

Competition Policies and International Air Transport

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What is the ITF?

57 member countries and expanding
(34 OECD + 23 non-OECD)

Active in all modes of transportation

Independent organization housed at the
OECD

Council of Ministers of Transport, rotating
annual presidency

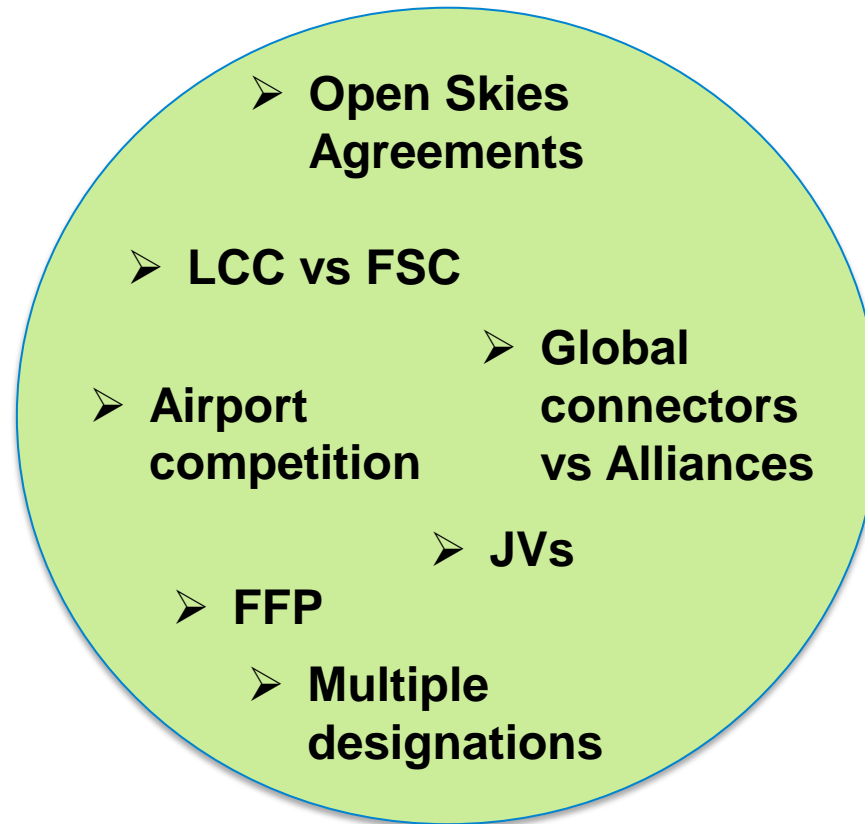
MOC in place with ICAO to cooperate in
areas of common interest

Aviation research projects on liberalisation,
level playing field, forecasting, airport
expansion and airport site selection.

