



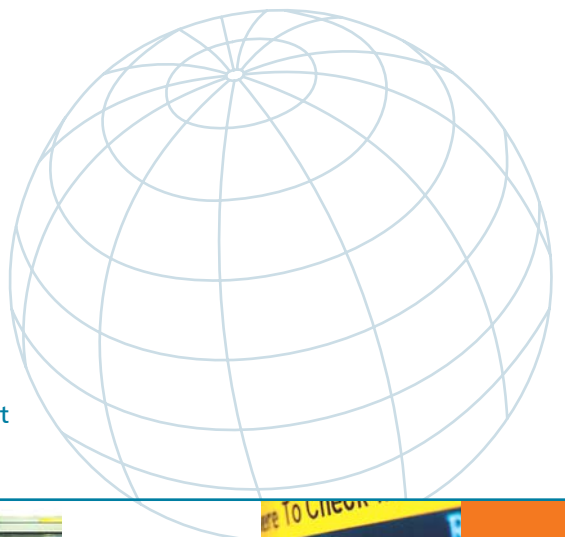
# Air Transport Policy in the European Union: **We can do better**

A proposal from the world's leading airlines

A successful airline industry is vital to Europe's future. The aviation industry employs millions and links Europe's economies to global markets.

Throughout the worst crisis in aviation history European policy makers have not kept pace with change in the industry. Airlines are treated as a cash-rich mode of transport for the chosen few. In an intensely competitive environment 35,000 European airline jobs have been destroyed and three flag carriers disappeared. To survive, airlines are radically restructuring.

The crisis continues. Europe needs an effective aviation policy that understands industry realities. We must do better....



# Air Transport Policy in the Europe

## Think globally

Air transport epitomizes globalised industry in the twenty-first century. It operates best under global standards - or, at least, globally compatible ones.

To influence the future, the EU should look beyond its borders before adopting its new policies. Increasingly it has been tempted to develop its own standards and to impose them on others while at the same time criticizing the extra-territorial reach of other authorities. In a global business such as air transport, incompatible standards mean added cost, unnecessary complexity and reduced consumer benefits. For EU airlines in particular, this is a competitive disadvantage.

## Provide growth opportunities

Until the recent 'Open Skies' rulings, the EU's efforts to liberalize air transport stopped at its borders. Beyond them, the EU should pursue a pragmatic agenda, and seek reforms that allow airlines to adapt to changing conditions, to grow, and to compete fairly. At the same time, it should recognise that the airline industry needs a stable and predictable environment for its operations. Focusing on legal issues, such as 'EC ownership', or 'competency', may not be the most efficient way to promote that policy.

## Level the playing-field

To succeed, liberalization must address all modes of transport on an equal footing. If a commercially successful industry is a policy objective, then a level playing field is required between transport modes. There is no place for politically inspired interventions that warp competition in favor of other transport modes through active or passive subsidies - notably in the case of the railways. Airlines provide a mode of mass transport, not one for the privileged few.

## Step in where the market fails ...

There are areas where the market is unable to provide solutions. War risk insurance is one. National security costs are another. The EU and its Member States must acknowledge that these are inherently government functions and pay for the protection of their citizens. State funding of such regulatory measures should not be considered as State aid.

Attempts to pass on costs that neither airlines nor consumers can or should afford will only cripple air transport, to nobody's benefit. On the contrary, the EU should be leading the development of a universal approach to these issues with its aviation partners, through the International Civil Aviation Organization (ICAO).

## ... or where it provides only part of the solution

The development of air transport is directly linked to the provision of airport and air traffic services that can meet demand in a safe, efficient and cost-effective manner. Privatizing airports and air traffic control services is not a panacea, except for the Treasury. Rather, it may turn public services into private and often unregulated monopolies.

The EU should focus on ensuring that this does not disrupt the economics of air transport. Oversight of service providers has been conspicuously lacking at times. Meanwhile, detailed aspects of airline service levels, best left to the market to discipline, have been excessively and poorly regulated, sometimes to the detriment of airline users. An appropriate balance of regulation and market forces must be found.



# an Union: We can do better

## Be transparent

The means employed to achieve a goal is often as important as the goal itself. The EU has not always stated its policy goals clearly, nor has it invited interested parties to share their thoughts in a transparent manner.

Few industries share the regulatory complexity of the airline business. International airlines must comply with technical, safety and service standards in multiple jurisdictions every day. Over time, the complexity of this regulatory framework has increased considerably. Amendments or additions to it are not simple and result in difficult trade-offs between what are often conflicting policy objectives.

A thorough, open, and transparent discussion of issues, policy goals and commercially feasible options is the best way to achieve a lasting and effective result. The European Union would improve both its standing and the quality of its regulations by adopting a standard, open procedure to formulate policy and future regulations, in which all parties have access to all information at all times, and are regularly consulted. This would be a sign of the EU's belief in its own policy and open government.

## Reap the economic benefits

Access to a world-wide air transport network is an essential element of a successful economic policy - particularly in a global economy. A thorough economic impact analysis should be an essential part of any policy debate - too often has this been insufficient or even ignored.

## Action

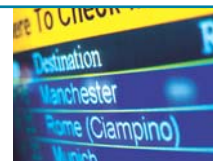
The EU has an opportunity to become a leading policy maker in aviation. A strong air transport industry will enable the EU to consolidate its competitiveness, create jobs and give all Europeans the opportunity to travel.

To support Europe's economic growth and have maximum influence across the globe, EU aviation regulators must:

- Think globally and avoid the temptation of unilateral actions;
- Provide opportunities for growth;
- Ensure a level playing field, both globally and between modes of transport;
- Intervene where market mechanisms fail or provide imperfect solutions;
- Act with transparency and consultation;
- Assess the economic impact of its proposals.

