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COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

**IMPACT OF THE THIRD PACKAGE OF
AIR TRANSPORT LIBERALIZATION MEASURES**

GENERAL EVALUATION AND FOLLOW-UP

Liberalisation of civil aviation in Europe was established between 1993-96. Certain experts believe that three years is too short a period to carry out an objective evaluation of its impact.. However, with only six months before the complete liberalization of the market, with unrestricted cabotage, the Commission feels it necessary to present a first evaluation.

The fact, which certainly hits the average traveller, is that the single aviation market has not occurred with a "Big Bang": 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. Liberalization has happened in a progressive way and without major upsets. This contrasts with the situation that the United States experienced at the time of the deregulation of the aviation market. The Community has found the correct balance between competition and control mechanisms. Competition and consumer have both benefitted.

The effects of this process, although slow, are nevertheless quite clear and it is satisfactory to note that in the end almost all operators have made use of the new possibilities offered by the third package.

For example, when the third package was introduced there were 490 routes, there are now approximately 520. This increase contrasts with the situation which prevailed in the United States. 30% of the Community routes are served by two operators and 6% by three operators or more. It should be noted that out of the 64% of routes operated as a monopoly a large number of them have low levels of traffic and are of no interest to most other carriers. Furthermore a certain number of the other routes experience real competition from neighbouring routes, from charter services or from other modes of transport. One of most interesting developments certainly is the fact that the number of operators, on a significant number of domestic routes, passed from one to two. Moreover, the dominant carrier's market share often fell to the advantage of the second carrier. The possibilities of 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; 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.

Capacity increased but did not reduce the load factors in an unacceptable way.

It is certainly in respect of the creation of new airlines that market dynamics have been most visible. Over the three years 800 licences has been granted, the majority going to small operators :80 companies has been created, for the most part private companies, while 60 have disappeared. Increased competition from the charter companies on regular routes should also be highlighted. More important, new entrants appeared on the markets of the United Kingdom, France, Germany, Denmark, Ireland, Spain, Italy, Greece, Austria and Belgium. Their entry into the market has often contributed to a fall in the fares.

The downside of liberalisation is that the fall in air fares has been felt only on the routes where competition has been fully realised i.e. where more than two airlines operate. Certain categories of fares have fallen significantly on routes such as Barcelona/Madrid, UK/Ireland, Paris/London, certain domestic routes in Germany, in France, in Italy, in UK and in Belgium towards a number of European destinations. In general, the structure of the fares on scheduled flights remains complex and sometimes seems non-transparent thus preventing the users from benefiting from the competition.

If the third package has been implemented in 1993 and 1994 because of the economic recession, the pace has accelerated since 1995 and 1996 and results are encouraging. However, it is clear that, if the "foundations" of liberalization have been well established, much still remains to be done to make it a complete success.

Four grey areas can be identified:

- Air Fares

Liberalization is not an end in itself. The opening of the markets is only meaningful if the increased competition brings to the consumer better goods and services at lower costs. Expected beneficial effects of competition on fares has not materialised. An impressive number of promotional fares has developed and the share of the passengers travelling on scheduled flights with tickets at reduced prices has passed from 60.5% in 1985 to 70.9% in 1995 and, taking into account that the share of the charter market accounts for approximately 50-55% of the total market, it is estimated that 85-90% of the passengers travel at reduced prices. A sharp drop, of almost 20%, of the yield also confirms this tendency. However, these tickets are often accompanied by restrictions with regards to schedules flexibility and are available only for a limited number of seats. The new distribution techniques (Internet etc) should facilitate access to these fares by the individual traveller: however, the existence of these techniques must be known and access to them must be established. The Commission is examining ways of informing the public on this subject to ensure the necessary transparency for the consumer and to avoid differences in tariffs which cannot be justified on objective grounds.

In contrast to the promotional fares most of the fully flexible fares have continued to increase. On certain routes these fares can be described as excessive. A detailed examination will consequently be necessary in order to pinpoint the cases of excessive fares under Regulation 2409/92 and the rules of competition. Where necessary the

Commission will use the powers of enquiry conferred by this regulation to put an end to excessively high fares. The Commission could in certain cases examine potential abuses of dominant position under Article 86 of the Treaty.

- **Capacity restrictions**

It would be unrealistic to seek to liberalize civil aviation in Europe, with the consequent increase in traffic, without envisaging adjustments to the capacity available. In recent years the majority of airports have had to re-examine their development plans, both as regards capacity of terminals and use of runways. Similar problems exist with air traffic control, where the fragmentation of the European airspace continues to pose serious management problems. The Commission is active in these areas:

■ As regards airports, the Commission has just conducted a series of consultations on the question of slot allocation. In the light of these discussions it will present, during the last quarter of 1996, a proposal for amendments to Regulation 95/93. One of the objectives sought by the system of slot allocation is to allow optimum use of capacity while encouraging increased competition.

■ With regard to air traffic control, the Commission published in March a White Paper on "the management of air traffic". One of the fundamental ideas proposed by this document is to guarantee that common rules apply at the widest possible European level and cover the largest possible geographical space in order to abolish the artificial capacity restrictions connected with the administrative/political parcelling out of the airspace.

- **The costs of air transport**

When the aim of liberalization is to give operators more choice and provide users with better services at competitive prices, it is necessary to examine the costs. It has been estimated that infrastructure charges alone account for 25% of total operational costs these are believed to be 40% higher than in the United States. These costs not only concern air traffic control but also airport fees and ground handling:

■ A directive on the liberalization of ground handling has been adopted by the Council on October 15 this year. The aim is to open the market for ground handling and should, in the long term, reduce prices for these services.

■ With regards to air traffic management, the aim of the above mentioned White Paper is to improve service levels and recommends the separation of regulatory activities from the provision of services to the users. This should give more freedom to the airlines and reduce costs. Indeed until now the system of air traffic management has been such that the ATM service providers are not at all encouraged to seek the best cost/effectiveness ratio. Decentralized services will encourage rigorous management and a better control of the costs.

■ Lastly, as regards airport fees, the Commission plans to submit a proposal before the end of 1996. It will be based on three major principles: non-discrimination, transparency and cost effectiveness.

- Access to the market

The internal market remains fragile insofar as it remains incomplete. External relations continue to be subject to bilateral agreements between the Community Member States and non-member countries. These agreements always contain provisions incompatible with the internal market, such as the nationality clauses, and their existence is partly responsible for the loss of competitive pressure on the Community market. In order to preserve the internal aviation market and to be in a position to control the impact that the bilateral agreements can have on the Community market, the Commission proposes negotiations with third countries. Based in part on such considerations, the Council has granted a Community negotiating brief with the United States in several fields. The Council has granted a negotiating brief with the associated countries of Central Europe.

The effects on competition of the alliances, which have increased rapidly, can only be appreciated on a case by case basis. Certain of these alliances have ended fairly quickly whilst others are too recent to evaluate. Nevertheless their association with the practice of code-sharing, coupled with the frequent flyer programmes, can cause a number of difficulties in respect of access to the market for the small operators who are not in a position to cope with such dominant positions. Similarly by using such practices, certain non Community carriers can overcome the barriers of entry to the Community market by making use of the services of a Community carrier which is permitted to operate without restrictions between Community airports to the detriment of certain Member States. These practices merit examination by the Commission under the competition rules.

We have seen above that public service obligations (PSO) have been used frequently. It will be advisable to check that PSOs do not become a disguised means of restricting the market. In this context the Commission will have to ensure that the provisions concerning PSOs are carefully monitored.

Access to the market will only be completely liberalized in April 1997, when the last restrictions on cabotage traffic are removed. However, it is prudent, as of now, to take the necessary measures, as described above, in order to prevent obstacles for access to the market being retained. There are still numerous routes which are not operated, or are operated with low traffic densities, where the lack of competition provides very good opportunities for a new carrier to take advantage. The Community market is not yet optimal: its restructuring is on going privatizations continue. During this restructuring exercise, it will be the Commission's role to ensure that competition rules continue to be applied rigourously. With the completion of the single aviation market in 1997 "the Commission will not be able to authorize restructuring aid unless under very stringent conditions"¹

The Commission is also conscious of the potential implications of the liberalisation of air transport on employment. In this context, a study of the social impact of the liberalisation of air transport is underway

Lastly, and although it is not the purpose of this analysis, it is important to recall that improvements in the Community aviation system will have to be accompanied by more stringent safety measures and better consideration of the environment. Proposals will be tabled to this end.

