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SPEECH DELIVERED BY COMMISSIONER RICHARD BURKE TO THE INTERNATIONAL AVIATION CLUB, WASHINGTON, D.C.

LADIES AND GENTLEMEN,

I AM HONORED TO HAVE BEEN INVITED TO DISCUSS CIVIL AVIATION POLICY WITH YOU, PARTICULARLY FROM THE POINT OF VIEW OF THE EUROPEAN COMMUNITY.

AS YOU MAY KNOW, WE IN THE COMMUNITY ARE STILL AT THE BEGINNING OF OUR POLICY DEVELOPMENT IN THIS AREA. YOU WILL APPRECIATE THAT RECENT EVENTS IN THE UNITED STATES HAVE MADE IT EVEN MORE URGENT FOR US TO MOVE FORWARD IN CIVIL AVIATION POLICY, AND TO DEFINE VERY CAREFULLY THE MAIN LINES AND DIRECTION OF SUCH A POLICY.

THE BASIC CONDITIONS UNDER WHICH CIVIL AVIATION OPERATES IN THE NINE MEMBER STATES OF THE EUROPEAN COMMUNITY ARE RATHER DIFFERENT FROM THOSE WHICH EXIST IN THE UNITED STATES. YOU WILL REALIZE THAT THE ICAO DEFINITION OF "EUROPE" DOES NOT CORRESPOND TO THE EUROPEAN COMMUNITY.

THE TOTAL LAND AREA OF THE EUROPEAN COMMUNITY IS ABOUT ONE SIXTH OF THAT OF THE UNITED STATES. THE EUROPEAN COMMUNITY'S GNP IS ABOUT SIXTEEN PER CENT LESS IN TOTAL THAN THAT OF THE UNITED STATES. GNP PER HEAD IN THE EUROPEAN COMMUNITY IS NOT MUCH MORE THAN FIFTY PER CENT OF THAT IN THE UNITED STATES.

THESE SIMPLE FACTS SUFFICE IN THEMSELVES TO SHOW THAT AIR TRANSPORT ACTIVITIES IN THE EEC AND IN THE US CANNOT BE SIMILAR. FURTHERMORE, INTER-CITY RAIL PASSENGER TRANSPORTATION IS MUCH MORE DEVELOPED IN THE COMMUNITY THAN IN THE US, SO THAT THE OVERALL PICTURE IS SIGNIFICANTLY DIFFERENT BETWEEN THE TWO AREAS.

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SO, WHEN WE ADD THE CONSIDERATION THAT THE PLANE BECOMES REALLY COMPETITIVE ONLY FOR TRIP LENGTHS OF ABOUT 300 MILES OR MORE, WE CAN CONCLUDE THAT THE ENVIRONMENT FOR AIR TRANSPORT ACTIVITY IN THE COMMUNITY IS A DIFFICULT ONE.

IS AIR TRANSPORT THEREFORE UNIMPORTANT IN THE EEC? NOT AT ALL. THERE IS, HOWEVER, A MARKED DIFFERENCE IN THE RELATIVE IMPORTANCE OF DOMESTIC AND INTERNATIONAL TRAFFIC BETWEEN THE EEC AND THE US: 30 MILLION PASSENGERS TRAVELLED BY AIR INSIDE THE EEC IN 1976, THE CORRESPONDING FIGURE IN THE US WAS 150 MILLION. ON THE OTHER HAND, INTERNATIONAL OPERATIONS ARE MUCH MORE IMPORTANT FOR THE ECONOMIC VIABILITY OF THE EEC THAN FOR US AIRLINES, WITH THE EXCEPTION OF PAN AMERICAN. COMMUNITY SCHEDULED AIRLINES FLEW 100 BILLION PASSENGERS/KILOMETERS IN INTERNATIONAL TRANSPORT IN 1972

ON THE OTHER HAND, US SCHEDULED AIRLINES FLEW 50 BILLION PASSENGERS/KILOMETERS IN SUCH OPERATIONS. CONSEQUENTLY YOU WILL FIND THAT THE WORLD'S LARGEST INTERNATIONAL AIRLINE IS BASED IN THE EEC, WHILE THE WORLD'S LARGEST DOMESTIC AIRLINE AND, INDEED, THE FREE WORLD'S LARGEST AIRLINE BY ANY MEASURE IS BASED IN THE US.

THE NUMBER OF PEOPLE EMPLOYED IN THE AIR TRANSPORT SECTOR IN THE EEC IS THEREFORE MUCH MORE IMPORTANT THAN ONE WOULD EXPECT FROM LOOKING ONLY AT DOMESTIC AIR TRANSPORT.

TO THIS SHOULD BE ADDED THE FACT THAT THE AERONAUTICAL INDUSTRY IN THE COMMUNITY, ALTHOUGH IT EMPLOYES ONLY HALF AS MANY AS THE US INDUSTRY, IS NEVERTHELESS QUITE IMPORTANT.

