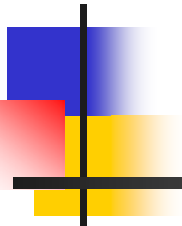


# Competition - Air Transport



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Commission Reg. 1617/93 on the application of Article 81(3) to certain categories of agreements and concerted practises concerning consultations on passenger tariffs on scheduled air services and slot allocation at airports

Sofia Alves – DG Competition, 9 November 2005



# The Regulation Covers:

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- Tariff consultations on passenger scheduled air services for interlining;
- Consultations on slot allocations at airports.
- Consultations organised in the framework of IATA; multilateral system (= individual exemption).



# Tariff consultations for interlining

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- Interlining: when passenger flies, on the basis of a single ticket, with two or more carriers.
- Ex. passenger flying London-Prague with stop-over in Paris with BA; CSA; AF.
- LON-PRG interlinable fare is agreed at IATA tariff conferences (block exempted).
- Airline issuing ticket collects revenue from passenger and compensates the airlines actually effecting the carriage at the pro-rated amount of the IATA rate agreed in the tariff conferences.



# Benefits for consumers

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- Widens the choices available to consumers by allowing them to combine the services of different airlines on one single ticket;
- Makes multi carrier journeys seamless (one single check-in; baggage check through to final destination)



# Indispensability

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- Carriers argue that consultations are indispensable to ensure minimum revenue for carriage of passenger on a given segment but with a total which is lower than a sum of segments.



# Slot allocation and scheduling conferences

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- Allows airlines and airport slots coordinators to meet in a multilateral forum to adjust slot allocation and schedules at airports.
- Reflects an operational necessity for airlines confronted with congestion problems at airports;
- Operates together with Reg. 95/93 on common rules for the allocation of slots at Community airports.
- Must be open to all interested carriers; slot allocation to be transparent and non discriminatory.



# Procedural issues

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- Legal basis: Council Regulation (EC) 3976/87 – enabling block exemption Regulation.
- Limited period – Reg. 1617/93 expired on 30/06/05.
- Commission obtained procedural powers to apply competition rules to extra-Community routes as from 1.05.04

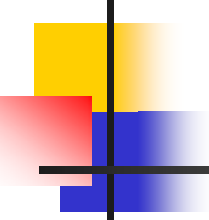


# Consultation process

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- DG COMP initiated a consultation procedure with interested parties on June 04. Possible prorogation and extension in scope (extra-Community routes).
- Stakeholders, NCA and third country authorities participated in the debate.



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- **Question debated:** mainly whether IATA tariff and slot consultations continue to provide a benefit to consumers beyond other forms of interlining existing in the market.
  - Market developments within EEA; growing importance of alliances and code share agreements.

New proposed draft Regulation is scheduled to be adopted by the Commission this month.

DG COMP is suggesting two things:

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- **Tariff conferences:**
- Limited exemption for intra-Community traffic (phasing out period allowing industry to adapt to new situation)
- Longer exemption for extra-Community traffic (new markets + strict regulatory frameworks)
- **Slots and schedule conferences:**
- Limited exemption (phasing out period allowing industry to adapt to new situation)



# Reasons

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- **Procedural:** Regulation 1/2003; no more individual exemptions (this Reg. amounts to an individual exemption);
- **Substantive:**
  - on intra-Community traffic IATA interlining is used for a very small proportion of travelling;
  - there are other ways of interlining which are substantial less expensive than IATA interlining fares.
- Assurances that tariff conferences are indispensable and benefit consumers is diminishing.