¹ with regard to this, see the guidelines of the Commission on the Application of articles 92 and 93 of the Treaty and article 61 of the EEA agreement to state aids in the aviation sector (OJ C 350 du 10.12.94)

INTRODUCTION

On 1 January 1993, the third package of measures for the liberalization of the Community's air transport market entered into force. The aim of the liberalization policy, which began in 1987, is the gradual creation of a truly single market based upon the freedom to provide services throughout the Community in accordance with a single set of rules.

The third package consists of the following elements :

- common rules on the licensing of air carriers, laid down in Council Regulation (EEC) No 2407/92¹;
- rules on access for Community air carriers to intra-Community air routes, laid down in Council Regulation (EEC) No 2408/92¹;
- rules on fares and rates for intra-Community air services, laid down in Council Regulation (EEC) No 2409/92¹;
- the full application of the competition rules of the Treaty to the liberalized air transport market in accordance with Council Regulations (EEC) No 3975/87 and (EEC) No 3976/87 (as amended)¹.

As of 1 July 1994, the third package is also fully applicable within the framework of the Agreement establishing the European Economic Area (EEA), thus further including Norway and Iceland.

Article 13 of Regulation (EEC) No 2408/92 and Article 9 of Regulation (EEC) No 2409/92 oblige the Commission to publish a report on the application of those two Regulations by 1 July 1994 and periodically thereafter. In June 1994, the Commission adopted a communication entitled "The way forward for civil aviation in Europe"². In the meantime, a number of major factual and legal developments have occurred which necessitated the drawing-up of a more detailed report on the functioning of the third package. This report is based on the experience acquired by the Commission with regard to the functioning of the internal air transport market from 1 January 1993 until 1 January 1996.

Nevertheless, the findings are sufficient to show that the liberalization process is producing a significant number of positive results without the instability that some may have feared. Market access possibilities are being used. New routes and services are being created. On some of the most heavily travelled routes, new entrants are bringing competitive pressure to bear on traditional duopolies. Indeed the number of European companies offering regular service is increasing substantially and most are now privately owned. The market share of the dominant so-called flag carriers has also fallen.

¹ OJ L 249 of 28.8.1992

² COM(94) 218 final.

noticeably. The charter market continues to grow. Alliances and partnerships are being formed. Carriers have taken advantage of new opportunities. After several loss-making years, most carriers regained their profitability in 1995. As to fares, on average prices are beginning to fall, with particularly notable reductions where more than two carriers are competing on the same route. The full liberalization of cabotage in 1997 should give further impetus to the process.

On the other hand, as yet, many routes continue to be served by monopolies or duopolies and in those circumstances significant consumer benefits have not appeared. In some cases this situation is attributable to limits on capacity in congested airports but in others such constraints are not present, suggesting that the full benefits of the present liberalization regime have yet to be realized. Also the ability of carriers to exploit the full potential of the internal aviation market is constrained by limitations on access to the ground handling market, producing high costs and inadequate service and is also affected by the diverse bilateral arrangements maintained between Member States and third countries. Finally, while the development of alliances and partnerships may in part be positive, it also involves the risk of, if taken too far, limiting competition to the disadvantage of the consumer.

In brief, the third package is already bringing considerable benefits to the aviation sector and the consumer and shows potential for the realisation of further benefits in coming years. At the same time, the process is far from complete and is subject to constraints, actual and potential, which need to be effectively addressed if the full benefits of the process are to be realized.

Impact of the third package of air transport liberalization measures

The third package of air transport liberalization measures has had a definite impact on the Community air transport market. However, the changes brought about have not been sudden or spectacular, due partly to the fact that the liberalization process itself got under way initially in a period of economic recession. Some were a long time coming (the major developments on domestic markets did not happen until 1995, for example), while others had occurred well before 1993 (alliances, capacity increases, etc.). The fact that the third package got off to a slow and, at times, patchy start - coupled with the extremely short period covered by this study - frequently makes the task of analysis difficult, all the more so as it is sometimes hard to distinguish the direct consequences of the third package from actions or measures that would have come about anyway in view of current international developments (globalization, alliances, etc.). Furthermore, while it is true that the charter sector is carrying more passengers, the data available are scanty. For this reason, certain results need to be interpreted with caution just as, by the same token, certain conclusions cannot yet be regarded as definitive.

I. FARES

The rules and their application

- The principle of price freedom for Community air carriers on intra-Community air routes was established under Articles 3 and 5(1) of Regulation (EEC) No 2409/92. Consequently, Member States are no longer allowed to subject air fares to the requirement of prior authorization. This freedom has advantages just as much for the scheduled carriers as for the charter flight operators.
- Articles 6(1), 7(1) and 7(2) of Regulation (EEC) No 2409/92 allow, on the one hand, the Member States, under certain conditions, either to withdraw an excessively high basic fare or to stop an excessive downward spiral in air fares, while at the same time empowering the Commission to examine, at the request of a Member State or on the basis of a complaint, the legality of any action taken by the national civil aviation authorities under Article 6(1). So far, neither the Member States nor the Commission have used their powers under the Regulation.
- As far as the evolution of tariffs is concerned, the Commission has deemed it appropriate, however, to draw up guidelines which it can use in the future, as and when it is called upon to exercise its powers.

For the air traveller, the most tangible aspect of air transport liberalization in Europe is unquestionably its impact on fares. This new freedom was demonstrated in spectacular fashion just one day after the introduction of the internal air transport market, when right at the beginning of 1993 Lufthansa offered the European market a very simplified range of fares (3 levels) to all European destinations. Although it lasted only until 31 March 1993, the scheme had a dramatic impact in that it marked the beginning of a new phase in European fares competition.

1. Observation of the market in general

Contrary to what happened in the United States in the wake of air transport deregulation, there have been no across-the-board or high-profile fare reductions in Europe. Instead,

the European airlines have preferred to pursue a more selective policy introducing, alongside the thousands of official rates laid down in the IATA conferences, their own prices under their code with their own restrictions and periods of validity.

Fare categories

Three categories of fares are available on the European market:

- the most flexible fares, also called full fares, which are the no-restriction economy fares, business fares and first-class fares;
- promotional fares (APEX, PEX, etc.);
- special fares (special offers for limited periods).

In the European market the proportion of passengers travelling on scheduled flights with cut-price tickets rose from 60.5% in 1985 to 70.9% in 1995. Allowing for the fact that the charter market accounts for some 50 to 55% of the total market, it is reasonable to assume that 90 to 95% of passengers are currently travelling at reduced fares. The acceleration in this decline can be traced back to the end of 1991 and is due, on the one hand, to the overcapacity on the market and, on the other, to the effects of the competition rules and the Community provisions liberalizing fares. According to the AEA there was a constant and gradual fall in yield in Europe by about 20% between 1991 and 1995.

The market has been characterized by a proliferation of promotional offers and special fares for limited periods, which usually have the effect of complementing, rather than modifying, the existing fares structure. These fares are fed into the Computerized Reservation System (CRS) virtually in real time, since prior authorization by the national authorities is no longer required. It is to be hoped that the new distribution techniques (Internet, etc.) will make it easier for the average traveller to obtain the best bargains. However, these fares are subject to considerable restrictions, and the number of seats offered at these prices, by the major carriers at least, is often limited. Within this special-offer market, one has to distinguish between two types of competitor: the large airlines, which compete with each other on markets or routes with equivalent services and frequencies, and offer a wide range of fares with some seats offered at special prices as a function of yield management, and the other airlines, which compensate for their limited services and/or frequencies with genuinely attractive prices applying to all the seats sold. Examples of this second category are EuroBelgian³ and Ryanair, both of which offer a limited service but at very competitive prices.

³ from September 1996 Virgin Express

| Return fares (in BF) from Brussels to: | Jan. 93 | January 1995 | | | July 1995 | | |
|--|------------|--------------|-----------------|-------|-----------|-----------------|-------|
| | IATA | SN | BQ | IATA | SN | BQ | IATA |
| Madrid | 14570 | 11230 | 5600 to 9000 | 14500 | 8490 | 5600 to 9000 | 14500 |
| Vienna | 16290 | 17790 | 5600 to 9000 | 17790 | 6990 | 5600 to 9000 | 17790 |
| Rome | 18730 | 9990 | 5600 to 9000 | 20170 | 5600 | 5600 to 9000 | 20170 |

Table 1 - Source: REED database (fares)

As Table 1 clearly shows, the introduction of these special prices has had the effect of reducing the fares charged by the national carrier, in this instance SABENA.