ICAO FIGURES (COMPILED BY COMPANY BASE REGIONS) FOR DOMESTIC AND INTERNATIONAL AIR TRANSFER TAKEN TOGETHER SHOW THAT, FOR THE 10 YEAR PERIOD 1966 - 1976, THE COMMUNITY GROWTH IN REVENUE WAS ABOUT IN LINE WITH THE WORLD AVERAGE -- WITH, FOR COMPARISON, NORTH AMERICA BELOW THIS AVERAGE AND ASIA/PACIFIC AND THE MIDDLE EAST NOTICEABLY ABOVE IT. IN 1976, THE OPERATING REVENUE OF COMMUNITY SCHEDULED AIRLINES AMOUNTED TO OVER 9 BILLION US DOLLARS.

ONE FINAL STATISTIC WILL COMPLETE THE SKETCH, THAT IS THAT 21 OF THE WORLD'S 111 INTERNATIONAL SCHEDULED SERVICE AIRLINES ARE EEC BASED.

AS YOU SEE, CIVIL AIR TRANSPORT IS AN IMPORTANT AND GROWING ACTIVITY IN THE EEC COUNTRIES. BUT THE EEC IS NOT DOMINANT IN THIS ACTIVITY. UNLIKE THE US, WE CANNOT LOOK AT AIR TRANSPORT CHIEFLY AS A DOMESTIC ACTIVITY. ACTIONS CARRIED OUT BY THE COMMUNITY COUNTRIES HAVE THEIR PLACE IN A WIDER INTERNATIONAL SETTING. IN INTERGOVERNMENTAL ORGANIZATIONAL TERMS THAT SETTING INCLUDES ICAO AND ECAC. IT IS NOT A FIELD IN WHICH WE IN THE COMMUNITY CAN REALISTICALLY TRY TO BE A LAW UNTO OURSELVES OR UNILATERALLY CALL THE SHOTS FOR OTHERS.

NATURALLY WE DO NOT EXPECT OTHERS TO TRY TO DO THAT EITHER.

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FOR MERCHANDISE TRADE WE HAVE CREATED A CUSTOMS UNION BETWEEN OUR NINE MEMBER STATES. WE HAVE DONE AWAY WITH CUSTOMS DUTIES AND QUANTITATIVE RESTRICTIONS. FURTHERMORE WE HAVE MADE VERY SUBSTANTIAL PROGRESS IN HARMONIZING LEGISLATION ON TECHNICAL MATTERS IN ORDER TO DO AWAY WITH NON-TARIFF BARRIERS TO TRADE AND TO CREATE AN INTEGRATED MARKET WITHIN THE COMMUNITY, SO THAT A MANUFACTURER IN ONE MEMBER STATE CAN REGARD THE OTHER MEMBER STATE AS A NATURAL PART OF HIS MARKET. THIS ECONOMIC DEVELOPMENT HAS BEEN UNDERPINNED BY THE APPLICATION OF THE ANTITRUST RULES CONTAINED IN THE TREATY OF ROME.

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THE AIR TRANSPORT MARKET IN THE EEC HAS NOT YET BEEN INTEGRATED IN THIS WAY. THERE ARE MANY REASONS FOR THIS, FOR EXAMPLE THE NATIONAL REGULATORY SYSTEMS AND THE EXISTENCE OF BILATERAL AIR AGREEMENTS BETWEEN THE MEMBER STATES, WHICH OWE THEIR EXISTENCE TO THE CHICAGO CONVENTION OF 1944. IF WE WANTED TO CHANGE THE SITUATION RADICALLY, IT MIGHT IN FACT BE NECESSARY TO CARRY OUT A GREAT NUMBER OF BILATERAL AGREEMENTS OR TO INTRODUCE INSTEAD A COMMUNITY REGULATION WHICH WOULD BE DIRECTLY APPLICABLE IN THE EEC. THIS MIGHT RENDER IT NECESSARY TO AMEND THE CHICAGO CONVENTION. THIS, AS YOU KNOW, IS FAIRLY DIFFICULT BUT CERTAINLY NOT IMPOSSIBLE. IT IS, INDEED, A FACT THAT CERTAIN PARTS OF THE CHICAGO CONVENTION DO NOT REFLECT INTERNATIONAL DEVELOPMENTS. IN PARTICULAR, IT DOES NOT TAKE ACCOUNT OF THE CIRCUMSTANCES RESULTING FROM THE CREATION OF THE EEC.