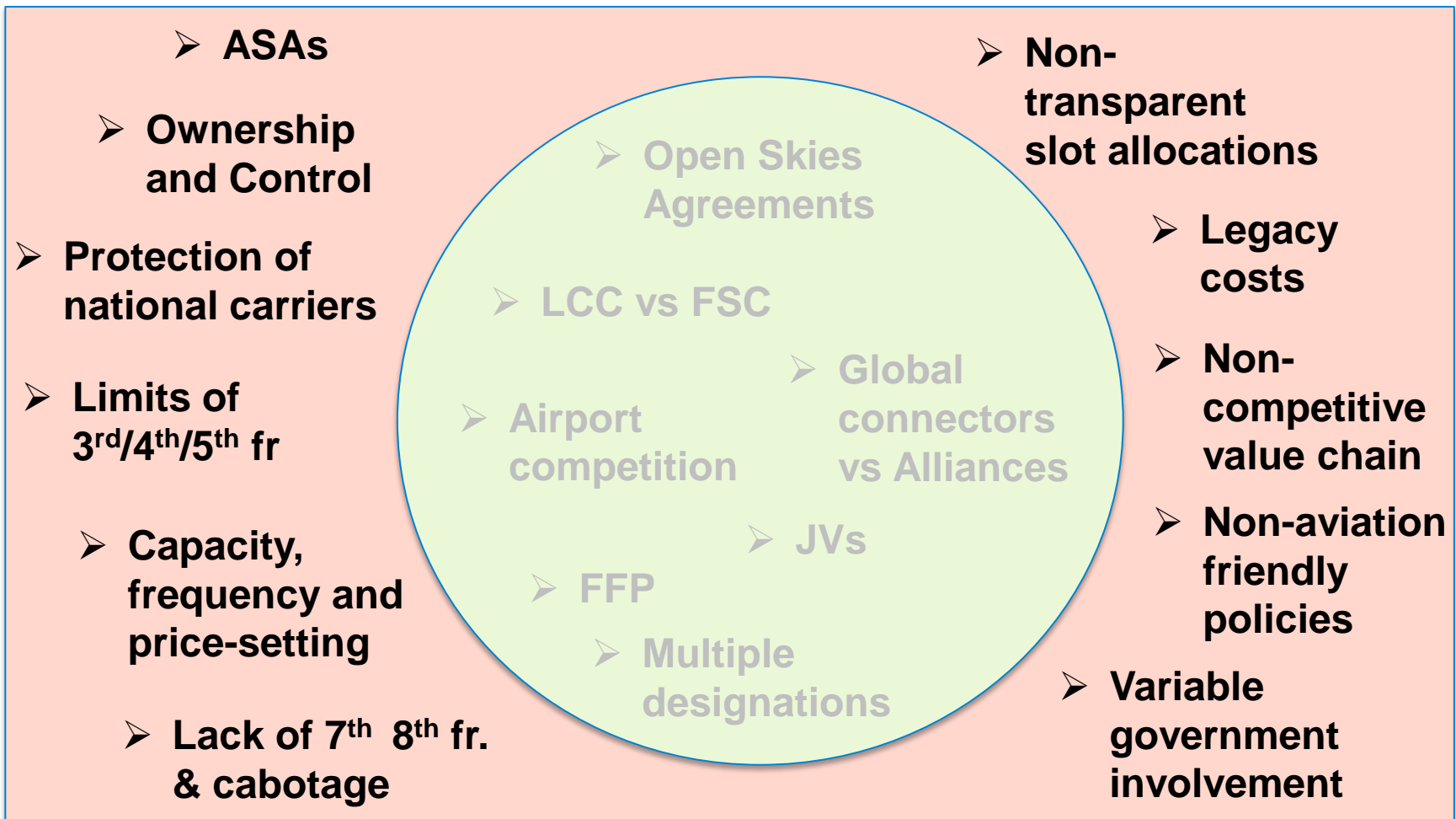


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Aviation operates in a highly competitive sphere ...



...trapped in one of the most restrictive policy framework of any industry!



Why haven't other industries espoused the aviation model?

Aviation: A fragmented monopoly?

- Locally, aviation behaves like a monopoly:
 - Few airlines on a given route;
 - Few airports within a catchment area;
 - Few ground handlers, caterers at an airport;
 - One ANSP;
- Globally, the industry is fragmented:
 - 1,400 + airlines;
 - No large global airport operator;
 - Many handling companies
 - No large, multinational ANSP;
- The challenge for competition authority: keeping the local market competitive while allowing the global market to seek synergies.

The Need for Competition Policies

- Liberalisation enables a greater potential of uncompetitive behaviour– hence the need for strong competition policies and oversight;
- Fragmentation + O&C restrictions encourage cooperation to provide some benefits of mergers- but cooperation can lead to collusion!
- Predatory behaviour on prices and capacity to consolidate market dominance;
- *Perceived* lack of fair competition can be an obstacle to liberalised markets – also excuse for protectionism!

Competition Authorities

- Competition authorities trying to keep the market open and fair – especially in fully liberalised markets;
- Aviation is global, competition laws are local;
- Air transport's exclusion from GATS means there's no global competition regime;
- Competition authorities successfully work together across jurisdictions in enforcing different national laws;
- US-EU cooperation good role model: joint investigation under different competition regimes

**Competition authorities are key
to making liberalisation a success.**

Working across borders

- Some competition issues apply at the route level – easy to analyse jointly under different jurisdictions:
 - Market dominance;
 - Excessive capacity;
 - Price below costs;
 - Discriminatory pricing;
- Other issues apply with the business model – requires a more global lens:
 - Cross-subsidies across a vertically integrated group;
 - State subsidies;
 - Slot allocation policies;
 - Labour laws;
 - Taxation;
 - Solvency laws and distress relief.

Competition
authorities do not
usually regulate
government actions

Conclusion

- Aviation tends to be quite competitive but can also behave as a monopoly/duopoly at a local level;
- National competition authorities should cooperate despite legislative differences;
- Competition policies in international aviation should address:
 - Market concentration;
 - Ownership and control restrictions;
 - Removing barriers to entry
 - The lack of a common framework for subsidies;
 - Fair and transparent slot allocation policies;
 - A competitive landscape throughout the aviation value chain.

Food for thought

- Who regulates the actions of sovereign States?
- Can the response to unfair competition not involve restricting traffic rights?
- Why not include air transport GATS?
- How can ICAO foster greater cooperation between competition authorities?
- Can and should competition rules be harmonized only for aviation or nationally aligned with other sectors?

Thank you very much

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<http://www.internationaltransportforum.org/2016>



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