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Report

drawn up on behalf of the Committee on Transport

on the Memorandum of the Commission of the
European Communities on the contribution of
the European Communities to the development
of air transport services

Rapporteur: Mr K.-H. HOFFMANN

By letter of 14 September 1979 the President of the European Parliament authorized the Committee on Transport to draw up a report on the Memorandum of the Commission of the European Communities on the contribution of the European Communities to the development of air transport services.

On 31 October 1979 the Committee on Transport appointed Mr K.-H. Hoffmann rapporteur.

On the same date the Committee on Transport decided to consider the Memorandum jointly with the motion for a resolution tabled by Mr Moorhouse, on behalf of the European Democratic Group, on civil aviation (Doc. 1-242/79). This motion for a resolution had been referred to it on 20 July 1979.

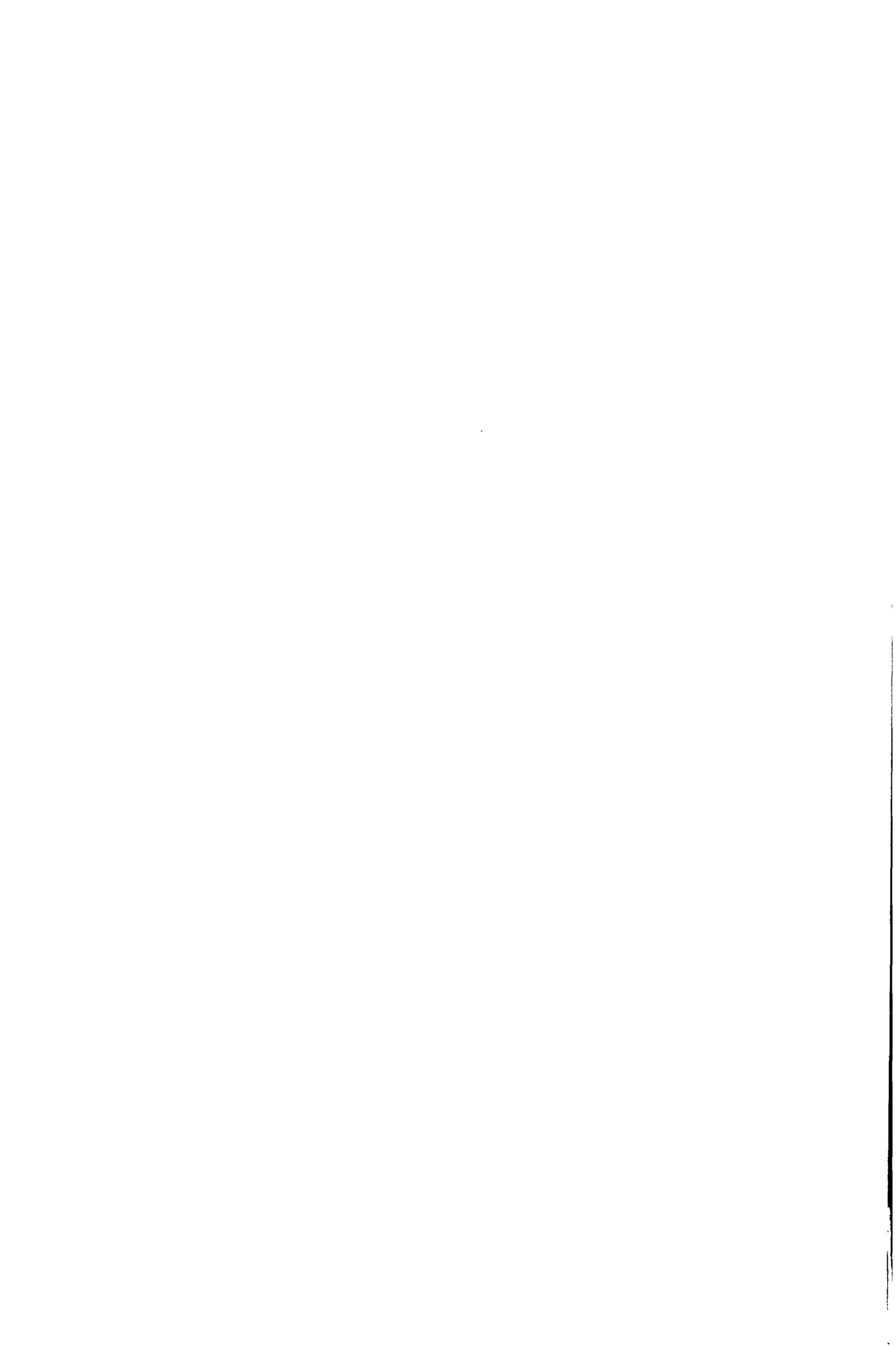
It considered the draft report at its meetings of 24 September 1979, 27 November 1979, 28 February 1980, 27 March 1980, 24 April 1980, 29 May 1980 and 26 September 1980 and adopted it at its meeting of 2/3 October 1980 by 13 votes to 1 with 5 abstentions.

Present: Mr Seefeld, chairman; Miss Roberts and Mr De Keersmaeker, vice-chairmen; Mr K.-H. Hoffmann, rapporteur; Mr Albers, Mr Baudis, Mr Buttafuoco, Mr Cottrell, Mr Gabert, Mr Gendebien, Lord Harmar-Nicholls, Mr Helms, Mr Janssen van Raay, Mr Key, Mr Klinkenborg, Mr M. Martin, Mr Moorhouse, Mr Moreland and Mr O'Donnell (deputizing for Mr Travaglini).

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The Committee on Transport hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the Memorandum of the Commission of the European Communities on the contribution of the European Communities to the development of air transport services

The European Parliament,

- having regard to the Memorandum of the Commission of the European Communities (COM(79) 311 fin.),
- having regard to the motion for a resolution tabled by Mr Moorhouse, on behalf of the European Democratic Group, on civil aviation (Doc. 1-242/79),
- having regard to the interim report of the Committee on Transport (Doc. 1-341/79)¹,
- having regard to the report of the Committee on Transport and the opinion of the Committee on Economic and Monetary Affairs (Doc.1-469/80),
- having regard to its reports on the draft decision on a common approach to air transport (Doc. 195/72 and Doc. 328/72)²,
- having regard to its report on the Commission's proposal for a decision initiating a consultation procedure concerning international action in the field of air transport (Doc. 1-475/79)³,
- having regard to its reports on the promotion of efficient air traffic management and control (Doc. 49/78 and Doc. 106/79)⁴ and on the development of a coordinated European air traffic control system (Doc. 1-274/80)⁵,
- having regard to its report on the communication from the Commission to the Council concerning an action programme for the European aeronautical sector (Doc. 203/76)⁶,

¹ OJ No. C 289, 19.11.1979, p.15

² OJ No. C 19, 12.4.1973, p.52

³ OJ No. C 309, 10.12.1979, p.59

⁴ OJ No. C 131, 5.6.1978, p.31 and OJ No. C140, 5.6.1979, p.20

⁵ OJ No. C 194, 4.8.1980, p.44

⁶ OJ No. C 178, 2.8.1976, p.8

- taking account of the material collected during the four hearings which the Committee on Transport organized on the various aspects of air transport, and of the written submissions forwarded by competent organizations and experts,
1. Welcomes the initiative taken by the Commission which, in publishing its Memorandum has made a positive contribution towards the realization of a common air transport policy and invites the Commission to draw up with the necessary continuity and firmness proposals for legal provisions in this sector;
 2. Declares its firm conviction that the management and structure of air transport in the Community must be improved and endorses the Commission's view that measures to this end are essential;
 3. Draws attention to the extremely complex nature of air transport and its extensive international ramifications; considers, however, that a reform is necessary without putting the basic structure at risk;
 4. Considers it absolutely essential, therefore, that common measures for air transport within the Community should take account of the international implications for third countries where they have a bearing on air transport within the Community;
 5. Welcomes the Commission's intention to examine Community initiatives in terms of their potential benefits;
 6. Observes in this connection that future measures in the field of air transport must be guided by the following principles:
 - improvement of the services offered to the transport user,
 - reasonable conditions of operation for viable airlines under efficient management,
 - safeguarding and expansion of employment,
 - improving of air traffic control,
 - reduction of environmental nuisance caused by air traffic,
 - energy conservation;
 7. Points out at the same time that, for the sake of the competitiveness of airlines in the Community it is of paramount importance that there should be prior consultation on any measures at Community level with third countries and with the competent international organizations, especially the International Civil Aviation Organization (ICAO) and the European Civil Aviation Conference (ECAC);