ANOTHER QUITE IMPORTANT FACTOR IS THE PRONOUNCED FINANCIAL INVOLVEMENT OF GOVERNMENTS IN THE MAIN SCHEDULED AIR CARRIERS IN THE COMMUNITY, IN CONTRAST TO THE COMPLETELY PRIVATE NATURE OF THE US CARRIERS. IN THIS SITUATION, THE GOVERNMENTS OF OUR MEMBER STATES HAVE TRIED TO PRESERVE PRIVATE INITIATIVE IN THEIR AIRLINES BY LEAVING TO THEM AS MUCH INDEPENDENCE IN MANAGEMENT AS POSSIBLE.

THE GOVERNMENTS HAVE ALSO TAKEN THE VIEW THAT AIR-TRANSPORT IS AN IMPORTANT ELEMENT IN THE TOTAL TRANSPORTATION SYSTEM IN THE COMMUNITY AND THAT TARIFFS, TRANSPORTATION CONDITIONS AND THE ROUTE-NETWORK OUGHT, THEREFORE, TO BE COORDINATED TO A CERTAIN DEGREE. IN THE LIGHT OF SUCH CONSIDERATIONS, THE GOVERNMENTS HAVE URGED THE AIRLINES TO COOPERATE AND HAVE EVEN STIPULATED IN MANY BILATERAL AGREEMENTS THAT SUCH COOPERATION IS DESIRABLE AND SHOULD TAKE PLACE IN THE FRAMEWORK OF IATA WHENEVER POSSIBLE, SUBJECT TO GOVERNMENT APPROVAL.

IN THESE CIRCUMSTANCES, THE COMPETITION RULES CONTAINED IN THE TREATY OF ROME OBLIGE THE COMMISSION TO ENSURE THAT THE AIRLINES DO NOT ABUSE THE DOMINANT PROVISIONS ACCORDED TO THEM BY THE GOVERNMENTS OF THE MEMBER STATES. IF SUCH ABUSES DO TAKE PLACE, THE COMMISSION HAS AN OBLIGATION UNDER THE TREATY TO DIRECT THE MEMBER STATE INVOLVED TO TAKE APPROPRIATE ACTION.

THIS KIND OF ACTIVITY IS ONLY ONE FACET OF THE DEVELOPING AIR-TRANSPORT POLICY OF THE COMMUNITY. IN THE SUMMER OF 1975 THE COMMISSION PUT TO THE COUNCIL OF MINISTERS A PROPOSAL FOR A SPECIFIC PROGRAMME OF ACTIONS ON AIR-TRANSPORT. THE COMMISSION FOLLOWED UP THIS INITIATIVE BY SUGGESTING IDEAS FOR PRACTICAL WORK TO CIVIL AVIATION ADMINISTRATIONS IN 1976. HAVING EXAMINED THESE PROPOSALS AND TAKEN ACCOUNT OF SOME IDEAS PUT FORWARD BY THE MEMBER STATES, THE COUNCIL OF MINISTERS THIS YEAR AGREED TO THE ESTABLISHMENT OF AN EXPANDED WORKING PROGRAMME WHICH SETS OUT A NUMBER OF PRIORITY ITEMS.

THESE INCLUDE :

(1) CHANGED STANDARDS RESTRICTING THE EMISSION OF NUISANCES BY AIRCRAFTS. AS FAR AS THIS PART OF THE WORK-PROGRAMME IS CONCERNED, THE COUNCIL IS CLOSE TO APPROVING A DIRECTIVE SETTING

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NOISE EMISSION STANDARDS FOR ALL AIRCRAFTS USING COMMUNITY TERRITORY.

(2) SIMPLIFICATION OF FORMALITIES (FACILITATION), PARTICULARLY RELATING TO AIR-FREIGHT, THE INTENTION HERE IS TO SIMPLIFY THE MOVEMENT OF GOODS AND PERSONS WITHIN THE COMMUNITY IN ORDER TO FURTHER EARLY INTEGRATION OF THE MARKET.

(3) IMPLEMENTATION OF TECHNICAL STANDARDS AND MUTUAL RECOGNITION OF LICENSES FOR AIR-CREWS AND GROUND STAFF. THE OBJECTIVE HERE IS TO PERMIT THE INTERCHANGE OF CREWS AND AIRCRAFT.

(4) PROVISIONS REGARDING STATE AIDS AND COMPETITION.

(5) WORKING CONDITIONS FOR AIR-CREW AND GROUND STAFF.

(6) THE RIGHT OF ESTABLISHMENT FOR AIRLINES IN THE COMMUNITY.

(7) IMPROVING THE INTER-REGIONAL SERVICES IN THE COMMUNITY.

(8) SEARCH, RESCUE AND RECOVERY OPERATIONS AND ACCIDENT INQUIRIES.

AS YOU CAN SEE, THIS IS QUITE A WIDE SPREAD OF SUBJECTS, IN RESPECT OF WHICH THE COMMISSION MUST PROVIDE INFORMATION AND IDEAS FOR COMMON POLICY DEVELOPMENTS.