2. Observation of the market by routes
a) By intra-Community routes

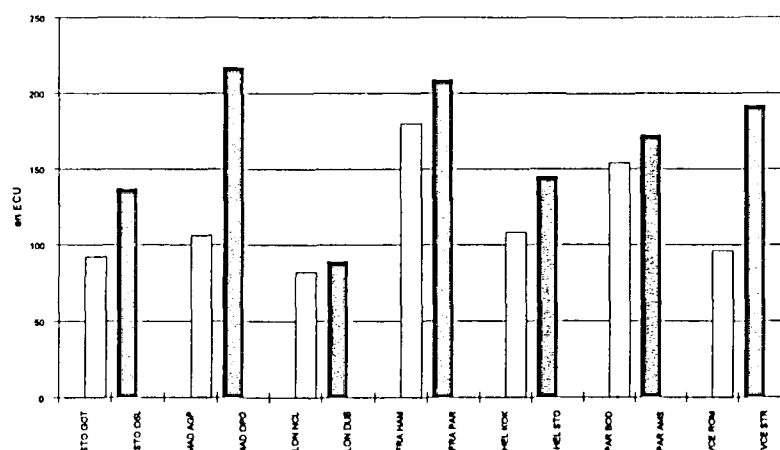
Competition has had little effect on the routes run as a monopoly or a duopoly, which represent 94% of intra-Community routes. Since the introduction of the third package in 1993, fares have continued to rise on a large number of these routes, both in the case of the most flexible fares (no-restriction business and economy fares) and promotional economy fares (PEX, APEX, etc.).

On the other hand, on routes operated by more than two carriers (6% of intra-Community routes) a number of initiatives designed to increase market share through fare reductions have been observed. On the markets to and from the United Kingdom, British Midland has been one of the principal protagonists in the fares war, reducing its business class fares by 10-20 % on the London-Amsterdam/Paris/Brussels/Frankfurt routes over the 1992-1995 period. Mention should also be made of the routes to and from Belgium operated by EuroBelgian.

b) By domestic routes

Compared with fares on international routes, domestic published fares (other than special offers) tend to be simpler in structure. In addition, above all, prices are lower relative to distances, as a consequence among other things of greater intermodal competition. The graph below (source: REED, January 1996) shows that there is still room for fare

Air fares on selected domestic and intra Community routes with equivalent distances



Note: For city codes see list of abbreviations (Annex II)

reductions on the international routes, all the more so as a recent study published by American Express (*New York Times*, 20.12.95) indicates that the fares on international European routes are roughly double those charged for comparable distances in the United States.

On the domestic markets Europe has become divided up into open markets (sensitive to competition on fares) and closed markets. In the case of the open markets, major fare wars were witnessed, especially in 1995, on the German market (DBA and Eurowings), the French market (with the arrival of AOM, Air Liberté and TAT), the Spanish market (Air Europa and Spanair) and the Italian market (with Air One on the Rome-Milan route). These are four markets where the arrival of new carriers on certain routes has sparked off considerable competition.

In the closed markets we find Italy (with the exception of Rome-Milan), Portugal and Finland, where the fares structures adhere to the conventional pattern and new entrants benefit the service to the detriment of prices. Lastly, Ireland, Austria, the Netherlands and Greece remain inflexible markets, in so far as all the domestic lines continue to be operated as monopolies.

c) By fifth freedom or cabotage routes

These routes account for only 1% of total European production, and it is therefore difficult to draw meaningful conclusions. Nevertheless, although they are of little significance in terms of European output as a whole, fifth freedom and cabotage operations allow a new type of competition on fares (examples: Alitalia, on its French domestic routes (Lyon to Nantes and Toulouse), introduced a return fare more than 30% lower than that of Air Inter. Conversely, none of the fares offered by Finnair, which has developed a series of fifth freedom flights departing from Stockholm, are any lower than those of its third and fourth freedom competitors.

Conclusions

- Fares competition has been characterized, by and large, by the launching of new promotional and special fares rather than reductions in existing fares.
- The proportion of passengers travelling on scheduled flights with cut-price tickets rose from 60.5% in 1985 to 70.9% in 1995. Allowing for the fact that the charter market accounts for some 50 to 55% of the total market, it is reasonable to assume that 90 to 95% of passengers are currently travelling at reduced fares.
- Such reductions as have occurred have not affected the most flexible fares. On the contrary, these fares have even risen slightly, notably on the duopoly routes, i.e., on 93% of all intra-Community routes. A detailed investigation clearly needs to be carried out in order to identify instances of excessive fares in the context of Regulation (EEC) No 2409/92.
- Competition has not played any role except on (intra-Community or domestic) routes operated by more than two carriers. Furthermore, initiatives aimed at securing market share by reducing fares have been confined to a few carriers only.
- Certain domestic markets (Italy (with the exception of Rome-Milan), Portugal and Finland, Ireland, Austria, the Netherlands and Greece) are still strangers to real competition, either because competition is confined solely to quality and service and not fares, or because the domestic lines are operated as monopolies.

II ACCESS TO THE MARKET

The rules and their application

- Inasmuch as it establishes the principle that Community air carriers are free to provide services on intra-Community air routes, Article 3 of Regulation (EEC) No 2408/92 is the cornerstone of the third package. This freedom brings to an end the exchange-of-traffic-rights arrangements that had existed hitherto.
- The Commission has received many requests for information and interpretation concerning Regulation No 2408/92, as well as several complaints. The Member States have been closely involved in examining the latter through the Advisory Committee on Market Entry set up under Article 11. The Commission has therefore been required to take decisions on:
 - the scope of the Regulation;
 - authorization procedures for traffic rights;
 - safeguard clauses provided for in the Regulation.
- Among the cases that have been resolved, mention may be made of the following: the definitive national regulation in February 1996 allowing seat-only sales on non-scheduled return flights to the Greek islands; the Commission reaffirmed, pending the introduction of specific rules on the subject, that this practice was covered by the principle of free market access; as regards public service obligations, more than 100 intra-Community routes (in Ireland, Sweden, Portugal, the United Kingdom and France) had been opened up under the new Regulation.
- But the major areas where Commission interpretations and decisions were required were Articles 5 (exclusive concessions) and Article 8(1) (distribution of traffic within the same airport system), with particular reference to the TAT case (Orly-Marseille and Orly-Toulouse) and access to the Orly-London routes. The provision of access to Orly Airport has been particularly crucial in ensuring the effective liberalization of the air transport market in France to the extent that 85% of domestic traffic was handled by this airport. The French authorities, after appealing to the Court of Justice, eventually accepted the Community decision.

Following the introduction of complete freedom of access to the market, except for a few restrictions affecting cabotage until April 1997, it has finally been possible to break the duopoly situation resulting from the bilateral agreements, both with respect to the scheduled airlines and the companies previously classified as charter operators. Nevertheless, evidence is emerging that the new spirit of competition, which benefits the consumer enormously, may prove to be a mixed blessing.

1. Development and competition on the intra-Community routes

Since 1992, while the number of intra-Community routes has increased somewhat, there has been a marked drop in the number of routes with two carriers, both relatively (compared with the total number of routes) and in absolute terms. The number of routes (airport to airport) for which more than two airlines compete has remained limited, accounting for only 2% of all the intra-Community routes operated at the beginning of 1993 and 6% at the beginning of 1996 (see following table).

Intra-Community routes (airport to airport)⁴

| | Jan. 1992 | Jan. 1993 | Jan. 1994 | Jan. 1995 | Jan. 1996 |
|---|--------------|--------------|--------------|--------------|--------------|
| Total | 510 | 488 | 482 | 522 | 518 |
| Monopoly | 283 (56%) | 296 (61%) | 318 (66%) | 342 (66%) | 329 (64%) |
| 2 carriers | 208 (40%) | 182 (37%) | 150 (31%) | 154 (29%) | 158 (30%) |
| More than 2 carriers (airport - airport) | 19 (4%) | 10 (2%) | 14 (3%) | 26 (5%) | 31 (6%) |
| More than 2 carriers (city - city) | 28 | 20 | 22 | 39 | 38 |

Source: Reed data base.