8. Considers international cooperation with a view to rationalizing and improving the productivity of the air transport sector to be absolutely essential (e.g. technical cooperation with ATLAS and KSSU);
- (a) Competition and air tariffs
9. Recalls that the general provisions of the EEC Treaty as well as the provisions on competition and, for example, the right of establishment are applicable to air transport, as was affirmed by the Court of Justice of the European Communities in its judgments 167/73 and 2/74;
10. Points out that the full implementation (without any exception) of the provisions on competition of the EEC Treaty would mean that:
- any airline would be free to introduce or discontinue any service, at any time and at any fare, as far as the air sovereignty of the Member States extends;
 - any airline operator could, by virtue of cost advantages prevailing in his country, oust from a particular route any other company that did not have these cost advantages,
 - shifts in employment would occur to the benefit of countries with the lowest cost levels;
 - less profitable routes would be in danger of being closed and the Community would thus no longer be able to fulfil its socio-economic responsibilities and obligations;
11. Notes that the special position of the air transport sector as a provider of services of overriding public interest and the failure to achieve the necessary integration in the economic, financial, fiscal and social fields stand in the way of full implementation of the competition provisions to air transport, if this sector is not granted the necessary exemptions, and that the differences both between transport users in terms of their income and purchasing power and between the airlines in terms of cost levels and structures are too great for total liberalization to be introduced in the near future with any real chance of success;
12. Is of the opinion that, as regards access to the Community market, the existing bilateral system should gradually be dovetailed into a balanced and flexible multilateral framework, without causing serious market disturbances or adversely affecting the functioning of the existing air transport network, within which national airlines, by virtue of their obligation to provide regular air services, have a vital role to play and awaits with interest the results of the studies currently being carried out by the Commission.

13. Warns therefore against the dangers of deregulation policy on the American model and advocates a phased introduction of competition for European air transport;
14. Invites the Commission to give detailed consideration to the following programme and to formulate appropriate proposals:
- (i) measures to remove restrictions on competition, in particular with regard to:
 - state subsidies,
 - fixed exchange rates,
 - simplification of formalities,
 - (ii) measures to facilitate and promote the integration of air transport
 - harmonization of technical regulations,
 - compensation in the case of overbooking,
 - regulations on charter traffic,
 - (iii) phased introduction of measures at European level, in particular:
 - full implementation of the competition provisions,
 - access to the market,
 - freedom of establishment;
- (b) With regard to air tariffs
15. Is fully aware that the level of air transport tariffs in Europe is often criticized; agrees to a certain extent with this view, but points out that on the one hand barely one quarter of passengers pay the full tariff and that on the other hand, landing dues and air traffic control, personnel and fuel costs are considerably higher in Europe than in the United States and that, moreover, productivity is limited by the average number of passengers, the average length of flights and the capacity of the aircraft used;
16. Considers that every effort should be made, taking into account the actual costs and profitability of undertakings as a whole, to make the tariffs applied by Community undertakings clearer and more uniform and gradually to reduce them, and considers it desirable, furthermore, to review the level of certain tariffs and in so doing to take into account the actual costs and fair and necessary profit margins for the airlines.

17. Considers the present multiplicity of tariffs to be absurd and utterly confusing and therefore not in the interest of the transport users, who frequently have to pay more than a fair price; believes therefore that all parties concerned must endeavour to achieve greater clarity and transparency;
18. Is of the opinion that at the present time there are no really workable alternatives to the current procedure for fixing tariffs and invites the Commission to look into this question as soon as possible;
- (c) With regard to the air transport network and regional air services
19. Points out that the deregulation policy in the United States has led to an over-concentration on the most profitable routes and the closure of many less profitable services and believes that more uniform and coherent regulations on air transport in the Community can and must be achieved by means of measures and innovations at Community level which take account of the complexity of the problems and of their international, national and regional implications;
20. Fears that a deregulation policy in Europe, because of the considerable differences in the conditions under which airlines operate on the two continents, may have even more disastrous consequences for regional air services;
21. Believes that, when considering an expansion of the air transport network, account must be taken of:
- (i) the present structure of the European air transport network and the scope for 'interlining',
 - (ii) the potential traffic demand and the anticipated profitability of new routes,
 - (iii) the availability of other modes of transport,
 - (iv) the capacity of air traffic control systems and airports;
22. Sees it as an important task of the Community, particularly in the spirit of Article 80 of the EEC Treaty, to encourage the development of expansion and economic integration of the air transport network, taking adequate account of the needs of less-favoured regions, in particular the peripheral regions and islands;
23. Is firmly convinced that in the context of the economic exploitation and development of these regions permanent air services are of prime importance and should therefore be encouraged;

24. Believes, however, that an equitable solution must be found in the form of appropriate compensation, for financing loss-making services which are intended to promote regional development;

25. Invites the Commission to examine this problem in greater detail and to submit appropriate proposals to the Council as soon as possible taking into account the possible contribution to be made by the Community's financial instruments;

(d) With regard to social aspects

26. Is of the opinion that the social dimension of the policy guidelines put forward by the Commission has received insufficient attention and, therefore, requires further examination and consideration;

27. Considers it desirable that effect should be given to the free movement of air transport personnel, and to the mutual recognition of licences, diplomas and certificates of proficiency;

28. Believes that, because of marked variations in national legislation, the harmonization of working conditions cannot be achieved immediately and, therefore, constitutes a longer term objective;

29. Opposes measures to increase productivity and reduce tariffs which are implemented solely at the expense of employees;

30. Considers it desirable furthermore that air transport personnel be kept informed of all important matters and be given the opportunity to be consulted on the adoption of relevant organizational measures;

31. Considers it desirable, finally, that a joint committee be set up at Community level on which employers and workers are represented, to examine closely the implications of a harmonization of working conditions and welcomes the interest shown by the Economic and Social Committee in the social aspects of civil aviation;

(e) The safety of air traffic in the air and on the ground

32. Recalls that the existing deficiencies in air traffic control can only be eliminated by far-reaching cooperation and coordination between national air navigation authorities;

33. Reiterates the view it has already expressed, namely that it is necessary to this end to set up an integrated European system for the management of air traffic flows and that this task must be entrusted to Eurocontrol.

34. Draws attention once again to the desirability of Eurocontrol's retaining or receiving executive powers for active air traffic control in the upper airspace of the Member States;
 35. Urges the governments of the Member States of Eurocontrol to enable the above objectives to be achieved on 20 November 1980 under the new convention;
 36. Sees the strengthening and standardization of traffic control systems on the ground and in the air as a central and priority objective of a common air transport policy; research and industrial production at Community level in this leading sector must therefore be promoted;
- (f) With regard to the aeronautical industry
37. Expresses deep concern at the lack of support given by the European Airlines to aircraft manufactured in Europe; is aware that this is in part due to a lack of suitable Community-manufactured aircraft; declares that while much has been achieved through the common efforts made to date, there is still wider scope for coordination between aircraft manufacturers in the Member States; declares that state-owned European airlines - whose existence is dependent on government funds - instead of buying 'off the peg' in the United States almost as a matter of course, should promote the European aeronautical industry by holding joint talks on plans for future European aircraft;
 38. Favours the strengthening, diversification and acceleration of European aircraft building programmes, the promotion of contacts between airlines and manufacturers, scientific research, possible subsidies through the Community's financial instruments and, more generally, the expansion of both the air transport industry and air traffic control in the Community;
 39. Expresses its concern that otherwise the future of the European aeronautical and aero-engine industry will be threatened, which will lead to redundancies; favours the development of new technologies and the expansion of the 'Airbus family';
 40. Instructs its President to forward this resolution to the Council, the Commission and to the parliaments of the Member States.