THE COUNCIL ALSO CONFIRMED ITS VIEW OF THE USEFULNESS OF ESTABLISHING LINKS BETWEEN THE COMMUNITY AND CERTAIN MAJOR INTERNATIONAL AIR-TRANSPORT ORGANISATIONS, SUCH AS THE ECAC AND ICAO.

FURTHERMORE, THE COUNCIL EXPRESSED ITS INTENTION OF KEEPING THE DEVELOPING SITUATION ON THE NORTH-ATLANTIC ROUTE UNDER OBSERVATION.

IN ALL THESE AREAS AND IN ORDER TO DEVELOP IDEAS FOR COMMON ACTION, THE COMMISSION MUST KEEP ABREAST OF DEVELOPMENTS IN INTERNATIONAL CIVIL AVIATION. I AM THEREFORE VERY INTERESTED IN THE US POLICY AND IN PARTICULAR IN THE DE-REGULATION NOW BEING CARRIED OUT.

I UNDERSTAND THAT THIS DEREGULATION HAS ENTAILED QUITE POSITIVE FINANCIAL RESULTS FOR THE AIRLINES THIS YEAR, ALTHOUGH THE REVENUE PER PASSENGER HAS DROPPED CONSIDERABLY. I AM, HOWEVER, ALSO AWARE OF THE FACT THAT THIS INCREASE IN PASSENGER VOLUME HAS CREATED SERIOUS CONGESTION AT SEVERAL AIRPORTS, WHERE LARGE ADDITIONAL INVESTMENTS ARE NECESSARY. HAVE THE US AUTHORITIES BEEN ABLE TO DRAW UP A TOTAL BALANCE SHEET ?

THE DEREGULATION IS, I AM TOLD, IN AN EARLY STAGE, AND I UNDERSTAND THAT YOU AIM TO CREATE AN OPEN SKY SITUATION IN THE UNITED STATES SO THAT AIRLINES ARE FREE TO MAKE THEIR DECISIONS ON ROUTE DEVELOPMENT AND TARIFFS. I AM NOT COMPLETELY CERTAIN OF THE SECOND POINT SINCE IT SEEMS TO ME THAT THE US AUTHORITIES IMPOSE CERTAIN LIMITS ON TARIFF INCREASES. IT COULD BE SAID THAT IT IS ILLOGICAL TO LIMIT NORMAL MANAGERIAL ACTION PARAMETERS

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IN THIS WAY, SINCE FREE COMPETITION SHOULD IN REALITY PRECLUDE THE CONTINUATION OF EXCESSIVELY HIGH TARIFFS.

I AM ALSO SOMEWHAT CURIOUS AS TO HOW FAR YOU ARE ACTUALLY PREPARED TO PRACTICE THIS DEREGULATION. I HAVE COMPARED WITH MUCH INTEREST THE NEW BILATERAL AGREEMENT YOU HAVE NEGOTIATED, FROM BERMUDA 2, WITH WHICH YOU ARE NOT QUITE SATISFIED, AND THE AGREEMENTS WITH THE NETHERLANDS, GERMANY AND BELGIUM WHICH GO FURTHER. IN NONE OF THIS, HOWEVER, IS THERE ANY CLEAR FREEDOM TO FLY TO AND FROM ANY POINT WITHIN THE US AND TO AND FROM ANY POINT IN THE WORLD. IN OTHER WORDS, COMPLETE FIFTH FREEDOM RIGHTS HAVE NOT BEEN ACHIEVED. IT COULD WELL BE ARGUED THAT COMPLETE FREEDOM IN THIS RESPECT WOULD BE A LOGICAL COMPLETION OF YOUR DEREGULATION POLICY. IN FACT, IT MIGHT BE SAID THAT THE LOGICAL FINAL CONCLUSION OF YOUR DEREGULATION OUGHT TO BE THAT A FOREIGN AIRLINE SHOULD BE ABLE TO FLY FREELY WITHIN THE US ON THE SAME CONDITIONS AS US AIRLINES, THEREBY CREATING A SYSTEM GIVING THE LOWEST POSSIBLE TARIFFS AND THE MAXIMUM LEVEL OF SERVICE TO THE CONSUMER, WHICH I THINK IS YOUR OBJECTIVE.

IN SUCH A SITUATION COMMUNITY AIRLINES MIGHT, HOWEVER, HAVE ONE PERFECTLY FAIR ADVANTAGE, SINCE WE HAVE THE WORLD'S MOST EFFICIENT AIRCRAFT : THE AIRBUS. IT IS NOT, OF COURSE, NECESSARY THAT WE HAVE A MONOPOLY ON THIS, WE ARE READY TO RECEIVE BUYERS.