## Some Facts about aviation in the European Economic Area

- 330 airlines provide scheduled air transport in Europe (169 are EEA carriers and 161 are from outside the EEA);
- Over 488 EEA airports handle scheduled traffic in the EEA - 25 of them handle upwards of 10 million passengers a year;
- IATA member airlines carried approximately 400 million passengers to, from and within Europe in 2003 (source: IATA World Air Transport Statistics, 48<sup>th</sup> Edition);
- Demand is expected to double by 2020.



## representing, leading and serving the airline industry ...

ADA Air	Air-India	Continental Airlines	Kenya Airways	Royal Brunei
Adria Airways	Alaska Airlines	Continental Micronesia	Khalifa Airways	Royal Jordanian
Aegean Airlines	Albanian Airlines	COPA	Kish Air	Royal Swazi
Aer Lingus	Alitalia	Corsair	Kitty Hawk	Royal Tongan Airlines
Aero Asia	All Nippon Airways	Croatia Airlines	KLM Royal Dutch Airlines	Rwandair Express
Aero California	Alliance Air	Cubana	Korean Air	SA Airlink
Aero Zambia	Alpi Eagles	Cyprus Airways	Kuwait Airways	South African Airways
Aeroflot	America West Airlines	Czech Airlines	LAB	Samara Airlines
Aerolíneas Argentinas	American Airlines	dba	LACSA	SAS
Aeromexico	Angola Airlines	Delta Air Lines	Laker Airways (Bahamas)	Saudi Arabian Airlines
Aeromexpress	Antinea Airlines	DHL Air Ltd.	LAM	Shanghai Airlines
Aeropostal	Ariana Afghan Airlines	DHL International E.C.	Lan Chile	Singapore Airlines
Aerosvit Airlines	Arkia Israeli Airlines	Dragonair	Lan Perú	Siberia Airlines
Afriqiyah Airways	Armavia Aviacompany	Duo Airways	LanEcuador	Sierra National Airlines
Air Algérie	Armenian Airlines	East African Safari Air	LAPA	Singapore Airlines Cargo
Air Astana	Armenian Int'l Airways	Egyptair	Lauda Air	Skyways
Air Austral	Asiana Airlines	El Al	Lauda Air S.p.A.	SN Brussels Airlines
Air Baltic	Atlas Air	Emirates	Libyan Arab Airlines	Sobelair
Air Berlin	Augsburg Airways	Estonian Air	Lithuanian Airlines	Solomon Airlines
Air Bosna	Austrian Airlines	Ethiopian Airlines	LOT - Polish Airlines	Spanair
Air Botswana	AVIANCA	Etihad Airways	LTU	SriLankan
Air Caledonie	AVIATECA	European Air Express	Lufthansa	Sudan Airways
Air Canada	Azerbaijan Airlines	European Air Transport	Lufthansa Cargo	Surinam Airways
Air China International	AZZURRAir	Eurowings	Luxair	SWISS
Air Contractors (UK)	Bangkok Airways	EVA Air	MAT-Macedonian Airlines	Syrianair
Air Europa	Belavia - Belarusian Airlines	Falcon Air	Mahan Air	TMA
Air France	Bellview Airlines	Federal Express	Malaysia Airlines	TACA
Air Gabon	Biman Bangladesh	Finnair	MALEV	TAM
Air Jamaica	Binter Canarias	flybe.British European	Malmö Aviation	TAM Linhas Aereas
Air Kazakstan	Blue Panorama	Garuda	MEA - Middle East Airlines	TAP - Air Portugal
Air Koryo	Blue1	GB Airways	Meridiana	TAROM
Air Littoral	bmi	Ghana Airways	Méxicana	Thai Airways
Air Luxor	Braathens	Gulf Air	MIAT - Mongolian	THY - Turkish Air Lines
Air Macau	Britannia Airways AB	Hahn Air Lines	Montenegro Airlines	TNT Airways
Air Madagascar	British Airways	Hainan Airlines	Nationwide Airlines	Transaero
Air Malawi	BWIA West Indies Airways	Hapag Lloyd	Nigeria Airways	TransAsia Airways
Air Malta	C.A.L. Cargo Airlines	Helios Airways	Nippon Cargo Airlines	Tunis Air
Air Marshall Islands	Cameroon Airlines	Hellas Jet	Northwest Airlines	Turkmenistan Airlines
Air Mauritius	Cargojet Airways	Hemus Air	Olympic Airlines	Ukraine Int'l Airlines
Air Namibia	Cargolux	Iberia	Oman Air	United Airlines
Air New Zealand	Cathay Pacific	Icelandair	PAL - Philippines Airlines	UPS Airlines
Air Niugini	China Airlines	Indian Airlines	Palestinian Airlines	US Airways
Air Nostrum	China Cargo Airlines	Iran Air	PGA - Portugalia Airlines	VARIG
Air Pacific	China Eastern Airlines	Iran Aseman Airlines	PIA - Pakistan Int'l Airlines	VASP
Air Sénégal International	China Northern Airlines	Iraqi Airways	PLUNA	Virgin Atlantic
Air Seychelles	China Northwest Airlines	Israir Airlines and Tourism	Polynesian Airlines	Volare Airlines
Air Tahiti Nui	China Southern Airlines	JALways	Pulkovo Aviation Enterprise	Volga-Dnepr Airlines
Air Tanzania	China Yunnan Airlines	Japan Airlines	Qantas	Wideroe
Air Ukraine	CityJet	Jat Airways	Qatar Airways	Xiamen Airlines
Air Vanuatu	Comair	JSC Vladivostok Air	Regional Air	YEMENIA
Air Zimbabwe	Compagnie Aérienne Corse		Royal Air Maroc	



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