EXPLANATORY STATEMENTI. INTRODUCTION

1. The Committee on Transport welcomes the initiative taken by the Commission of the European Communities in drawing up a memorandum on the possible contribution of the Community to the improvement of air transport services. It considers an initiative of this kind to be an essential starting point for formulating common policy objectives and adopting measures in a Community context in the air transport field.

2. The Committee on Transport, fully aware of the importance of this basic document for the future development of air transport, has subjected the memorandum to an extremely searching examination.

3. In order to obtain the clearest possible picture of the actual situation in the air transport sector and with the intention of submitting the most realistic proposals and suggestions possible, the Committee on Transport decided at its meeting of 27 November 1979 to examine each main topic of the Commission's document in turn and to consult experts on these topics.

4. Consequently, the Committee on Transport organized four hearings:

- 29 February 1980, on competition and tariffs
- 27 March 1980, on the air transport network and regional air services
- 24 April 1980 on social conditions in the air transport sector
- 29 May 1980 on the aeronautical industry and air traffic control

In addition, a number of organizations, which unfortunately were unable to be heard, forwarded written submissions in which they set out their views on particular aspects of the problem¹.

The rapporteur would like to thank all these organizations and experts for their kind cooperation.

5. Although air transport is an extremely complex subject the various aspects of which are closely inter-related, the rapporteur felt it

¹ See Annex II for the list of experts attending these hearings and a list of the written submissions received.

advisable when drawing up this report to adopt the same approach as at the hearings. Naturally, the interdependence of the various aspects is explained and underlined, throughout the report.

6. It goes without saying that some aspects are more complex than others and therefore require greater attention. Moreover, since the European Parliament has already debated certain issues in depth, this report does not deal with all the various aspects at the same length.

7. The Committee on Transport's object in this report is not merely to examine more closely the tenor and specific proposals of the memorandum, but also to set out the broad lines of Community action in the air transport sector.

II. COMPETITION AND TARIFFS

A. C o m p e t i t i o n

(i) Competition law under the Treaty of Rome

8. The competition rules of the Treaty of Rome are designed to ensure fair competition in the Community under uniform conditions. The full application of the competition rules therefore presupposes equal opportunities for all competitors and the accrual of a benefit to the Community's economic development. Thus it is clear that when drawing up the competition provisions the draftsmen of the Treaty of Rome envisaged that all undertakings or associations of undertakings should enjoy equal advantages or development opportunities.

9. The application of the competition rules is not an end in itself, but should rather contribute to the achievement of the Community's aims as defined in the first articles of the Treaty.

(ii) Competition law under the Treaty of Rome and air transport

10. The Treaty of Rome devotes a separate title to transport. The reason for this is that the draftsmen of the Treaty were aware not only of the integrating function of transport but also of its special position and its problems.

The title on transport does not deal with the relationship between transport and competition but since the judgments of the Court of Justice of the European Communities in cases Nos. 167/73 and 2/74, the accepted view has been that the competition rules form part of the general provisions of the Treaty of Rome, that they therefore embody one of the basic principles of the Treaty and hence are applicable to air transport.

11. It follows that the competition provisions must be applied to air transport in order to give effect to the declared intention of the contracting parties. However, this stated intention also requires only such measures to be taken or provisions enacted as are necessary in the interests of the European air transport industry and the consumer.

(iii) Consequences of the full application to air transport of the competition rules of the Treaty of Rome

12. The committee has considered what consequences would flow from the full application to air transport of the competition rules of the Treaty of Rome. The following picture emerges:

- any airline could operate on any route;
- any airline could choose not to operate any unprofitable route;
- any airline could start or stop operating any route of its choice whenever it thought fit;
- any airline could charge the consumer whatever fare the market would bear;
- any Community airline able to operate more cheaply by virtue of national cost structures could oust from any route any airline of another Member State which did not enjoy the same conditions;
- jobs in the air transport industry would be displaced to the Member State or Member States having this low level of costs;
- the Community and hence each and every Member State would abandon adequate services on marginal routes; in other words they would abdicate economic responsibilities and duties;
- the present world system would be called into question and hence the established traffic rights of Community airlines in countries outside the European Community would be placed in jeopardy.

(iv) The international ramifications of air transport

13. There is practically no other area of international services that relies as much as air transport on international cooperation and uniform regulations and procedures. The present regulated system is organized between states by the International Civil Aviation Organization (ICAO), by regional civil aviation organizations, by a number of multilateral agreements and by the system of bilateral air transport agreements and governmental agreements which is based on the principle of national air sovereignty.

14. The airline companies responsible for international air transport links work together within the International Air Transport Association (IATA) which is not only a tariff fixing body but also makes a substantial contribution to harmonizing technical and business rules in air transport, to some extent through multilateral agreements. In addition regional organizations and bilateral cooperation agreements between airline companies operate on similar lines to and on the basis of the state system.

15. European air transport is politically, economically and technically part of the world system which also embraces bilateral air transport agreements and governmental agreements. Outstanding problems regarding the harmonization of Western European regional policy are dealt with by

the European Civil Aviation Conference (ECAC) comprising 22 member states, and by the Association of European Airlines (AEA) consisting of 19 airlines.

16. In addition, two consortia have been formed in the technical field:

- KSSU, comprising KLM, Swissair, SAS and UTA
- ATLAS, comprising Air France, Alitalia, Sabena, Lufthansa and Iberia,

whose main object is the maintenance by the division of labour of similar large-capacity aircraft operated by the participant companies.

The division of labour has resulted in considerable rationalization and substantially reduced costs. It has also led to the standardization of aircraft equipment among the participating companies.

(v) The role of air transport in relation to the economic activity and the citizens of the Community

17. The principal role of the Community's airlines is to maintain the regular air links for passengers and freight within the Community and throughout the rest of the world which are necessary, if not vital, for the Community's economy. In addition, the airline companies must meet the increasing leisure demands of the citizens of the Community, which means offering holidaymakers suitable services combining safety with value for money.

(vi) The state of integration in the Community

18. To date little progress has been achieved on the political and economic integration of the Community. It has not yet been possible to effect a suitable degree of harmonization in economic, financial, monetary and social policy. As a result, wide variations exist within the Community and affect both consumers (income, purchasing power, inflation rates) and industry (eg. level and structure of costs).

The committee therefore takes the view that some of the essential requirements for comprehensive uniform measures in air transport are lacking. National interests cannot readily be replaced by 'Community interests'. This being so, the committee feels it is urgently necessary for the organs of the Community to formulate guidelines for a common transport policy and in particular an air transport policy.

19. A common air transport policy would, in the opinion of the committee, have to be guided by the following basic principles:

- (a) viability and efficiency of the airline company
- (b) preservation of jobs and
- (c) improvement of services to users.

20. The three principles listed above are of equal value and must be duly taken into account when considering any alteration or development of a Community policy, although logically none of these principles can be realized unless that which precedes it is first put into effect. If any future innovation were to disregard even one of these three requirements, the result would not improve the overall air transport situation. On the contrary, it would seriously harm the Community's economic activities and policies.

(vii) Market access conditions

21. Under the present regulated system, market access is determined bilaterally with special account being taken of the principles of reciprocity and parity. This bilateral cooperation - both at government and airline level - has the object of neutralizing, as far as possible, competitive advantages and disadvantages arising out of national circumstances.

22. The committee devoted special attention in its deliberations to the question whether the liberalization of market access conditions would on the whole result in an improvement of the services offered by airlines. The present European airline network constitutes an economically balanced overall system consisting of busy routes between large traffic centres, routes with low traffic intensity and feeder routes. Any inroad into the first type of route threatens this system and in particular the maintenance of routes which have relatively low traffic levels but which nevertheless provide links important for the economic activity of the Community.