In contrast, operating frequencies on these same intra-Community routes have increased considerably, and it will be noted that the proportion of flights operated on intra-Community routes with more than two carriers has risen from 12% at the beginning of 1992 to 16% at the beginning of 1996 with an even higher capacity share since all the major routes are included such as: Heathrow-Roissy, Dublin-Heathrow, Arlanda-Copenhagen, Brussels-Rome, Amsterdam-Heathrow, etc.

While it is true that there has been a relative increase in the number of monopoly-operated routes, the majority of these routes are still in low traffic-density sectors, which are of little interest to the big carriers and, as a result, offer a certain protection to new entrants.

It should also be stressed that a large number of these monopoly-operated routes have faced real competition not only from neighbouring routes but also from charter services or other modes of transport.

2. Development and competition on domestic routes

It is certainly on the domestic routes that competition has been most in evidence, albeit in varying degrees from one country to another, in spite of the restrictions of article 3.4 of the Regulation 2408/92 which are applicable until the end of 1996.

Since the liberalization of market access, the traditional hiatus between, on the one hand, countries where even prior to 1993 a multitude of small companies have existed alongside the major carriers and, on the other, countries where the national carrier enjoys a quasi-monopoly, is tending to disappear.

⁴

Routes without intermediate touchdowns, from airport to airport, for which the capacity on offer is more than once a week and more than 100 seats a week.

Whereas at the beginning of 1992 some 90% of domestic routes were still operated on a monopoly basis, by the beginning of 1996 this figure had dropped to 80%. The number of routes operated by two competitors or more almost doubled, going from 65 in January 1993 to 114 in January 1994. The biggest change occurred in 1995, mainly on the French, Spanish and German markets.

Spain, for example, changed in the space of one year (1994) from a situation where all domestic flights were operated on a monopoly basis to a situation where 17 routes (i.e. almost 30% of the total) had been opened to competition. Air Europa, Spanair and, to a lesser degree, Air Nostrum were the main instigators of this change.

In France, the biggest Community domestic market with more than 20 million passengers, the situation has changed radically in three years. Between 1 January 1993 and 1 January 1996 the number of flights increased by 36% on the French domestic market, and the number of departures to the airports of Toulouse, Nantes and Mulhouse more than doubled. TAT, AOM, Air Littoral, Euralair and Air Liberté were the operators most actively involved.

In Germany Lufthansa dominates a domestic market of around 15 million passengers. Of the 13 competitors no fewer than 6 are new since the end of 1992. Their activities are still limited, however, on routes where there is practically a monopoly. In total, a little more than 20% of domestic routes are not monopoly-operated.

The number of domestic markets where more than two carriers are active on certain routes increased from three in 1993 (United Kingdom, German, Portugal) to six in 1996 (the same three plus Spain, France, Denmark).

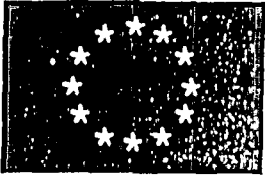
Lastly, in the Netherlands, Austria, Ireland and Greece, the national carrier alone operates all domestic routes.⁵

3. Fifth freedom, cabotage, seventh freedom

Regulation (EEC) No 2408/92 abolished all restrictions to fifth freedom operating. Thus, whereas as at 1 January 1993 only 14 routes were operated with fifth freedom rights, by January 1996 no fewer than 30 intra-Community sectors, including six routes operated on a code-sharing basis, were on offer. This change has also affected the carriers, inasmuch as, now in 1996, all the major Community national carriers operate at least one fifth freedom link, whereas in January 1993 only eight did so. However, certain carriers, notably Finnair, Iberia, Alitalia and Luxair, have been using fifth freedom links more extensively. Furthermore, it would appear that fifth freedom sectors are mainly operated by national carriers, with the exception of certain flights by Regional Airlines and Portugalia and, more recently, Lauda Air. Lastly, it should be stressed that only four routes have been operated continuously by the same carrier between 1993 and 1996, which can be explained by the fact that this kind of operation is more expensive than direct services and is also subject to greater operational constraints.

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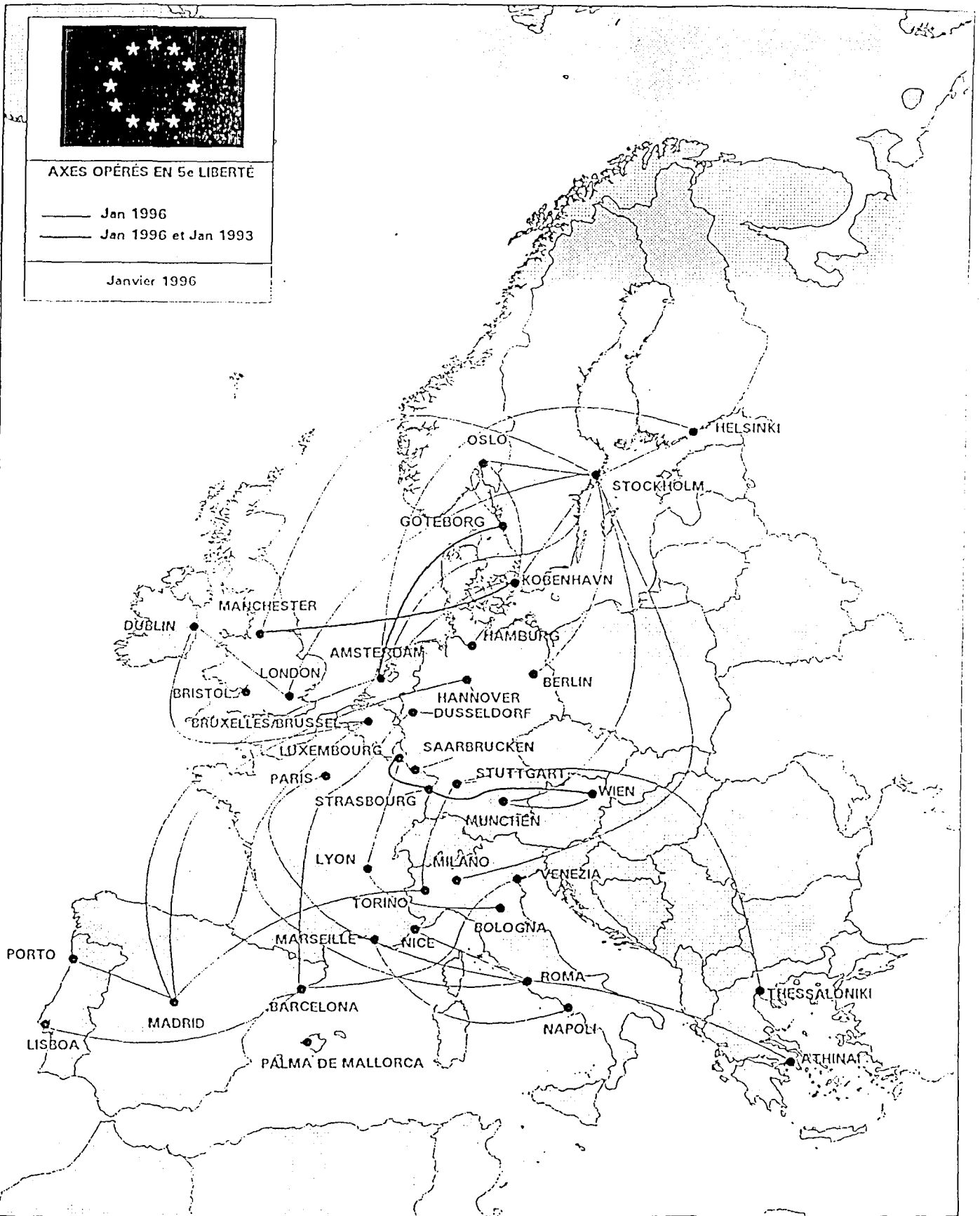
With the exception, in Ireland, of a number of interregional services provided by Aer Arann with nine-seater planes, in Austria, of three flights provided by Lauda Air and, in Greece, of the brand new service by Venus Airlines between Athens and Thessalonika.