I HAVE BEEN STRUCK BY THE FACT THAT YOU SEEM ALMOST TO REQUIRE MULTIPLE DESIGNATION ON EACH ROUTE, OR AT LEAST ON THE MAJOR ROUTES. THIS SEEMS TO BE SOMEWHAT ILLOGICAL SINCE IT MAY VERY WELL RESULT IN SOME AIRLINES OVERSTRETCHING THEMSELVES IN ORDER TO COMPLY WITH THIS REQUIREMENT. IT COULD SURELY BE ARGUED THAT "THREAT OF ENTRY" IN SITUATIONS WHERE ABNORMAL PROFITS EXIST SHOULD BE SUFFICIENT TO DISCOURAGE EXCESSIVELY HIGH TARIFFS.

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ONE MIGHT QUESTION WHAT THE CONSEQUENCES WOULD BE FOR ENERGY CONSUMPTION. WHATEVER ITS OTHER QUALITIES THE AEROPLANE IS CERTAINLY NOT THE MOST ENERGY EFFICIENT MODE OF TRANSPORT.

THE FURTHER COURSE OF YOUR ACTION ON A LONGER TERM BASIS AND THE SURVIVAL SITUATION IN PARTICULAR, WILL BE OF VERY GREAT INTEREST AND NOT ONLY TO THOSE WHO OPERATE INSIDE THE US.

THE OPEN MARKET WHICH YOU ARE SUPPORTING ON THE NORTH ATLANTIC IS OF COURSE OF VERY IMMEDIATE INTEREST TO US IN THE COMMUNITY. SO FAR IT SEEMS TO HAVE GIVEN RESULTS WHICH ARE RATHER DIFFERENT FROM THOSE PRODUCED IN THE US MARKET.

THERE HAS BEEN A MARKED INCREASE IN TRAFFIC BETWEEN THE COMMUNITY AND THE US. TOTAL TRAFFIC INCREASED BY FIFTEEN PERCENT IN THE FIRST EIGHT MONTHS OF 1978 COMPARED TO THE CORRESPONDING PERIOD IN 1977. THIS IS THE OVERALL FIGURE. THE GROWTH RATES FOR THE DIFFERENT SEGMENTS OF THE MARKET SHOW VERY MARKED DIFFERENCES.

SCHEDULED TRAFFIC BETWEEN MEMBER STATES OF THE COMMUNITY AND THE US HAS INCREASED BY TWENTY-NINE PERCENT. THE HIGHEST INCREASE FORTY-TWO PERCENT WAS RECORDED IN TRAFFIC BETWEEN THE UK AND THE US. IN ALL OTHER COMMUNITY COUNTRIES EXCEPT DENMARK, THERE HAS ALSO BEEN A SUBSTANTIAL DEVELOPMENT.

IN NEARLY ALL MARKETS, EXCEPT THE UK, US AIRLINES HAVE REALISED HIGHER GROWTH RATES THAN COMMUNITY AIRLINES. IN THE UK, COMMUNITY AIRLINES HAVE INCREASED TRAFFIC BY SEVENTY-ONE PERCENT. US CARRIERS HAVE INCREASED TRAFFIC BY TWENTY-EIGHT PERCENT.

FOR THE CHARTER MARKET THERE HAS BEEN A GENERAL REDUCTION OF TWENTY PERCENT ALTHOUGH GERMANY AND DENMARK HAVE EXPERIENCED SMALL INCREASES.

US CHARTER AIRLINES HAVE EXPERIENCED REDUCTIONS IN ALL MARKETS IN THE COMMUNITY, WHILE COMMUNITY AIRLINES HAVE INCREASED THEIR OPERATIONS FROM DENMARK, FRANCE AND GERMANY.

THE DEVELOPMENT LEADING TO THE CREATION OF AN OPEN MARKET ON THE NORTH ATLANTIC BEGAN IN 1976 BUT CHANGES IN COMPETITIVE CONDITIONS - CHARTER OPERATIONS, FARE STRUCTURES, ENTRY - STARTED SEVERAL YEARS EARLIER. WHEN WE COMPARE THE MARKET SHARES IN 1978, IT IS STRIKING TO SEE HOW SIMILAR THE FIGURES ARE. IT SEEMS IN FACT AS THOUGH THE GAINS OF MARKET SHARE MADE BY THE CHARTER COMPANIES IN THE INTERVENING YEARS HAVE SUDDENLY BEEN WIPED OUT. THIS HAS HIT US CHARTER OPERATORS HARDEST.

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PASSENGER REVENUE HAS INCREASED, BUT AVERAGE REVENUE PER PASSENGER HAS COME DOWN. IT SEEMS THAT FOR A NUMBER OF AIRLINES THE RATE OF INCREASE IN COST RELATED TO OPERATIONS HAS BEEN GREATER THAN THE RATE OF INCREASE IN REVENUE. NEVERTHELESS, IT IS CLEAR ALSO THAT A FEW AIRLINES HAVE BENEFITED TO A SUBSTANTIAL DEGREE.