23. The Commission's proposal to open up routes by means of innovations in fares and marketing methods would certainly attract operators to the busiest routes. However, it would be unrealistic to expect interest in other routes, some of which are no more than marginally viable, especially if very low tariffs were introduced, in which case according to the laws of free competition, supply would be concentrated on the most lucrative services in terms of time and route. The overall result would, therefore, be a deterioration in the services offered.

24. The committee's view is that bilateral cooperation between governments and airlines should not be allowed to hinder the expansion of services where such expansion does not harm the existing airline network and services. Some thought should therefore be given to whether a multilateral

Community framework agreement could be worked out to provide more liberal access to the market in such cases.

25. In conclusion, the committee takes the view that no substantial changes should be made to the rules on market access under the existing regulated system until it can be shown that it is possible to achieve an equitable balance of the various interests within the Community with regard to free market access.

(viii) Proposal from the Directorate-General for Competition on the application of the competition rules to air transport

26. The Directorate-General for Competition recently submitted a preliminary draft on the application to air transport of the competition provisions of the Treaty of Rome. The substantive provisions of this essentially procedural preliminary draft exempt air transport from the competition rules of the Treaty of Rome only where technical matters are concerned. The adoption by the Council of this preliminary draft for a regulation on competition in air transport would eliminate the following airline practices:

- agreements on transport conditions and prices in point to point transport;
- multilateral tariff resolutions for the European tariff area which in turn are likely to prompt reactions from third countries;
- agreements on cooperation on aircraft maintenance with the attendant implications for ATLAS and KSSU;
- timetable agreements and commercial arrangements resulting therefrom;
- agreements on frequencies, capacity and times.

These are quite common and very important agreements, which are necessary for the economic operation of an air transport system.

27. The committee therefore takes the view that this limited exemption of air transport from the competition provisions of the Treaty of Rome is inappropriate. It considers that the existing regulated system should be maintained but that due account should also be taken of the interests of consumers.

(ix) Immediate full application of the competition rules of the Treaty of Rome?

28. The committee feels that in view of the consequences which, as outlined above, would follow on from the full application to air transport of the competition provisions of the Treaty of Rome by reason of the complex

nature of international air transport, the importance of air transport to economic activity and to the citizens of the Community, the state of integration of the Community and the lack, as mentioned above, of an overall conceptual framework for a common transport policy, it is vital to sound a warning against the full application of the competition provisions of the Treaty of Rome without exemptions in favour of air transport.

29. American experience has shown that de-regulation can bring certain benefits. But, at the same time, it has also shown that ill-considered legal changes can have disastrous if not devastating effects. The committee is therefore convinced that, as the Commission itself states in its memorandum, the present system should be changed only if it can be shown that such changes will benefit the development of air transport. Moreover, any changes must take due account of the financial soundness of the airlines to ensure that the highly skilled jobs in this industry are not jeopardized and that in the long term consumers are offered an adequate service.

(x) The committee's recommendations for the future development of air transport with particular reference to the Treaty of Rome

30. The committee urges the development of a phased plan for the application of all the provisions of the Treaty of Rome. Following its enquiries and hearings the committee has concluded that, having regard to the political realities, the following graduated scheme would be appropriate:

- (1) Measures which could or should eliminate distortions of competition and which should therefore be studied with a view to creating free and fair competition (equality of opportunity). These include:
 - (a) state subsidies,
 - (b) fixed rates of exchange for the tariff structure
 - (c) simplification of formalities for freight and passenger traffic in the context of a customs union and harmonization of taxes.
- (2) Measures to promote the integration of the Community or to facilitate air transport which merit attention for that reason, including:
 - (a) European air traffic control
 - (b) harmonization of technical standards for flight equipment
 - (c) promotion of inter-regional traffic
 - (d) recognition of qualifications of aircrew and ground staff

- (e) overbooking compensation system
 - (f) categorization of charter traffic
 - (g) consultation procedure for joint action on air transport with respect to third countries
 - (h) community relations with the ECAC and ICAO.
- (3) Measures which could and should only be taken when the process of integrating air transport in the Community has made further progress. These include:
- (a) application of competition rules with the associated consequences for tariff agreements (structure and level)
 - (b) market access
 - (c) right of establishment
 - (d) harmonization of working conditions of aircrew and ground staff.

B. T a r i f f s

(i) Level of tariffs

31. In its hearings and discussions, the committee examined the general public's persistent complaint that air fares in the Community and in Europe are too high and came to the view that the situation in Europe has to be judged by separate criteria.

32. At present in Europe about 50% of all travellers use cheap charter flights. Of the remaining 50%, about half travel at special rates, e.g. excursion, IT, guest worker and weekend fares, which are on average about half the scheduled fare¹. Thus only about 25% of people travelling in Europe pay the full fare. If, however, these scheduled fares are compared with scheduled fares in other parts of the world the conclusion must be that European fares are relatively high.

The committee therefore attempted to establish whether there were any reasons to explain this phenomenon. Various experts stated that the causes lay in the short distances, the often low loadings, with the consequent need to use small aircraft, the high cost of air traffic control, landing fees and staff costs.

Having studied European airline companies' profits and return on capital in recent years the committee did not form the impression that their tariffs were unreasonable. The committee's conclusion was that in future consideration should be given to whether the differences between

¹ According to the AEA, the proportion of charter traffic in 1978 was 58%.

the various types of tariff are justified or whether a change is called for. One idea would be for future agreements on tariff levels to reduce the scheduled fare while possibly raising other fares which do not make a proper contribution to covering overall costs. The committee does not, however, overlook the fact that the airlines need profits which not only cover their costs but also give a reasonable return on capital. It therefore urges an examination of the apportionment of costs to individual consumer groups.

(ii) Tariff structure

33. The committee's inquiries revealed that there is a greater variety of special fares in Europe than in other parts of the world. The committee welcomes the airline's and participating governments' desire to offer individual consumer groups made-to-measure tariffs, but this variety of tariffs has led to a situation in which most consumers no longer have any clear idea whether there is a special tariff for their journey. This produces the unhelpful result that although there is a favourable tariff that meets the traveller's requirements, he nevertheless pays a higher rate through ignorance. The committee considers that something has to be done to change this situation. In so saying, the committee realizes that any future changes to the tariff structure will require a clear choice between having either a range of tariffs or, alternatively, clearer, simpler tariffs. The committee takes the view that having regard to consumers' past bad experiences with the present wide range of tariffs, which are incomprehensible even to an airline employee, preference should be given to making tariffs simpler and hence clearer.

34. The committee has noted with interest the ideas on tariffs recently put forward by a number of European airline companies, which it views as a step in the right direction. The committee therefore considers that in future the number of European tariffs should as far as possible be kept to a minimum and made as simple as possible with conditions that every consumer can understand. It should also be possible, as under the new IATA statute, for new bilateral tariffs to be introduced between two or more Member States which take account of the special relationship or circumstances linking those states and their citizens.

35. The committee has also considered whether any change should be made to the existing tariff approval procedure by which the authorities of both states affected by a transport link must approve the tariff. In particular, consideration was given to the tariff approval procedures used under the American deregulation policy:

- country of origin, i.e. each state approves only the tariffs for outgoing traffic
- mutual disagreement, i.e. all tariffs remain valid so long as they are approved, until both states affected by the transport link prohibit a tariff.

The committee formed the view that this tariff approval procedure, quite apart from the unforeseeable consequences with third countries, does not at present offer a viable alternative for the Community. Given the Community's present state of integration and the great differences in social, economic, fiscal and economic policy in the Member States, what is needed is a tariff approval procedure which in the first instance examines the commercial viability of a tariff in the light of the prevailing national circumstances and subsequently achieves a fair compromise between the two tariff levels.

36. The long term goal of a consumer-oriented air transport policy must be to offer the consumer a comprehensive and adequate route network covering all regions of the Community at reasonable prices.

One condition of this however is that the Community's airlines must remain economically sound because otherwise not only will highly skilled jobs in the Community be threatened but inevitably unprofitable routes will be discontinued. This would then have exactly the opposite effect to that sought by the advocates of a more liberal tariff approval procedure, namely a reasonably priced, consumer-oriented route network.