AXES OPÉRÉS EN 5^e LIBERTÉ

- Jan 1996
- Jan 1996 et Jan 1993

Janvier 1996



The fact that cabotage is still subject to a number of restrictions provides a possible explanation why the Community carriers have used this freedom only on a very limited scale. Thus, in 1992 three cabotage services were provided by three different airlines. As at 1 January 1993, 18 different sectors were being operated on a cabotage basis by 11 Community carriers, including three on a code-sharing basis. Between 1993 and 1995 nearly 20 sectors were operated in cabotage, only to be discontinued, generally not long after being introduced. By January 1996 the situation had hardly changed, with only 22 different sectors operated in cabotage (15 under their own codes and seven on a code-sharing basis). With the exception of Aer Lingus, however, all the main carriers have been using cabotage services during the period under consideration. Nevertheless, by the beginning of 1996, Lufthansa, SAS and Air France were no longer providing any service of this type.

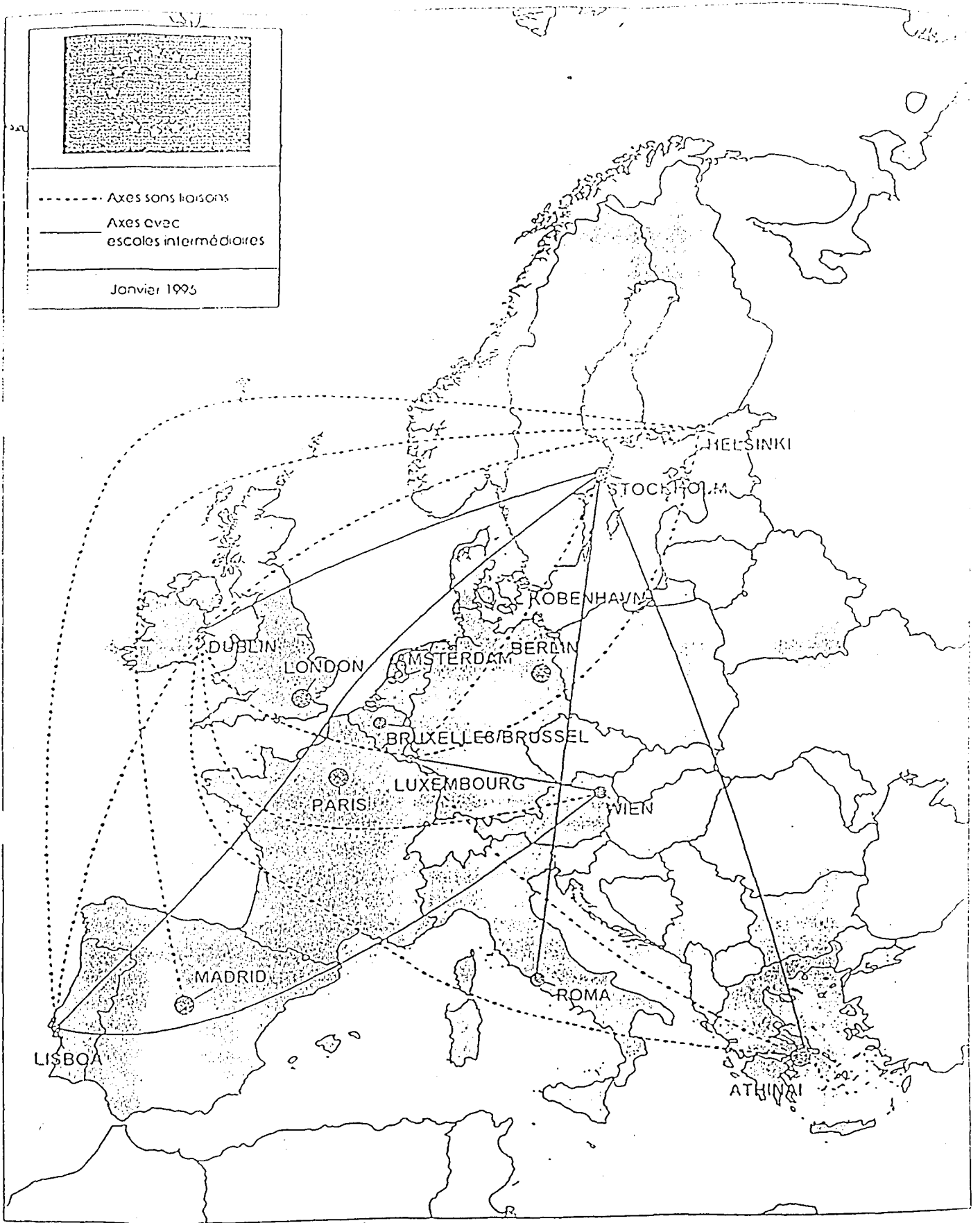
The seventh freedom, which is the freedom to be established in and to operate from any Member State, has also been used on a moderate scale. As examples, one could cite the two special experiments of DBA and TAT, if operating under the BA code as used by these two carriers (and not under the code of the principal shareholder) is considered to be seventh freedom. While DAB continues to develop without major hitches, TAT has had to review its international development. These two airlines have developed international links on the basis of, and in parallel with, domestic activities. At the instigation of its shareholder Lufthansa, Lauda Air, for its part, switched some of its activities to Milan-Malpensa airport so as to provide a whole range of European services as from the summer of 1995. However, this experiment has not been continued. Lastly, as far as the charter companies are concerned, TEA was the first to relocate its operations by setting up subsidiaries in Italy, France, the United Kingdom and Switzerland before 1993 in anticipation of the future liberalization of the European market. Indeed, it is the charter services that have used seventh freedom on a really significant scale.

4. Under-capacity routes with potential for new entrants

Between European capitals (see map on next page), at the end of 1995, there were still:

- 10 routes without any link;
- 10 routes without a daily link;
- 6 routes without a direct link.

This state of affairs is due in part to the fact that most big carriers are engaged in restructuring and rationalization programmes and are concentrating on their main operating bases and on certain routes rather than diversifying. With the exception of Luxembourg, it is usually the capitals farthest away from the centre that are affected by this phenomenon. On the other hand, all these capitals are linked via "turntable" services (e.g., Copenhagen for SAS).



----- Axes sans liaisons

———— Axes avec
écoles intermédiaires

Janvier 1993

In its CAP 654 report the British CAA estimated that, out of 33 intra-Community routes registering more than 250 000 passengers per year and still operating as monopolies or duopolies, 15 could cope with increased competition and accommodate new entrants. The report also identified 34 domestic routes in Europe operating at the end of 1994 on a monopoly or quasi-monopoly basis which could justify additional competition.

5. Code-sharing

The term "code-sharing" refers to a form of commercial arrangement between two air carriers, whereby a carrier operating a certain service allows the other carrier to provide this same service under his own code or under a shared code. On an international scale, more than 70% of alliances nowadays involve code-sharing arrangements. This practice, developed in the United States, has secured the transatlantic links and over the last few years has been making considerable inroads into the intra-Community routes. In proportion to their activities, at the beginning of 1993 Sabena and Air France were the biggest users of this formula among the main carriers and Eurowings (NFD), Maersk UK, Hamburg Airlines and Lauda Air among the regional carriers. At the beginning of 1996 British Midland, TAP, Iberia, Austrian and Luxair were the most active operators in this sector. For some companies, especially medium-sized or regional companies, code-sharing activities have grown to such an extent that at the beginning of 1996 they accounted for the main bulk of their intra-Community operations. Transwede, Air Dolomiti, Lauda Air, Eurowings, Portugalia and Air UK, for example, were cooperating with other carriers using code-sharing formulas on more than 50% of their intra-Community flights (more than 90% for the first three). It is also clear that since 1993 these agreements are no longer limited to a single partner, at least as far as the principal carriers are concerned. With the exception of Luxair and Olympic, they all have several different partners depending on the sector concerned. Finally, code-sharing has also tended to develop on domestic routes and British Midland has concluded agreements with a whole raft of European airlines whereby the latter attach their codes to domestic flights of British Midland out of London. Furthermore, BA has developed franchised code-sharing services with a large number of companies.

Conclusions

- The monopoly-operated routes still account for 64% of all intra-Community routes. In addition, the routes served by more than two carriers have risen from 2% of all intra-Community routes at the beginning of 1993 to 6% at the beginning of 1996. It is at the domestic level where the impact of competition has been more marked, in that the number of routes operated by two or more competitors has almost doubled, increasing from 65 in January 1993 to 114 in January 1996. The greatest expansion has occurred on the French, Spanish and German markets.
- Although the number of fifth freedom routes has doubled between 1993 and 1996 from 14 to 30, this type of operation still retains its secondary character.
- Under Regulation (EEC) No 2408/92, the use of cabotage is authorized only as an extension of an international service up to 50% of the seasonal capacity on the initial service.
- Seventh freedom has been used on a limited scale only.
- The Community market is capable of sustaining increased competition on both the intra-Community and the domestic routes. This has been supported by the Commission for example as it has been illustrated in the crucial case of access of Orly airport.
- Reflecting the international trend, the practice of code-sharing has evolved considerably on the Community market to the extent that, for some companies, this activity accounts for the bulk of their operations.