I CAN SEE THAT THE OPEN MARKET SITUATION IS BENEFICIAL FOR THE CONSUMER AND I AM - AS YOU MAY KNOW - ALSO COMMISSIONER FOR CONSUMER AFFAIRS. IT SEEMS, HOWEVER, THAT A WORD OF CAUTION IS INDICATED. THERE MUST BE SOME DOUBTS ABOUT THE DURABILITY OF CONSUMER ADVANTAGES FROM AIR TRANSPORT OPERATIONS WHICH ARE BASICALLY IN DEFICIT.

IT IS CONCEIVABLE THAT A NUMBER OF COMPANIES, IN PARTICULAR PRIVATE COMPANIES, MAY REDUCE THEIR OPERATIONS ON THE NORTH ATLANTIC IF THE PRESENT TARIFFS CONTINUE. YOU HAVE ALREADY SEEN THE SUBSTANTIAL ROUTE CANCELLATIONS CARRIED OUT BY PAN AMERICAN. THERE ARE HOWEVER A NUMBER OF PRIVATE AND PUBLICLY OWNED COMPANIES THAT WILL CONTINUE TO FLY THE NORTH ATLANTIC AT A PROFIT OR A MINIMAL DEFICIT. THERE WILL ALSO BE A NUMBER OF PUBLICLY CONTROLLED NON-US COMPANIES THAT WILL CONTINUE TO FLY THE NORTH ATLANTIC EVEN IF THEY ARE IN DEFICIT. FROM A CONSUMER POINT OF VIEW THE US AUTHORTIES MIGHT SAY, AS THE CHAIRMAN OF THE CAB HAS ALREADY SAID, THAT IT WOULD BE QUITE IN ORDER FOR FOREIGN GOVERNMENTS TO PAY FOR THE TRANSPORTATION BY AIR OF AMERICAN PASSENGERS.

IT IS FAIR TO ASK IF IT IS SENSIBLE THAT PUBLIC MONEY BE ABSORBED IN SUPPORTING LOSS-MAKING ACTIVITIES. ALTHOUGH THE AIRLINES PROVIDE SUBSTANTIAL FOREIGN EARNINGS, IT IS THE TAX PAYER WHO WILL ULTIMATELY HAVE TO BEAR THE LOSSES. THERE ARE PERHAPS SOME LESSONS TO BE DRAWN FROM THE EXPERIENCE OF RAILWAY DEFICITS IN THE COMMUNITY AND THE US. THE ESSENTIAL POINT IS THAT WE MUST STRIKE A BALANCE APPROPRIATE TO THE ACTIVITY IN QUESTION.

IF A NUMBER OF AIRLINES SUSTAIN LOSSES THEY MIGHT BE LED TO SEEK TO INCREASE REVENUES ON OTHER ROUTES IN ORDER TO FINANCE THEIR DEFICITS ON THE NORTH ATLANTIC. INTER-ROUTE REVENUE COMPENSATION COULD RESULT IN TARIFFS CONSTITUTING ABUSES OF DOMINANT POSITIONS.

WE MUST ALSO CONSIDER THE POSITION OF CHARTER AIRLINES. THE COMMUNITY HAS A LARGE NUMBER OF SUCH AIRLINES WHICH ARE INVOLVED NOT ONLY IN EAST/WEST TRANSPORT BUT ARE HEAVILY ENGAGED IN NORTH/SOUTH TRANSPORT. THESE AIRLINES COULD SUFFER FROM THE EFFECTS OF REVENUE COMPENSATION BY SCHEDULED AIRLINES. SOME OF THEM HAVE ALREADY WITHDRAWN FROM NORTH ATLANTIC OPERATIONS.

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THIS DILEMMA MIGHT BE RESOLVED IF THE US DEREGULATION POLICY COULD PRECIPITATE DEREGULATION ON A WORLDWIDE SCALE. IT WOULD SUGGEST HOWEVER THAT IT IS HARDLY FOR A CERTAIN GOVERNMENT TO DETERMINE THE COURSE OR THE OBJECTIVE OF INTERNATIONAL TRADE. WE CAN EXPECT THAT ALL INTERESTED PARTIES WILL INSIST ON HAVING THEIR SAY. SOME MAY SEE PRACTICAL OR EVEN IDEALISTIC REASONS FOR MAKING CONCERTED APPROACHES TOWARDS ACHIEVING AN EFFICIENT INTERNATIONAL CIVIL AVIATION STRUCTURE.