III. THE AIR TRANSPORT NETWORK AND REGIONAL AIR SERVICES

37. Reference was made in the previous chapter to the risk inherent in the sudden introduction of a deregulation policy on the American model for regional air services in Europe. As was argued, it is highly likely that a sudden and total liberalization of intra-European air traffic would lead to the closure of secondary and less profitable lines. Keen competition on the lucrative routes between a presumably growing number of transport operators would make a tariff war virtually unavoidable, undermining the airlines' necessary sound financial base through excessively low and non cost-related tariffs and compelling them in many cases to stop operating certain regional flights.

38. Recent developments in the domestic air transport market in the United States since the 'Airline Deregulation Act' of 29 October 1978 show that this danger is not imaginary. While the profit margins of scheduled US air services rose from 2.6 to 5.2% during the period 1976-1978, a steady drop in passenger volume set in from July 1979 onwards, and even a substantial tariff increase of up to 30% could not prevent profit margins shrinking to less than 2%. According to observers the situation in 1980 is becoming even worse, as indicated by the results of the first quarter, which showed a loss of \$ 207 million compared with a loss of \$ 75 million in 1979. Losses of between \$ 500 million and 1,000 million are forecast for this year. Although the massive increase in fuel prices is a contributory factor, it would be wrong, in view of the size of the losses, to blame this disastrous trend on that factor alone. The plethora of discount and special fares, against a background of more and more aircraft carrying less and less passengers is just as much, if not more, to blame for this trend.

It is no wonder, therefore, that many regional flights in the United States are being discontinued, leaving some 170 cities without scheduled air services.¹ On the other hand, an increasing number of airlines are starting to operate on profitable routes. On the New York-Los Angeles route, for instance, seven companies are operating scheduled flights compared with three prior to deregulation, while at the same time it has become impossible to fly from New York to, say, Des Moines. In an effort to keep unprofitable routes in operation, the Civil Aeronautics Board has allocated subsidies amounting to \$ 20 million in its budget for 1980². The sum earmarked in the CAB's budget for next year is expected to be considerably higher.

¹ Washington Post of 8 May 1980

² It is reported that 'hidden subsidies' alone amount to some \$ 67 million

39. The Committee on Transport believes that the necessary lessons must be drawn from this development in the United States, particularly since the situation is very different on the two continents and the wholesale removal of regulations on regional flights in Europe may have even more disastrous consequences. Indeed, because of the use of larger aircraft, longer-distance flights, lower fuel prices and lower landing and air traffic control dues, productivity in the United States is appreciably higher. In addition, the pattern of European air traffic is characterized by a larger number of secondary routes and all too few busy primary routes¹.

40. Consequently, a similar, carefully considered and gradual approach is called for with regard to the promotion of inter-regional air traffic within the Community.

An assessment of the desirability of a new inter-regional air service should, in the Committee on Transport's view, be governed by certain basic principles. The factors it considers relevant are outlined briefly in the following paragraphs.

(i) The present structure of the European air transport network

41. It is abundantly clear that the prime consideration when contemplating the introduction of a new air service is whether it is worthwhile in the context of the existing air transport network.

This is an important factor, because introducing a new scheduled service on a route on which there is already a regular and adequate service, inevitably has a more or less serious impact on the profitability of that particular route.

42. According to the Commission, the existing network of air services in the Community is structured in a coherent and logical way and amply meets air transport requirements. In Annex II, paragraph 78 of its Memorandum the Commission adds that 'there are, however, a limited number of routes between second level airports where, taking account of regional development considerations, such services would be possible and desirable from a Community point of view'.

43. This opinion is not shared by all experts however. Many take the view that the intra-European network is characterized by an excessive concentration of flights on the major cities and main airports at the expense of regional centres and airfields. By virtue of the star-shaped pattern of the network, people living in the centre of the star have an advantage over those living in peripheral areas. The necessary cross-connections are also said to be lacking.

¹ By way of illustration, the AEA has calculated that of the 577 air routes served by its 19 airlines in the summer of 1979 between European airports, 47% of the total traffic was carried on only 50 of the 577. (Notice to Members PE 63.795, p. 2, paragraph 8)

It is often argued that the system of bilateral concessions based on strict reciprocity is responsible for this. The Committee on Transport feels that this argument is not strictly accurate and draws attention to the fact, pointed out by the British Airport Authority, that of the 1,500 or so existing route licences to European points from UK regional airports less than 100 are actually in operation¹.

44. In a study on air services in Europe², the ECAC (European Civil Aviation Conference) maintains that the European air network is roughly the right size and that the trend over the last decade towards the opening of numerous routes between hub airports and provincial airports will continue in the years to come.

It must be pointed out, on the other hand, that certain regional services have been abolished. British Airways, for example, stopped operating 26 regional services at the end of last year.

45. The Committee on Transport believes that before a decision is taken to expand the existing air transport network, consideration should be given to whether there is satisfactory scope for 'interlining', especially by means of transit flights, i.e. air transport services with only one intermediate stop³.

Very often passengers seem to prefer flights via a third, major airport with high frequencies to direct flights with a limited number of departures. Such a formula obviously improves the productivity of certain air services.

Furthermore, new routes should be adapted as rationally as possible to the current European network of scheduled services.

(ii) Potential demand and anticipated profitability of new air transport services

46. It is equally clear that actual traffic requirements and anticipated profitability are two fundamental and closely inter-related factors to be taken into consideration when contemplating new air services⁴. In order to evaluate them it is necessary, in particular, to:

¹ See Notice to Members PE 64.611, page 3, paragraph 17

² ECAC, Doc. 15 of 1978

³ Another factor which should be studied is the extent to which it is better to use small aircraft specifically for services to regions which are not served at present by the airlines

⁴ The ECAC has calculated, for instance, that at a frequency of 5 flights per week in a 100-seat aircraft and a load factor of 50 to 60%, the number of passengers carried per year is approximately 25,000 (Doc. 15/1978)

- (a) conduct a market study which takes into account, inter alia, the relevant data on population (total population, density and structure, percentage of working population) and on the economic situation (type and significance of economic activity, income and purchasing power) of the regions concerned, as well as the scope for stimulating demand and probable future trends in demand;
- (b) carry out a cost/benefit analysis in which naturally all relevant factors are carefully calculated and which can, if necessary, be used to determine the desired frequency and capacity of the aircraft to be used and proper cost-related tariff levels¹.

47. In this context it is clear, therefore, that liberalization - in the sense of granting unrestricted access to the market - can only be carried out gradually for the sake of the profitability and viability of the airlines.

(iii) Availability of alternative forms of transport

48. The existence of other transport technologies should not be overlooked either when evaluating the possibility of new air services. The most important factors here are the length of route, the presence of natural obstacles (such as seas) and the quality of surface transport.

Although healthy competition must be allowed to develop between the various transport sectors, the Committee on Transport feels that pointless and capital-intensive duplication of services at a time of recession and economic crisis must be avoided. It is unnecessary, in the committee's view, to operate a new air service on a short route which already has an excellent train service or where a new permanent infrastructure is being created for the operation of high-speed trains. Ultimately the consumer benefits more from complementary transport facilities and interconnecting forms of transport than from gaps in the network which can occur as a result of strong competitive pressure. Consequently, consultation and cooperation between the various transport sectors should be encouraged.

(iv) The capacity of air traffic control systems and airports

49. Expanding the air transport network without taking into account the capacity constraints of both the air traffic control system and the airports is fundamentally wrong.

¹ An extensive study of this kind was carried out, for example, on air services from and to the provinces by SOFREAVIA under the auspices of the French government's Transport Committee (see 'Inter-regional air services in Europe', Report No. 8, February 1980 of the Commission's Directorate-General for Regional Policy)

The capacity of the air traffic control system is dealt with in more detail in Chapter V.

50. The Memorandum has nothing at all to say on the subject of airport capacity and, in general, it also deals only superficially with the particular problems of airports.

51. It is a well-known fact, however, that many airports are having to contend with serious problems of capacity and some of them reach saturation point during the summer peak periods. Expanding airport infrastructure and facilities entails enormous investment and is not always feasible for reasons of environmental conservation or of geographical location. The same applies by extension to the siting of new airports.

