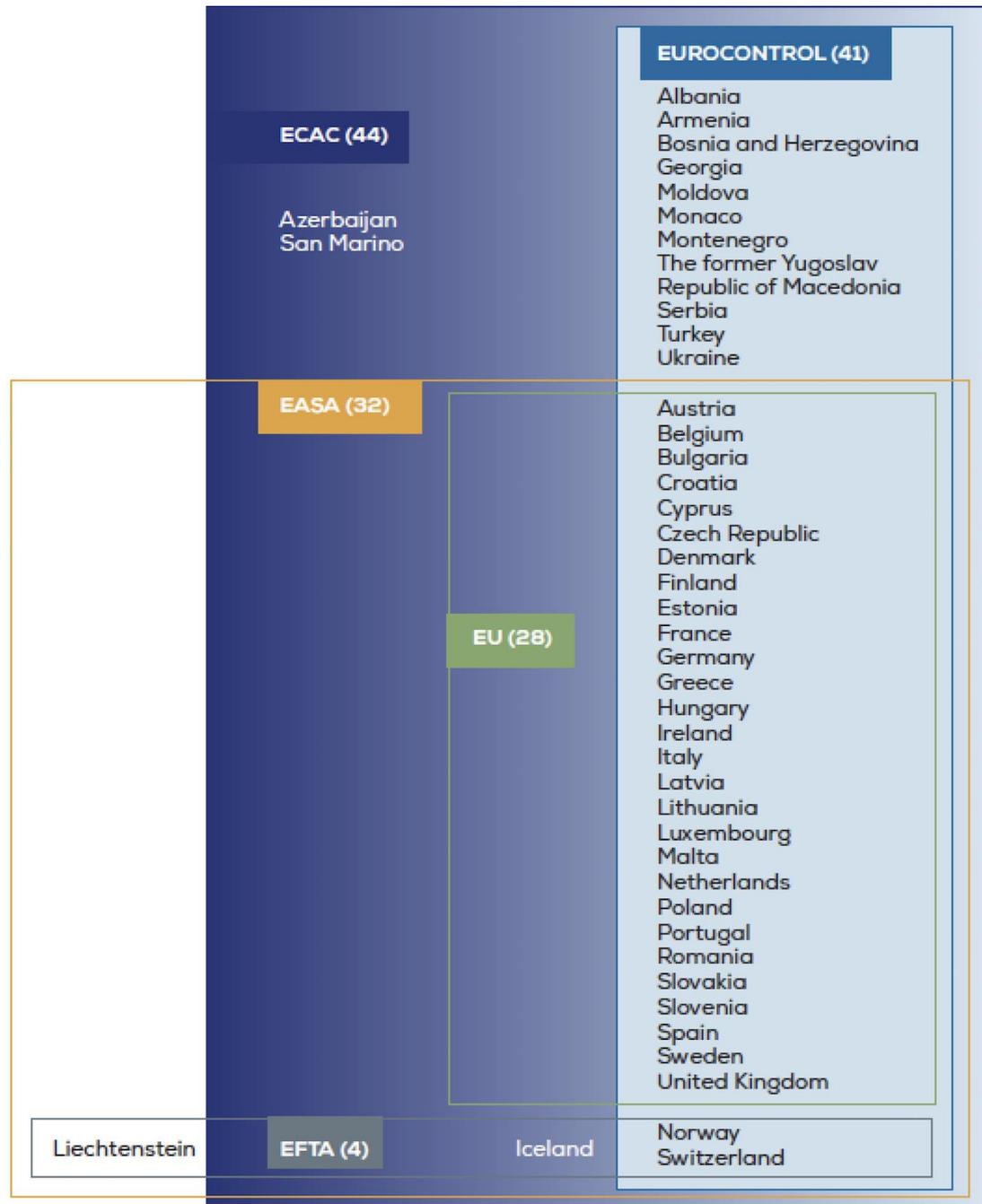
Serves as a centre of expertise for its Member States.

44 MEMBER STATES





Membership of ECAC, EUROCONTROL, EASA, EU & EFTA





EUROPEAN AVIATION FORECAST & IMPACT

- Until 2036, market growth in passenger traffic expected to continue **(+ 2,3% per annum on average)** over the next two decades, to reach **1.5 billion pax***.
- By 2036, forecasts:
 - **+ 18 million jobs** (49% more than in 2016)
 - **+ €1.41 trillion** contribution to GDP (+ 90%)*

* Source: IATA

* Source: Oxford Economics



EUROPEAN CIVIL AVIATION CONFERENCE

THE EUROPEAN CONTEXT

ECAC > Early trend towards liberalisation

- Multilateral Agreement on Commercial Rights of Non-Scheduled Air Services in Europe (1956)
- International Agreement on the Procedure for the Establishment of Tariffs for Scheduled Air Services (1967),
- international agreements on capacity sharing and tariffs (1987)

European Union > Deregulation packages (1987-1993) + cabotage rights (1997). Since 2005: Comprehensive aviation liberalisation packages.

> Beneficial impact on consumer welfare in the form of lower fares and more services.



EUROPEAN CIVIL AVIATION CONFERENCE

FROM LIBERALISATION TO PRIVATISATION

Privatisation is partially a consequence of the liberalisation process:

- **Common targets** + Easier to gain competitive advantages among privately owned companies than two state-owned companies.

Key drivers of liberalisation:

- Airports: need for private capital to finance the **cost of infrastructure**.
- Airlines: need to **limit distortions** from State aids+ need for investments.
- **Market cannot be perfectly competitive without reciprocity;**
- **Ensuring reciprocity can generate forms of protectionism: 49% limit of foreign shareholding is such a case.**



EUROPEAN CIVIL AVIATION CONFERENCE

THE 'CASE' OF OWNERSHIP & CONTROL

- “Ownership and control clause” found in international air services agreements and most national (or regional - EU) legislation alike.
- Remnant of the **history of air transport.**



EUROPEAN CIVIL AVIATION CONFERENCE

THE 49% RULE IN EUROPE

“European licence”: a licence granted to an airline by one of the Member States. Allows 51%-owned by European citizens airlines to serve any intra-European route and, since 1997, also domestic routes:

Official Journal of the European Union Regulation (EC) No 1008/2008 L 293/6 Art 4:

“Member States and/or nationals of Member States own more than 50% of the undertaking and effectively control it, whether directly or indirectly through one or more intermediate undertakings, except as provided for in an agreement with a third country to which the Community is a party”.



The 49% rule in Europe: does it really work?

- Link between private capital & citizenship can be weak and difficult to retrieve > **Risk of ineffective rule.**
- **Aggravation of the some airline industry difficulties** (cost intensive, cyclical demands, vulnerability to external shocks, and low profit margins) by the EU air carriers' limited access to financing.
- Negative impact on the **transfer of know-how** to the EU airline business + on EU passengers **deprived of the benefits** of stronger competition.
- Negative effect on the **consolidation process** and competition on the European market (preventing cross-border mergers).



EUROPEAN CIVIL AVIATION CONFERENCE

CONCLUDING REMARKS

ECAC survey on market access liberalisation (2017)

- Waiving the traditional ownership and control for designation within ECAC Member States.
- Need to harmonize the regulatory framework.

ICAO draft multilateral convention on foreign investment in airlines

- Invaluable tool for airline investment liberalisation.
- Concrete deliverable of ICAO's Long-term Vision for International Air Transport Liberalization (agreed in 2015).

Thank you for your attention!

www.ecac-ceac.org &  [@ecacceac](https://twitter.com/ecacceac)