III. DEVELOPMENT OF AIRLINES

The rules and their application

Regulation (EC) No 2407/92 laid down rules on the issuing of the *Community licence*. Under these rules the Member States have issued more than 800 licences during the period under consideration. An extremely limited number of these licences have been revoked, mainly because of financial difficulties or bankruptcies.

Discussions over these three years have centred basically on the question of *ownership* and *effective control*. This was clarified as a result of the Swissair/Sabena case, the general aim being to protect the interests of the Community's air transport industry - until such time as the Community airlines are permitted to invest freely abroad - by ensuring that non-Community operators cannot unilaterally exploit the liberalized Community market by means of financial holdings.

As regards the question of *leasing* of aircraft, the Commission has reaffirmed that, at this stage, the authorization of leasing arrangements under Regulation (EEC) No 2407/92 is required solely for the purpose of ensuring compliance with safety and liability standards. Accordingly, the national licensing authorities must not prevent air carriers from entering into leasing arrangements for reasons other than ensuring safety and liability (for example, for aeropolitical considerations).

1. General development of company capacity

Capacity has developed to a limited extent and, in the case of scheduled services, is mainly the result of the activity of small and medium-sized enterprises and the arrival of some new entrants in certain markets. In general, output (expressed in numbers of flights or seats available) of virtually all airlines increased and load factors improved because of renewed growth in traffic. The breakdown of output between the different categories of airline on the European market is as follows:

Breakdown of output on the European market

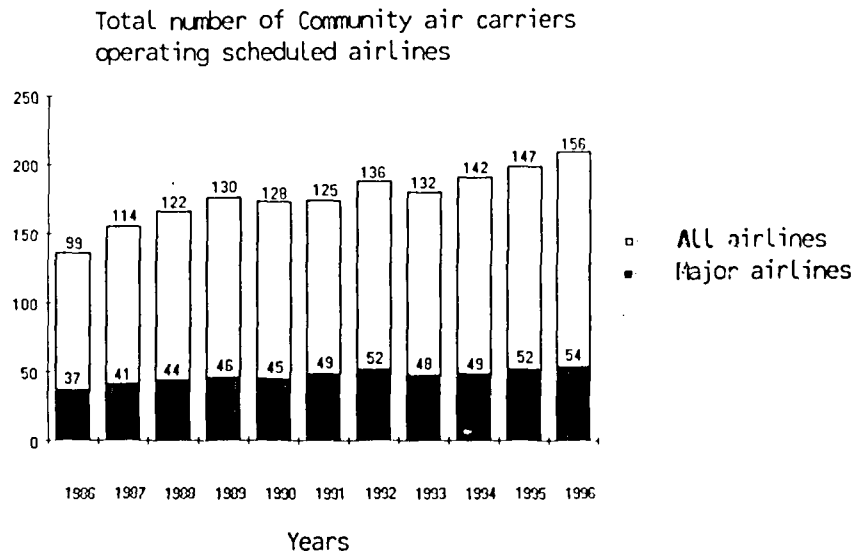
| | | |
|-------------------------------------|---------------------------------|--------------|
| Major airlines (AEA) | 114.791 | 31 % |
| Medium and regional airlines (ACE) | 25.384 | 7 % |
| Medium and regional airlines (ERA) | 24.075 ⁶ (32.100) | 6 % |
| Charter airlines (ACE) ⁷ | 206.470 ⁸ | 56 % |
| APK (million): | 370.720 | 100 % |

⁶ Estimate, excluding non-EC airlines and subsidiaries of AEA carriers.

⁷ Whose main activity is charter operations.

⁸ Considering that 75% of their overall traffic is intra-European.

In terms of the creation of companies, some spectacular developments have occurred, so much so that the number of European companies operating scheduled services in Europe has increased by just over 50%.



Source : - REED - Market Analysis
 - CAA London - CAP 654

Around 80 new businesses have been set up as against 60 closures, including a certain number of absorptions (Air Vendée, Brymon) and re-absorptions (ATI, Viva).

With the exception of the UK, each of the Member States still has a sizeable share in its "national airline". These companies have experienced a further increase in output in 1995. It should be noted, however, that the total market share (domestic and intra-Community) of the national carriers departing from each Member State has declined *vis-à-vis* their direct competitors. Thus, whereas in 1993 the principal carriers of 10 countries still accounted for over three-quarters of the available seats in their home market, by 1996 the decline in concentration is such that only six countries are still in this situation. However, while concentration is declining, there are still considerable differences between the national carriers and their nearest rivals. Nevertheless, the latter are making considerable advances in boosting their output.

Output of the second largest carrier in relation to the largest⁹

| | | 1990 | 1993 | 1996 |
|-----------------------|---|------|------|------|
| <i>Ireland</i> | Ryanair/Aer Lingus | 16 % | 27 % | 60 % |
| <i>United Kingdom</i> | British Midland/British Airways ¹⁰ | 29 % | 28 % | 24 % |
| <i>Austria</i> | Lauda Air/Austrian | - | 5 % | 28 % |
| <i>Portugal</i> | Portugalia/TAP | - | 31 % | 29 % |
| <i>France</i> | TAT/Air France (Air Inter) | 6 % | 6 % | 12 % |
| <i>Belgium</i> | EBA/Sabena | - | - | 6 % |
| <i>Denmark</i> | Maersk/SAS | 2 % | 28 % | 31 % |
| <i>Germany</i> | DBA/Lufthansa | - | 8 % | 13 % |
| <i>Italy</i> | Meridiana/Alitalia (ATI) | 7 % | 14 % | 14 % |
| <i>Spain</i> | Air Europa/Iberia (Aviaco) | - | - | 10 % |
| <i>Netherlands</i> | Transavia/KLM | 6 % | 4 % | 6 % |
| <i>Sweden</i> | Transwede/SAS | - | 2 % | 16 % |

2. Scheduled and non-scheduled airlines

The third package has removed the distinction between scheduled and non-scheduled services. Henceforth, charter specialists can sell tickets to private individuals at both ends of the route on a seat-only basis. Furthermore, like scheduled airlines, they can set up in any European market. Some of them have benefited from these new provisions to enter the scheduled market (Air Europa, Spanair, Air Liberté, LTU, etc.) while retaining their purely charter activities in parallel.

Despite these changes, the charter market has continued to grow in terms both of output and traffic. In the case of certain destinations such as Spain and Greece, charter traffic still accounts for more than 80% of the total traffic (scheduled and non-scheduled).

The European non-scheduled market involves some 40 companies, 600 aircraft and 65 million passengers. The United Kingdom, Germany and Spain operate 80% of this traffic. The charter airlines continue to fall into two main groups: those dependent on

⁹ Comparison based on the output for a week in January (Reed data base).

¹⁰ British Airways and the franchisees sharing its code.

a national carrier (Sobelair/Sabena, Condor/Lufthansa, etc.) and those linked to or controlled by a major tour operator.

3. Alliances and partnerships

In a world of global markets and trade liberalization, airlines have taken to thinking in terms of cooperation, alliances and holdings. The obvious objective is to achieve economies of scale at all levels, by combining or developing joint activities, but it is also seen as a way of gaining access to markets that are otherwise difficult to penetrate.

Some agreements are of a marketing type and purely commercial. Some tend to reflect a control strategy through the acquisition of holdings, while others constitute a new approach: franchising. All have the generic name of alliances.

These alliances may also be divided into two categories: tactical and strategic. The tactical or *ad hoc* alliances focus more particularly on a range of activities, a joint marketing technique (code-sharing) or even a particular route, while the strategic alliances generally cover a wide variety of activities (marketing, technical aspects, representation, administration, code-sharing, etc.) and theoretically have a long-term objective.

While it is true that these alliances are not a direct consequence of air transport liberalization in the Community, the provisions of the third package have nevertheless facilitated this type of agreement. From 59 alliances in 1990 there has been a progressive increase to 138 in 1994 and 171 in 1995 (Airline Business, June 1994 and June 1995).