(v) The scope for developing less-favoured regions

52. One of the main objectives of the European Community is to promote 'throughout the Community a harmonious development of economic activities' (Article 2 of the EEC Treaty). It is absolutely essential, as part of a balanced integration process, to make every effort to ensure that less-favoured regions in the Community share the benefits of European integration in a comparable way and furthermore that regional disparities are substantially reduced.

53. It follows that profitability should not be the only criterion used when planning new inter-regional air services. The Community should also make an effort, in the air transport sector, to improve the situation of economically less-developed and peripheral regions.

Numerous studies have been published on the role and significance of suitable transport infrastructures for the economic exploitation and development of a particular area, and there is therefore no need to dwell on this subject here. Furthermore, the previous Committee on Regional Policy, Regional Planning and Transport produced several reports on the subject. They include reports by Mr Gerlach (Doc. 355/76) on the regions and internal borders of the Community, by Mr Schyns (Doc. 678/78) on the problems of cross-frontier transport and by Mr Corrie on the peripheral coastal regions of the European Community (Doc. 113/79).

(vi) Possible subsidies for loss-making routes - amounts and conditions

54. It is obvious that if commercial criteria are subordinated to political objectives, such as the promotion of regional development, an equitable way must be found to finance these policy options. It is unthinkable that national authorities should commit their airlines to continue to operate

certain services which are uneconomic but are considered important for reasons of economic policy, without making provision for the necessary financial compensation. If this is not forthcoming, the operator in question makes a loss on this particular route and will try to pass on this loss to passengers on his profit-making routes, as long as his competitive position allows him to do so. If this is not possible, the airline drops irretrievably into the red and the national authorities have to intervene if they wish to prevent closure.

55. The Committee on Transport holds the view, therefore, that before state authorities commit airlines to operate loss-making services, the financial implications must be carefully examined and provision made for payment of the necessary compensation, so that the whole air transport sector does not have to suffer as a result of otherwise fair but commercially unjustifiable decisions by governments.

The committee is all too aware of the difficulty of giving an exact definition of 'public utility'. Nevertheless, it feels that the competent national, regional or local authorities should lay down as precisely as possible the conditions of implementation and the level of subsidies for unprofitable air services which they are committed to maintain. Moreover, subsidies of this kind must not be allowed under any circumstances to lead to distortions of competition.

56. Another aspect which should be examined is the support which the financial instruments of the Community can provide, within the context of the Community regional policy, for loss-making services which have a stimulating effect at regional level, looking in particular at less-developed or remote areas where other forms of transport offer no real alternative.

In this connection, paragraph 41 of the Memorandum points out that the European Regional Development Fund (ERDF), the European Investment Bank and the New Community Instrument (NCI) could be helpful in this respect. It should be noted that they have already provided support for infrastructure measures.

The Committee on Transport therefore calls on the Commission to study this problem in greater depth and to submit appropriate proposals to the Council as soon as possible. A central requirement here is the provision of adequate information on the type and volume of government aid.

57. An important point, to conclude this chapter, is that before the European air traffic network is expanded serious thought must be given to the criteria, set out above, remembering to take into account not only the

the interests of the consumer and the airlines but also the concept of public utility.

The Committee on Transport is shortly to consider the problem of inter-regional cross-border air traffic on the basis of a Commission proposal produced in response to the Council's request of 6 December 1979.

IV. THE SOCIAL ASPECTS OF AIR TRANSPORT

58. Although 'safeguarding the interests of airline workers in the general context of social progress' (paragraph 5 of the synopsis) is one of the four operational objectives set out in the Memorandum, the Commission has dealt only very briefly and superficially with the social dimension of air transport.

At its hearing of 24 April 1980 the Committee on Transport was made aware that the trade unions representing airline workers are particularly angry about this and that they had virtually rejected the Memorandum at the end of last year. The trade union representatives took this opportunity to express their annoyance at not having been consulted by the Commission when the Memorandum was being drawn up.

59. The Committee on Transport underlines the need to give most serious consideration to the social implications during the planning of transport policy measures. By organizing the above-mentioned hearings it believes that it has made a positive contribution towards initiating a dialogue between the parties concerned, although this experiment cannot, by its nature, provide an overall picture of the social issues. If the measures taken in the air transport sector are to be justified and relevant from a social viewpoint more thought has to be given to the social issues involved.

The social unrest which has disrupted the smooth running of air traffic in the Community over the past few years strengthens the committee in its conviction that a Community approach to air transport must not overlook the social repercussions.

60. On the basis of the recommendations put forward in the Memorandum, and using the information gathered by the Committee on Transport, the socio-professional aspects can be dealt with in this chapter under three specific headings.

(i) Free movement of airline workers and mutual recognition of diplomas

61. Just as the provisions of the Treaty of Rome on competition apply to air transport, so too do its provisions on the free movement of workers.

This Community objective has not yet been attained, because of the different national rules concerning qualification requirements for certain categories of airline personnel.

The mutual recognition of diplomas for air crews and ground staff, as well as the harmonization of working conditions, are among the nine priorities for Community action in the field of air transport laid down by the Council on 12 June 1978.

62. The Commission justifies its proposal by pointing out that 'the dismantling of national restrictions and greater interchangeability in personnel could improve the flexibility and efficiency of operations' (paragraph 33 of the Memorandum).

Some experts held that even if mutual recognition of qualifications and freedom of movement are achieved, interchangeability of staff between airlines will remain very limited, because of the hierarchical structure of these companies and the system, widely applied in Europe, of promotion on the basis of seniority.

Representatives of air transport organizations also warned about the danger of introducing free movement of airline workers in the Community without first harmonizing working conditions and salaries, because this would ultimately lead to serious distortions of competition. Airlines offering better conditions and/or higher wages would, they maintained, enjoy a relative competitive advantage.

63. Despite these reservations, the committee considers that the recognition of certificates of professional competence, diplomas, licences and similar documents, as well as the free movement of workers in the air transport sector, must be encouraged.

This involves laying down comparable minimum standards in the various Member States as regards education, training and retraining.

The Committee on Transport invites the Commission of the European Communities to formulate suitable proposals along these lines.

(ii) Harmonization of working conditions

64. It must be pointed out at the same time that the harmonization of working conditions in the air transport sector is anything but an easy task. Indeed, numerous factors make the attainment of this objective extremely difficult, in particular:

- highly divergent national legislation and administrative practices with regard to working hours, leave arrangements, social security schemes, pensions;
- the lack of harmonization of these provisions and practices at Community level;
- the considerable differences in average wage levels, salary conditions and taxation in the various Member States;
- the complex staffing structure of airlines comprising many distinct professional categories with widely differing status, qualifications and responsibilities.

65. In the light of this list of problems, which is certainly not exhaustive, the Committee on Transport naturally endorses the view expressed by the Commission that the harmonization of the working conditions of crews and ground staff is a long-term objective which requires further examination and the drawing up of an inventory (paragraph 34 of the Memorandum).

It welcomes the fact that the Commission has arranged for a comparative study to be made of the working conditions in the Community's air transport sector.

66. The Committee on Transport draws attention at the same time to the fact that the scope for harmonization at Community level is further restricted by the conflicting requirements, on the one hand, of the consumers for lower fares and better service, plus the need to increase productivity and the competitive pressures inside and outside the Community, and on the other hand, the need to improve the social conditions of airline personnel.

Consequently, the committee, which agrees in principle with a harmonization of working conditions in air transport, strongly recommends that a more detailed study be made of the advantages which could result both for airline workers and for European air navigation as such from specific harmonization measures.

67. The Committee on Transport considers furthermore that adequate account must be taken of the following basic premises when formulating the relevant proposals:

- harmonization measures must be aimed at lessening social tension in the air transport sector, so that strikes, working-to-rule and the resultant costly disruption of traffic may be avoided;

- the stringent qualification requirements and heavy responsibilities associated with certain functions, in particular those of pilots and air traffic controllers, must be reflected in suitable and fair pay and working conditions.

