

SPEAKING NOTE

for Mr. Richard Burke, Member of the Commission of the European Communities
to the
EP Transport Committee Hearing on aviation policy -
competition and tariff structure, February 29, 1980

Brussels

Mr Chairman,

I do not feel it necessary to set out in detail the Commission's ideas on competition and tariffs in the air transport sector, which are detailed in the memorandum published last July.

I should, however, like to say how much the Commission appreciates the amount of work which your Committee is prepared to put into its examination of the issues raised in the memorandum, and of related issues.

As you know, the memorandum is designed to stimulate an in-depth debate, with a view to identifying the ways in which the Community can most usefully contribute to the development of this important sector.

The debate is well launched, and I fully expect that when you have completed your series of hearings, we will have a very clear idea of the main trends of opinion and, I believe, of the order of priorities.

As you know, we spoke briefly of the memorandum in the plenary session of Parliament last October. In December last, the Council also had a brief discussion which, while not going into any detail, nevertheless allowed us to form an idea of the broad lines of approach which the Governments of the Member States are likely to take.

There has also been a considerable amount of discussion outside the Community institutions.

From what I have heard and read so far, I conclude that the Commission has succeeded in identifying the key issues. There is some evidence in decisions recently taken by airlines to suggest that some of the suggestions made in the memorandum reflect, if I may say so, a realistic approach to some of today's problems.

Your topics today are competition and tariffs.

Paragraphs 68 to 75 of the memorandum set out the Commission's thinking on the application of the competition rules contained in the Treaty to the air transport sector. The memorandum attached to the programme speech delivered by President Jenkins to this month's Plenary Session states that the Commission will, in the first half of this year, put forward a proposal for a procedural regulation applying the provisions of Articles 85 to 86 to air transport.

Such a regulation would be directly applicable to public and private airlines to the extent that they are in a position to operate an independent business policy.

It would facilitate the investigation of suspected restrictive practices or abuses of dominant positions in cases where there is no evidence of direct state responsibility.

There are, of course, cases where the conduct of an airline (public or private) is governed by decisions of a public authority. In this connection, I would point out that Article 90 of the Treaty forbids

Member States enacting or maintaining in force measures contrary to the competition rules of the Treaty.

The question of tariffs is dealt with in paragraphs 56 to 60 of the memorandum. In paragraph 58, we put forward a number of suggestions for the development of tariff types which we believe would be useful in the framework of our general objectives.

These are :

- (i) the introduction of a third class,
- (ii) the introduction of special tariffs for a certain percentage of the capacity offered on condition that the fare is paid in advance and is not refunded or is only partly refunded if the passenger decides to postpone his flight,
- (iii) the introduction of a basic, no-frills point-to-point ticket for which additional services could be purchased such as reservation, interchangeability, etc.,
- (iv) the offer of a specified percentage of weekly capacity available on the routes in question at a tariff not exceeding 50 or 60 % of the economy class tariff with suitable conditions of sale,
- (v) the introduction of a European roundtrip ticket,
- (vi) general implementation of standby tariffs.

It is encouraging to note that a number of major airlines have recently put forward proposals or actually made decisions on tariff structures which coincide with some of these suggestions.

Tariff innovation is clearly very important in the development of competition. So also is the possibility of innovation in the type and

range of air services offered.

Paragraphs 52 to 55 and 61 to 64 of the memorandum cover this area.

I have confined myself to outlining very briefly the Commission's approach in relation to today's topics. I look forward to hearing the views of those whom you have invited.