THERE IS ROOM FOR DOUBT AS TO WHETHER WORLDWIDE DEREGULATION WILL TAKE PLACE BECAUSE THIS WOULD NECESSITATE THE ABOLITION OR A RADICAL CHANGE IN BILATERAL AGREEMENTS, INVOLVING GOVERNMENTS ALL OVER THE WORLD WITH DIFFERING APPROACHES TO AVIATION. SUCH A DEREGULATION MIGHT PERHAPS COME ABOUT IF A MULTILATERAL AGREEMENT WERE TO TAKE THE PLACE OF THE BILATERAL AGREEMENTS AMONG THE COUNTRIES WHICH DECIDE TO COOPERATE. IT IS CONCEIVABLE THAT WE MIGHT ARRIVE AT SUCH A RESULT BUT IN MY OPINION IT WILL TAKE QUITE SOME TIME AS PREVIOUS EXPERIENCE IN THE FRAMEWORK OF THE CHICAGO CONVENTION SEEMS TO INDICATE.

WERE WE TO MOVE IN THIS DIRECTION I COULD SEE A ROLE IN THE PROCESS FOR THE EUROPEAN COMMUNITY, A ROLE WHICH MIGHT BE COMPATIBLE WITH AND A LOGICAL EXTENSION OF ITS INTERNAL ACTIVITIES AND OBLIGATIONS.

FOR THE MOMENT WE HAVE A SITUATION CHARACTERIZED BY BILATERAL AGREEMENTS WITH SOME GOVERNMENTS FINANCIALLY INVOLVED WITH IMPORTANT SCHEDULED AIRLINES. IN THESE CIRCUMSTANCES IT IS STILL VALID TO ARGUE THAT THE AIRLINES SHOULD HAVE AS MUCH FREEDOM AS POSSIBLE. IT IS CLEAR HOWEVER THAT GOVERNMENTS WOULD WISH TO INTERVENE IF THEIR AIRLINES WERE TO RUN INTO SERIOUS DEFICITS. IT SHOULD ALSO BE BORNE IN MIND THAT ONE OF THE MAIN AND IMMEDIATE CONSEQUENCES COULD WELL BE REDUCTIONS IN THE LABOUR FORCE OF AIRLINES WHICH WOULD INCREASE UNEMPLOYMENT.

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I WOULD NOT LIKE THE COMMUNITY'S AIR TRANSPORT POLICY TO BE DICTATED BY OUTSIDE PRESSURE. IN FACT, I THINK THAT CONTROLLED AIRLINE COOPERATION IS A VALUABLE GUARANTEE AGAINST PROTECTIONISM. FURTHERMORE, WE MUST, AS I HAVE ALREADY SUGGESTED, ENSURE THAT THE COMPETITION RULES IN THE EEC TREATY ARE RESPECTED.

FROM THIS POINT OF VIEW, IT MAY BE DESIRABLE THAT THE AIRLINES SHOULD CONTINUE TO COOPERATE IN IATA OR IN SIMILAR ORGANISATIONS. IT IS CLEAR THAT THE UNANIMITY RULE IN IATA HAS MADE THE TARIFF CONFERENCES MUCH TOO CONSERVATIVE AND THAT IT HAS BEEN EXTREMELY DIFFICULT TO INTRODUCE NEW TARIFF TYPES AND IN PARTICULAR LOW TARIFFS.

IT IS THEREFORE INTERESTING TO NOTE THAT IN THE NEW STRUCTURE OF IATA TARIFF CONFERENCES AIRLINES CAN, IF THEY WISH, INTRODUCE SPECIAL TARIFFS IF THEY GET THE APPROVAL OF THE GOVERNMENT CONCERNED.

THE NEW IATA SYSTEM DOES NOT MEET ALL THE CRITERIA OF EFFECTIVE COMPETITION BECAUSE THE AIRLINES MAY NOT BE WILLING TO BREAK OUT OF THEIR HABITS OF COOPERATION EVEN WHERE A TARIFF REDUCTION MIGHT HAVE A BETTER FINANCIAL RESULT. WE CAN, HOWEVER, ENVISAGE A SYSTEM IN WHICH GOVERNMENTS WOULD GIVE TRAFFIC RIGHTS TO A NEW CARRIER OFFERING A NEW SERVICE AT LOWER PRICES WHERE EXISTING DESIGNATED CARRIERS DID NOT WANT TO MATCH SUCH A SERVICE. THE INTRODUCTION OF THIS "THREAT OF ENTRY" IS HOWEVER NOT A MATTER OF DISSOLVING IATA, BUT IS RATHER A QUESTION OF INCORPORATING A SET OF PROVISIONS IN THE BILATERAL AGREEMENTS.