(iii) Security of employment

68. In paragraph 19 of this report it was stressed that the Community's air transport policy had to be guided by three basic principles; one of these is security of employment.

69. In this connection the Commission expresses the view, in paragraph 35 of its Memorandum, that the development of air transport in the Community will presumably create jobs in the aviation sector as well as in allied industries. It does not, however, rule out the possibility that rationalization and efforts towards higher productivity will mean redundancies, unless such measures are offset by a similar increase in air traffic volume. The Commission adds that a rapid expansion of air transport could have a detrimental effect on other transport sectors, possibly leading to redundancies here in the future.

70. The importance of security of employment in the air traffic sector cannot be overestimated, especially when it is realized that:

- some 250,000 people in the Community are employed by airlines and a further 500,000 work in airports, air traffic control and allied sectors¹;
- air traffic controllers and air crews, because of the strict medical requirements imposed for the safety of air transport, are threatened more than any other professional category by premature retirement, while their possibilities of finding alternative employment in another field are particularly limited;
- personnel costs are the main component of airlines' costs, accounting for an estimated 30-35% of their total operational costs and there is therefore a great temptation to achieve productivity increases via staff cuts;
- the vulnerability of the employment situation is heightened by the increasing use of advanced technologies and computers.

71. The Committee on Transport is emphatically opposed to any policy aimed at higher productivity and lower tariffs which is based on dismissals and layoffs. It takes the view that the European Parliament must assume its responsibilities with regard to the preservation of jobs.

The committee is fully conscious of the practical difficulty of reconciling rationalization and the requirements of transport users on the one hand with the needs of airline personnel on the other, but is convinced nevertheless that, within reasonable limits, maintaining employment must come first.

¹ British Airways alone provides employment for 57,000 people

Under no circumstances should Europe pursue a 'hire and fire' policy of the kind now often practised in the United States.

72. The Committee on Transport urges the airlines to follow the example of British Airways, whose policy is to guarantee stability of employment by ensuring greater mobility among its staff.

To conclude this chapter, the Committee on Transport wishes to stress how important it is that:

- airline personnel are regularly, objectively and fully informed on all important issues confronting the airline in question;
- personnel are consulted beforehand on the relevant re-organizational measures to be taken;
- a joint committee is set up at Community level consisting of representatives of employers and workers with a view to harmonizing working conditions;
- such harmonization measures must be carefully considered and introduced gradually.

V. AIR TRAFFIC CONTROL

73. In adopting the reports by Mr Noè on the promotion of efficient air traffic management and control (Doc. 49/78 and 106/79) and by Mr Janssen van Raay on the development of a coordinated European air traffic control system (Doc. 1-274/80), the European Parliament has broken new ground in the Community.

There is obviously little point in dealing with these issues again in detail. The rapporteur considers it best to confine himself here to the main conclusions of the report by Mr Janssen van Raay, adopted by an overwhelming majority on 10 July 1980. For more details readers are referred to the report in question.

74. This report points out that air traffic in Western Europe displays a number of serious shortcomings, which result from an excessive compartmentalization of the already limited Western European air space and a definite lack of coordination and cooperation between the national air traffic services (paragraph 6 of the resolution).

75. Mr Janssen van Raay called attention to the fact that these problems, in particular:

- a disturbing under-utilization of capacity of the air traffic control systems;

- a needless over-burdening of air traffic control staff and services and air crew;
 - all too frequent congestion with the resultant disruption, diversions and delays for air traffic and inconvenience for passengers;
 - unsatisfactory coordination between military and civil air traffic;
 - frequent incompatibility of expensive air traffic control apparatus and equipment;
- and
- the attendant unjustifiable increases in costs and waste of money and fuel,

can be resolved only by far-reaching cooperation and coordination between the various national air navigation authorities (paragraphs 7 and 8 of the resolution).

76. In this context the Committee on Transport called unanimously for the setting up of an integrated European system for the management of air traffic flows (paragraph 9) and asked that this task be entrusted to Eurocontrol (paragraph 10).

Furthermore, the Committee on Transport considered it desirable that, for active air traffic control, a similar integrated system be introduced involving the Eurocontrol Agency (paragraph 11).

77. With regard to the future role of Eurocontrol, the European Parliament urged that the agency be empowered to carry out active air traffic control in the upper airspace of the Member States of Eurocontrol and that, with the accession of Italy and Denmark in prospect, negotiations with these countries be intensified (paragraph 12).

Lastly the European Parliament strongly opposed any substantial undermining of the powers of Eurocontrol.

78. The Permanent Commission (Ministers of Transport) was to take a decision on the future of Eurocontrol on 8 July 1980. As it was not possible to consider Mr Janssen van Raay's report in plenary sitting on 7 July as planned, the President of the European Parliament sent a telegram to the competent Ministers asking that a final decision on the matter be deferred. This request was granted. On 20 November 1980, a final decision will be taken on the role and functions of Eurocontrol when the current convention expires in 1983¹.

¹ See the press release published after the meeting of the Permanent Commission on 8 July 1980 - Notice to Members PE 66.939

VI. THE AERONAUTICAL INDUSTRY

79. This is another topic which can be dealt with briefly, in view of the fact that the European Parliament has already delivered an extensive opinion on the matter in the report by Mr Guldberg concerning an action programme for the European aeronautical industry (Doc. 203/76).

Furthermore, this problem falls within the competence of the Committee on Economic and Monetary Affairs and little new information came to light at the hearing of 29 May 1980 on the aeronautical industry. There is also the fact that the Memorandum made only brief mention of the aeronautical industry, and the action programme published in 1976 needs to be adapted to recent and prospective developments in this field.

80. In its Memorandum the Commission makes the point that Europe's share of the world aviation industry is less than 10% and therefore every effort must be made to increase its market share. The Commission points out that an expansion of air traffic in Europe will probably increase the demand for new aircraft, although this is unlikely to be the case in the short term, because of better utilization of the existing fleet (paragraph 47).

The Commission adds that it is in the interests of air traffic and the aeronautical industry that aircraft manufactured in the Community should be as 'efficient and competitive' as possible. What this means in more precise terms is that account must be taken of energy shortages and fuel prices as well as environmental conservation requirements (excessive noise levels).

81. The Committee on Transport naturally endorses this analysis and welcomes the Commission's declared priority objectives namely:

- to support the Airbus programme and the diversification of aircraft building programmes;
 - to promote consultation between the Member States;
 - to encourage appropriate scientific research;
- and
- to promote contacts between airlines and manufacturers.

Lastly, the Commission refers to the possibility of involving Community financial instruments, in particular the New Community Instrument, the European Investment Bank and the European Regional Development Fund.

82. The Committee on Transport calls on the Commission to examine in more detail the points summarized in the previous paragraph and to submit to the Council as soon as possible specific proposals on these matters.

It naturally reserves the right to deliver a more detailed opinion concerning the aircraft industry, when such proposals are forthcoming.

VII. CONCLUSIONS

83. The Committee on Transport is all too aware that its attitude to the measures considered desirable in the field of air transport in Europe will be considered by some as too cautious. It is also aware, however, of its responsibilities in respect of the implementation of a Community air transport policy and considers it of prime importance to formulate realistic recommendations and set attainable objectives for the Community's air transport sector.

Naturally, it is particularly tempting to advocate a rapid and substantial reduction in current European air tariffs and to propose that economic forces should quite simply be given free rein. The Committee on Transport hopes, however, that it has demonstrated that the situation is not conducive to this approach and therefore sudden and radical changes are likely to have a counter-productive effect.

It cannot be denied that certain objectives, such as liberalization and significant price reductions on the one hand and the preservation of jobs, the maintenance and expansion of services to the consumer on the other, cannot be reconciled in the short term. It would be irresponsible therefore to make demagogic promises which could not be kept or to create false illusions.

84. However, this recognition of the need for caution must not become an excuse for putting off Community measures on air traffic indefinitely.

In this report the committee has attempted, therefore, to indicate which specific and practical measures should be taken and which aspects, while having much to commend them, need first to be examined in greater depth.