Although acquisitions of financial holdings were rare at the beginning of the 1990s, a number of companies were still able to attract potential investors: Tyrolean, Brymon, Air UK, Martinair, Lauda Air and Business Air. Conversely, Air France severed all links with Sabena (49.5% of whose capital has meanwhile been taken over by Swissair). Nevertheless, the trend remains one of link-ups and consolidation. All the European flag carriers have subsidiaries or more or less sizeable holdings in other European or even non-European airlines. These link-ups are motivated by a threefold strategy:

- Gaining control of your own market (Air France/Air Inter, British Airways/British Caledonian/Dan Air, Austrian/Tyrolean)
- Getting established on another Community market (Lufthansa/Business Air/Lauda Air, British Airways/Deutsche BA/TAT).
- Seeking a more global alliance at world level (KLM/Northwest, Iberia/Aerolíneas Argentinas, British Airways/US Air).

In many cases, alliances without financial participation are still planned. The first important example in Europe dates from 1990: the European Quality Alliance between SAS, Swissair and Austrian until 1991. Since then, there have been alliances of a more global nature, as between Lufthansa and SAS (integration of frequent-flyer programmes, ground-handling services, development of code-sharing, etc.), under certain conditions imposed by the Commission (freeze on frequencies, release of slots, etc.). It should be noted that most of the alliances not involving financial participation have one thing in common: the development of code-sharing arrangements.

With franchising, a new concept has emerged. Five British carriers (City Flyer, Manx, GB Airways, Loganair, Maersk) now fly under the British Airways code and livery. Through these agreements, British Airways' partners are authorized to use the British Airways' logo (British Airways Express) and colours (uniforms, cabin furnishings, sales desks, etc.) and certain services (control of cash receipts, management of the frequent-flyer programme, reservations, etc.). In exchange, in addition to a fee, they must undertake to respect British Airways' standards of service. The advantages of such cooperation are real for both parties. The partners acquire a name and a system. British Airways, for its part, develops its operations at zero cost on a wide variety of highly diversified routes and benefits from the feed-in of passengers to its European or long-haul services. The concept also has advantages for consumers, since British Airways undertakes to deal with and solve any problems that may arise in the course of their journey, which is not always the case where code-sharing only is practised.

4. Airline traffic

The AEA airlines have seen a steady growth in their traffic in geographical Europe since 1992. Overall traffic increased by 8.1% in 1994, the biggest rise for 15 years leaving aside the 9.1% in 1992 following the drop in traffic recorded in 1991. This trend continued in 1995 with growth reaching 6.1%, and a new record of 8.3% in terms of PCK for all the AEA airlines taken together. This fairly sustained growth in traffic, coupled with a more moderate increase in output, was reflected in an improved load factor for all the national carriers which, like the productivity improvements, brought many of them back into profit ability.

After running a deficit for several years, most airlines managed to get back into the black in 1995. Net profits for the 12 main Community airlines are in the region of US\$ 800 million against a net overall loss on the same scale in 1994. However, only British Airways, Finnair and KLM achieved universally favourable results over the entire period from 1990 to 1994. Among the medium-sized and regional airlines which have been particularly active since the introduction of the third package, good results were achieved in 1995 by Regional Airlines and Air Littoral with net profits of FF 9 million and FF 8.5 million respectively, by EBA (net profit of BF 200 million) and by Tyrolean Airways (net profit of US\$ 3 million).

As part of the effort to increase productivity, most airlines have reorganized and cut staff. For example, the AEA carriers, which are the main companies involved in reducing numbers, shed 5 000 staff in 1994, so that the total number of employees is now the same as in 1986. Together with traffic increases and improved output, these staff cuts have had the effect of improving productivity per person considerably.

5. Employment

While there have been no dramatic disappearances among the more important carriers, the Commission is conscious of the potential implications of the liberalisation of air transport for employment in the sector.

The creation of greater competition, and the growth in total air traffic which this is bringing about, should counterbalance to some extent the restructuring already underway among existing operators.

Furthermore, the Commission continues to consult the social partners in the Joint Committee on Civil Aviation on the measures to implement air transport liberalisation and in this context, a study on the Social Impact of Liberalisation is in progress.

Conclusions

- A large number of airlines have been set up since 1993 (some 80 new airlines were created while 60 disappeared).
- In the case of scheduled traffic, the development of capacity (expressed in numbers of flights or seats available) has been mainly attributable to the activities of the small and medium-sized enterprises.
- The share of the national carriers in total output is declining compared with their main direct competitors (example: Ryanair's output is already over half that of Aer Lingus).
- The charter market is continuing to grow as a result of the changes brought about by the third package. In certain countries charter traffic may account for more than 80% of the total traffic.
- In keeping with the international trend, alliances within the Community are continuing to develop.
- 1995 stands out as the year when most of the European scheduled airlines got back into the black thanks, among other things, to a sustained growth in traffic, coupled with a moderate increase in output, which was reflected in improved load factors and increased productivity. It is striking to observe that throughout the same period almost all the charter companies made a profit.

IV. OBSTACLES TO COMPETITION

The third package has now been in place for three years. However, despite the ensuing liberalization, the anticipated results have not been fully achieved. Indeed, there are still a number of factors preventing the air transport market of the Europe of the Fifteen from achieving its full potential.

- First and foremost, attention must be drawn to the problems linked to infrastructures: airports with limited capacity, overcrowded runways and time-slot problems. An IATA study predicts that by 2005 European passenger traffic will double, which means that there will be about 600 million additional passengers and 7 million additional landings and takeoffs. In contrast, more than 10 European airports could well be operating below their actual capacity.
- For years, airports and governments have restricted access to the market in ground-handling services with the result that the national carrier, one of its subsidiaries or sometimes an independent company has exercised a monopoly in these services. The rates charged are frequently excessive, if not prohibitive.
- The absence of a common external policy leaves the internal air transport market in a fragile state and at the mercy of positions acquired through bilateral agreements concluded between the Member States and third countries. Because of the diversity of these agreements the Member States and their air carriers have to work with non-harmonized systems and rules in their dealings with non-member countries. These rules are in some cases even incompatible with the internal market (e.g. national designation clauses, obligatory trade agreements, etc.). Lastly, the open sky agreements concluded recently by certain Member States with the United States make no provision for any accompanying measures ensuring the proper functioning of this liberalized environment.
- To these should be added a number of external factors, such as disparity in social and tax legislation or the environmental aspect to which some Member States attach more importance than others. Historical factors, such as situations resulting from bilateral agreements (designated national carriers, designated single national carriers) are also still likely to favour some companies (generating intercontinental traffic, recapitalization) and thus form an obstacle to competition.

During the period under consideration, the Commission took action on all of these problems, and continues to do so, in collaboration with the relevant organizations and authorities with the aim of achieving total liberalization, without obstacles or discrimination.

Examples of this action include:

- Council Regulation (EEC) No 3089/93¹¹ amending the code of conduct for computerized reservation systems in accordance with the rules introduced by the third package;
- publication at the beginning of 1996 of the White Paper on Freeing Europe's Airspace, which deals with the problems posed by the fragmentation of European airspace into incompatible systems and the serious implications this has in terms of air traffic control;
- Directive on the gradual liberalization of access to the ground-handling services market;
- Council Regulation (EEC) No 95/93¹², adopted in January 1993, on the allocation of slots; this is now being revised and should be the subject of new Commission proposals during 1996;
- efforts by the Commission, in the context of the common external policy, to obtain a Community mandate for negotiating air agreements with non-member countries; in this context the Commission also intends shortly to submit its proposals to expand the scope of Council Regulations (EEC) 3975 and 3976/87.
- introduction by the Commission, before the end of 1996, of a proposal on airport charges based on the three major principles of non-discrimination, transparency and true reflection of costs.
- In addition, at the end of 1994 the Commission adopted strict rules on state aid and reiterated the principle that state aid should be paid only once. The Commission's policy in this respect is to permit airlines which benefit from such aid to re-establish their viability while limiting as much as possible distortive effects on competition. In addition the Commission continuously monitors that conditions under which the aid was approved are respected. To this end in the case of restructuring aid the Commission will normally request that a progress report on the implementation of the restructuring programme together with the respect of the conditions is submitted at regular intervals.