IT SEEMS TO ME THAT A US DECISION TO WITHDRAW ACCEPTANCE OF THE IATA TARIFFS CONFERENCES SYSTEM MIGHT FORCE MANY GOVERNMENTS INTO THE TRENCHES. IF IATA WERE DISSOLVED, IT MIGHT BE EVEN MORE DIFFICULT TO LIBERALISE THE SYSTEM OF BILATERAL AGREEMENTS, BECAUSE MANY GOVERNMENTS MIGHT FEEL OBLIGED TO STEP IN AND DISCUSS TARIFFS BILATERALLY WITH THE AIRLINES IN MANY CASES ALMOST BECOMING PART OF THE GOVERNMENT DELEGATIONS.

MY FEELING IS THAT A UNILATERAL ACTION BY THE US GOVERNMENT WITH RESPECT TO IATA WOULD BE UNWISE AND THAT THE US GOVERNMENT SHOULD RATHER TRY TO STUDY THE MATTER THROUGH THE ICAO FRAMEWORK WHERE THESE QUESTIONS ARE ALREADY BEING EXAMINED OR PERHAPS IN DIRECT COOPERATION WITH INTERESTED COUNTRIES.

AS COMMISSIONER FOR CONSUMER AFFAIRS, I CAN AGREE WITH THE CAB VIEW THAT IT IS NECESSARY TO EXAMINE IN DETAIL WHETHER THE DIFFERENT IATA REGULATIONS AND PRACTICES ARE IN FACT CONDUCIVE TO AN EFFICIENT AIR TRANSPORT SYSTEM. I WOULD ALSO SAY THAT THE COMMUNITY WOULD BE VERY WILLING TO MAKE AN EFFORT WITH A VIEW TO IMPROVING THE SYSTEM, NOT ONLY IN RESPECT TO THE US, BUT ALSO WITH RESPECT TO INTERNATIONAL AIR TRANSPORT IN GENERAL.

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WE HAVE OUR OWN PARTICULAR PROBLEM. IT IS APPARENT, FOR EXAMPLE, THAT THE IATA EXCHANGE RATES GIVE RISE WITHIN THE COMMUNITY TO SOME VERY CURIOUS EFFECTS. THERE ARE SUBSTANTIAL DIFFERENCES IN THE PRICES CHARGED BETWEEN TWO GIVEN POINTS, DEPENDING ON THE DIRECTION OF THE JOURNEY. THIS CONSUMER DISCRIMINATION DOES NOT HELP ANY AIRLINE SINCE ALL OPERATE THE SAME TARIFFS. IT DOES HOWEVER GIVE FREQUENT TRAVELLERS AN UNFAIR CHANCE TO EXPLOIT THE SYSTEM. THIS IS A PROBLEM WHICH MAY BE AFFECTED BY MOVES TOWARDS A NEW EUROPEAN MONETARY SYSTEM TO WHICH I REFERRED YESTERDAY IN CHICAGO.

ANOTHER PROBLEM IS THAT PASSENGERS SUFFER FROM NO-SHOW ACCEPTABILITY WHICH LEADS SOME AIRLINES TO OVERBOOK THEIR AIRCRAFT. I INTEND TO WORK TOWARDS A COMMUNITY-WIDE SYSTEM OF ASSISTANCE TO THE UNLUCKY PASSENGERS CAUGHT IN SUCH A PREDICAMENT.

I WOULD NOT REGARD AIRLINE COOPERATION AS BEING UNIVERSALLY GOOD BUT, ON THE OTHER HAND, I FEEL THAT ANY PROHIBITION OR LIMITATION OF AIRLINE COOPERATION OUGHT TO BE BASED ON EXHAUSTIVE EXAMINATION AND SOLID ARGUMENTS.

WE LIVE AS THEY SAY, IN INTERESTING TIMES AND IT LOOKS AS IF THEY WILL BECOME EVEN MORE SO. THE TRUTH SEEMS TO BE THAT WE ALL FACE REAL DILEMMAS WITH SERIOUS CONTRADICTIONS TO RESOLVE IN THE PURSUIT OF OUR RESPECTIVE OBJECTIVES.

THAT BRINGS ME, LADIES AND GENTLEMEN, TO MY CONCLUSION. I HOPE THAT MY COMMENTS HAVE SHOWN THAT THE APPROACH WE NEED TO TODAY'S PROBLEMS IS A SOBER ONE NOT REACHING FOR THE UNATTAINABLE IN TRYING TOO MUCH TOO SOON.

IN MY VIEW, IT IS VITALLY NECESSARY TO TAKE THE WIDER INTERNATIONAL SETTING OF THE ROLE AND THE RESPONSIBILITIES OF CIVIL AVIATION INTO ACCOUNT. MUCH THOUGHT AND EFFORT OF A PURPOSEFUL KIND WILL BE NEEDED. I BELIEVE THAT YOU, LADIES AND GENTLEMEN, ARE WELL PLACED TO PLAY A MAJOR ROLE IN THIS PROCESS.

THANK YOU.