85. Finally, the Committee on Transport expresses the wish that its opinion on the possible and desirable contribution of the European Community to the development of air transport may lead to a better evaluation of the options and objectives open, with a view to the implementation of a balanced, responsible and profitable Community air transport policy.

VIII MINORITY STATEMENT

A minority of the Committee on Transport introduces the following statement:

'We appreciate the sense of fairness displayed by the Chairman of the Committee on Transport in agreeing that the point of view expressed in our unsuccessful amendments, (designed to give higher priority to the consumer), should be added to the committee report.

'Certain members were firmly of the view that the conclusion of this report are contrary to the Treaty of Rome, that the acceptance of this report by the European Parliament would be a retrograde step, that this report favours cartels and restrictive practices which impede the free movement of people and goods throughout the Community.

'These members believe that competition will have the effect of:

- (a) reducing fares significantly and giving the citizens of Europe a much wider choice of services, especially in the less developed regions. (For example, experience in the Scottish islands and in east and western England has shown conclusively that small privately owned airlines provide a better, more frequent, and cheaper service than national airlines.);
- (b) encouraging expansion within the airlines and aircraft manufacturing industries, thus increasing employment and wages.

'The European Parliament has a duty to look after the citizens of Europe whether they are travellers, airline employees, or employees engaged in aircraft construction. Competition holds the key to all three.'

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Draftsman: Mr I. FRIEDRICH

On 11 October 1979 the Committee on Economic and Monetary Affairs appointed Mr Friedrich draftsman of the opinion.

It considered the draft opinion at its meeting of 21 November 1979 and adopted it unanimously.

Present: Mr Delors, chairman; Mr Deleau, vice-chairman; Mr Friedrich, draftsman; Mr Balfour, Mr Beumer, Mr Banaccini, Mr Collomb, Miss Forster, Mr Herman (deputizing for Mr Tindemans), Mr Lange (deputizing for Mr Walter), Mr Leonardi, Mr Moreau, Mr Notenboom, Mr Petronio, Mr Vondeling and Mr von Wogau.

1. The motion for a resolution tabled by Mr James Moorhouse expresses the hope that the principles of free competition will be applied to air passenger transport in the Community at the earliest possible moment.

This concern has been expressed on many occasions by the Committee on Economic and Monetary Affairs. Appointed as the committee responsible on the motion for a resolution by Mr Kofoed on the restrictions of competition in the air transport sector (Doc. 235/78) on 7 July 1978 in plenary sitting, it considered the motion on 31 October 1978 and 6 April 1979, expressing the hope that it would be given further consideration by the directly elected members of the Committee on Economic and Monetary Affairs.

2. In addition, on 24 April 1979 the Committee on Transport delivered its opinion for the Committee on Economic and Monetary Affairs on the motion for a resolution by Mr Kofoed (PE 57.500/fin.), which it would perhaps like to revise.

3. In view of the close connection between these two subject, the Committee on Economic and Monetary Affairs decided merely to note the Moorhouse motion for a resolution, after having agreed to draw up shortly a detailed report on the Kofoed motion.

MOTION FOR A RESOLUTION (Doc. 1-242/79)
tabled by Mr J. MOORHOUSE
on behalf of the European Democratic Group

pursuant to Rule 25 of the Rules of Procedure

on civil aviation

The European Parliament,

- welcoming the recent statement by the Commission on the importance of an effective competition policy in the air transport sector,
- 1. Demands that urgent priority should be given to considering the steps now to be taken in the light of the Commission's paper;
- 2. Hopes and expects that the application of the principles of competition to air passenger transport in the Community will be effected at the earliest possible moment.

LIST OF EXPERTS ATTENDING THE HEARINGS AND LIST OF WRITTEN SUBMISSIONS

EXPERTS

1. At the committee meeting of 29 February 1980 on competition and tariffs
 - Mr ASHTON-HILL, deputy chairman of the Air Transport Users Committee;
 - Mr HAMMARSKJOLD, Director-General of IATA;
 - Sir Freddie LAKER of Laker Airways;
 - Mr VARRIER, Deputy Chairman of Dan-Air;
 - Mr ORLANDINI, President of KLM;
 - Mr WILLOCH, President of the ECAC (European Civil Aviation Conference).

2. At the committee meeting of 27 March 1980 on the air traffic network and regional services
 - Mr AMIRAULT, Secretary-General of the AEA (Association of European Airlines)
 - Mr HILL, Secretary-General of the ICAA (International Civil Airports Authority);
 - Mr LEGUET, Assist. director for 'Markets and forecasting', Air Inter;
 - Mr NORDIO, Chairman of Alitalia;
 - Mr STAUFFER, Director of Basel-Mulhouse airport
 - Mr TURNER, Planning Director of the British Airport Authority;
 - Mr VEIT, Director of Strasbourg airport;
 - Mr VELTJENS, Frankfurt airport;
 - Mr VERNIEUWE, Secretary-General of the ACE (Association of Independent Carriers in the European Community).

3. At the committee meeting of 24 April 1980 on social conditions in the air transport industry
 - Mr BAYERIT, Vice-Chairman of the International Transport Workers Federation, Civil Aviation Technical Committee;
 - Mr GOSTLING, Personnel Director of British Airways;
 - Mr IDDON, Secretary of the Committee on Transport Workers' Unions in the EEC;
 - Mr OUDIN, Vice-President of the International Federation of Air Traffic Controllers Associations;
 - Mr VAN DEN BROEK, Personnel Director of Sabena.

4. At the committee meeting of 29 May 1980 on the air transport network and the aeronautical industry
 - Mr CAHUZAC, Secretary-General of AECMA (European Association of Aerospace Manufacturers);
 - Captain GAEBEL, Flight Operations Director and head pilot of Lufthansa;

- Mr LEVEQUE, Director-General of Eurocontrol;
- Air Vice-Marshal PEDDER, chairman of CEAC (Committee for European
Airspace Coordination) of NATO;
- Mr SHAW, Deputy Director-General of IATA;
- Mr VERES, representative of the European office of ICAO (International
Civil Aviation Organization);
- Mr WILKINSON, Vice-Chairman of British Airways.

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WRITTEN CONTRIBUTIONS

1. AUC - Air Transport Users' Committee	PE 63.142
2. IATA (commentary on the Memorandum, in English only)	
3. Dan-Air	PE 63.437
4. ICAA - International Civil Airports Association	PE 63.522
5. ECAC - European Civil Aviation Conference	PE 63.552
6. Basel-Mulhouse airport	PE 63.665
7. ICC - International Chamber of Commerce	PE 63.671
8. Air Inter	PE 63.699
9. AEA - Association of European Airlines	PE 63.795
10. British Caledonian	PE 64.133
11. IBAA - International Business Aircraft Association	PE 64.140
12. Alitalia	PE 64.479
13. BAA - British Airports Authority	PE 64.611
14. CTWU - Committee of Transport Workers' Unions in the European Community	PE 64.612
15. ICAA - (supplementary comments)	PE 64.619
16. IFALPA - International Federation of Airline Pilots Associations	PE 64.633
17. APDC - Airline Personnel Directors Conference	PE 64.653
18. International Transport Workers Federation	PE 64.654
19. British Airways (comments on the Memorandum)	PE 64.665
20. IATA (comments concerning air traffic control)	PE 64.942
21. Sabena	PE 64.956
22. ACE - (Association of Independent Carriers in the EC)	PE 64.982

23. British Airways (comments concerning the air transport industry)	PE 64.991
24. ICAO - International Civil Aviation Organization	PE 64.992
25. Group of National Travel Agents' Associations within the EEC	PE 64.997
26. NATO - Committee for European Airspace Coordination	PE 64.998
27. CEEP - European Centre of Public Enterprises	PE 65.050
28. Lufthansa	PE 65.324
29. Eurocontrol	PE 65.345
30. Permanent Conference of Chambers of Commerce and Industry of the EEC	PE 65.375
31. AECMA - European Association of Aerospace Manufacturers	PE 65.537