¹¹ OJ L 278 of 11.11.1993

¹² OJ L 14 of 22.1.1993

- Finally, the Commission continues to work on new legislation to step up consumer protection, quality of service and safety. In this connection, the National Aviation Authorities, combined in the JAA, have also worked out a set of technical and operational conditions (JARs) which have to be submitted for examination for their incorporation in Community legislation on the basis of Regulation (EEC) 3922/91¹³ so that the various national practices in this field may be harmonized. In particular, this will include provisions to harmonize the implementation of Article 10 of Regulation (EEC) No 2407/92 on the leasing of aircraft.

¹³ OJ L 373 of 31.12.1991

Selected Fully Flexible Air Fares in the EU

Y fares for 100 - 500 Km - July 1996

| Lowest Domestic | | | Highest Domestic | | |
|-------------------------|-----------|-------------|-----------------------------|-----------|-------------|
| | ECU | ECU/Km | | ECU | ECU/Km |
| Preveza-Athens | 32 | 0.11 | Limoges - Lyon | 188 | 0.65 |
| Alexandroupolis-Athens | 46 | 0.12 | Toulouse - Clermont-Ferrand | 187 | 0.67 |
| Thessaloniki - Ioannina | 25 | 0.12 | Turku - Tampere | 87 | 0.67 |
| Corfu - Athens | 53 | 0.13 | Lille - Metz | 199 | 0.70 |
| Kavala - Athens | 45 | 0.13 | Eindhoven - Amsterdam | 75 | 0.71 |
| | | | | | |
| Lowest International | | | Highest International | | |
| | ECU | ECU/Km | | ECU | ECU/Km |
| Belfast - Cork | 119 / 124 | 0.34 / 0.35 | Brussels - Luxemburg | 166 | 0.89 |
| Exeter - Dublin | 126 / 131 | 0.35 / 0.37 | Mariehamn - Stockholm | 112 / 115 | 0.92 / 0.93 |
| Cardiff - Dublin | 108 / 113 | 0.36 / 0.38 | Le Havre - Southampton | 184 / 179 | 0.89 / 0.96 |
| Bristol - Paris | 185 / 241 | 0.41 / 0.53 | Luxembourg - Frankfurt | 182 / 177 | 1.04 / 1.01 |
| London - Düsseldorf | 197 / | 0.41 | Le Havre - London | 255 / 210 | 1.42 / 1.17 |

Source : OAG

All routes are operated at least on all weekdays.

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Selected Fully Flexible Air Fares in the EU

C fares for 100 - 500 Km - July 1996

| Lowest Domestic | | | Highest Domestic | | |
|--------------------------|-----------|-------------|------------------------|-----------|-------------|
| | ECU | ECU/Km | | ECU | ECU/Km |
| Thessaloniki - Athens | 70 | 0.23 | Frankfurt - Düsseldorf | 149 | 0.79 |
| Oporto - Lisbon | 74 | 0.28 | Leipzig - Hamburg | 246 | 0.82 |
| Paris - Bordeaux | 138 | 0.28 | Frankfurt - Münster | 184 | 0.83 |
| East Midlands - Aberdeen | 156 | 0.32 | Hamburg - Rostoch | 131 | 0.86 |
| Munich - Berlin | 158 | 0.33 | Stuttgart - Frankfurt | 138 | 0.89 |
| | | | | | |
| Lowest International | | | Highest International | | |
| | ECU | ECU/Km | | ECU | ECU/Km |
| London - Waterford | 170 / 177 | 0.37 / 0.38 | Hanover - Brussels | 291/ | 0.73 / |
| Bristol - Brussels | 200 / | 0.40 | Leipzig - Copenhagen | 387 / 361 | 0.83 / 0.77 |
| Cork - Birmingham | 188 / | 0.41 | Bremen - Copenhagen | 320 / 306 | 0.85 / 0.81 |
| London - Düsseldorf | 197 / | 0.41 | Luxembourg - Frankfurt | 157 / 148 | 0.90 / 0.85 |
| London - Amsterdam | 149 / | 0.42 | Rønneby - Copenhagen | 221 / 218 | 1.25 / 1.23 |

Source : OAG

All routes are operated at least on all weekdays.

Selected Fully Flexible Air Fares in the EU

Y fares for over 500 Km - July 1996

| Lowest Domestic | | | Highest Domestic | | |
|----------------------|-----------|-------------|-----------------------|-----------|-------------|
| | ECU | ECU/Km | | ECU | ECU/Km |
| Paris - Ajaccio | 142 | 0.16 | Mulhouse - Nantes | 262 | 0.39 |
| Milano - Catania | 165 | 0.16 | Toulouse - Mulhouse | 264 | 0.41 |
| Paris - Biarritz | 142 | 0.16 | Rennes - Lyon | 251 | 0.44 |
| Paris - Calvi | 142 | 0.17 | Toulouse - Rennes | 252 | 0.46 |
| Verona - Catania | 165 | 0.17 | Lyon - Le Havre | 260 | 0.47 |
| | | | | | |
| Lowest International | | | Highest International | | |
| | ECU | ECU/Km | | ECU | ECU/Km |
| London - Helsinki | 353 | 0.20 | Hamburg - Strasburg | 371 | 0.63 |
| London - Malaga | 335 / 427 | 0.20 / 0.26 | Munich - Nice | 399 | 0.63 |
| London - Shannon | 119 / 124 | 0.20 / 0.21 | Luxemburg - Hamburg | 340 / 328 | 0.66 / 0.55 |
| London - Lisbon | 319 | 0.20 | Paris - East Midlands | 331 / 243 | 0.66 / 0.48 |
| London - Faro | 343 | 0.20 | Stuttgart - Nice | 404 | 0.70 |

Source : OAG

All routes are operated at least on all weekdays

Selected Fully Flexible Air Fares in the EU

C fares for over 500 Km - July 1996

| Lowest Domestic | | | Highest Domestic | | |
|----------------------------|-----------|-------------|---------------------------|-----------|-------------|
| | ECU | ECU/Km | | ECU | ECU/Km |
| Canary Islands - Barcelona | 178 | 0.08 | Friederichshafen - Berlin | 258 | 0.42 |
| Marseille - Paris | 146 | 0.22 | Stuttgart - Hamburg | 237 | 0.43 |
| Genova - Cagliari | 134 | 0.23 | Saarbrücken - Dresden | 223 | 0.43 |
| Paris - Nice | 167 | 0.25 | Stuttgart - Berlin | 224 | 0.43 |
| London - Belfast | 136 | 0.25 | Saarbrücken - Hamburg | 249 | 0.47 |
| | | | | | |
| Lowest International | | | Highest International | | |
| | ECU | ECU/Km | | ECU | ECU/Km |
| London - Palma Majorca | 150 / 155 | 0.11 / 0.11 | Nürnberg - Paris | 377 | 0.61 |
| Manchester - Palma Majorca | 180 / 186 | 0.11 / 0.12 | Strassburg - Vienna | 395 | 0.61 |
| London - Athens | 434 / 574 | 0.18 / 0.24 | Luxemburg - Hamburg | 330 / 284 | 0.63 / 0.55 |
| East Midlands - Malaga | 343 / 384 | 0.19 / 0.25 | Paris - East Midlands | 331 / 235 | 0.66 / 0.47 |
| London - Helsinki | 353 | 0.20 | Stuttgart - Nice | 404 | 0.70 |

Source : OAG

All routes are operated at least on all weekdays.

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List of abbreviations

| | |
|---------|---|
| SOT GOT | Stockholm - Gothenburg |
| STO OSL | Stockholm - Oslo |
| MAD AGP | Madrid - Malaga |
| MAD OPO | Madrid - Oporto |
| LON NCL | London - Newcastle |
| LON DUB | London - Dublin |
| FRA HAM | Frankfurt - Hamburg |
| FRA PAR | Frankfurt - Paris |
| HEL KOK | Helsinki - Kokkola |
| HEL STO | Helsinki - Stockholm |
| PAR BOD | Paris - Bordeaux |
| PAR AMS | Paris - Amsterdam |
| VCE ROM | Venice - Rome |
| VCE STR | Venice - Strasbourg |
| ATM | Air Traffic Management |
| JAA | Joint Aviation Authorities |
| JAR | Joint Aviation Regulations |
| IATA | International Air Transport Association |
| APEX | Advanced purchased excursion ticket |
| PEX | Purchased excursion ticket |
| AEA | Association of European Airlines |
| CAA | Civil Aviation Authority, UK |
| ACE | Association des Compagnies Aériennes de la Communauté Européenne |
| PKT | Passagers kilomètres - transportés |

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