

**WORLDWIDE AIR TRANSPORT CONFERENCE: CHALLENGES AND
OPPORTUNITIES OF LIBERALIZATION**

Montreal, 24 to 29 March 2003

- Agenda Item 2: Examination of key regulatory issues in liberalization**
- 2.1: Air carrier ownership and control**
 - 2.2: Market access**
 - 2.4: Consumer interests**

**AIR CARRIER OWNERSHIP AND CONTROL; LEASING; SLOTS;
CONSUMER INTERESTS**

(Presented by International Air Carrier Association)

SUMMARY

International Air Carrier Association (IACA) supports the views submitted by International Air Transport Association (IATA) on air carrier ownership and control (ATConf/5-WP/26) and on slot allocation (ATConf/5-WP/27).

IACA considers that it is vital that airlines are permitted the freedom to lease aircraft, wet or dry, subject to essential safety requirements.

As for the consumer's interest, IACA urges governments to be fully aware of the differences, both legally and operationally, between scheduled flights and charter flights, and act accordingly. It is also considered of major importance that governments enhance competition rather than strengthen the consumer's position as such towards the airlines. Enhancing competition creates opportunities for the consumer to make his own choice, whereas burdening the airlines with high and disproportionate costs (in terms of compensation fees or otherwise) will in the long run be detrimental to the consumer's interest.

Action by the Conference is in paragraph 6.

1. INTRODUCTION

1.1 IACA is the International Air Carrier Association established in 1971 and represents airlines whose customer base is significantly or predominantly accounted for by the leisure traveller. Its thirty-three members carried more than 118 million passengers in 2001, utilising a fleet of over 650 aircraft and providing jobs for more than 50,000 employees worldwide.

2. AIR CARRIER OWNERSHIP AND CONTROL

2.1 IACA fully supports the working paper submitted by IATA (ATConf/5-WP/26) on this very important issue.

3. AIRCRAFT LEASING

3.1 There should be no economic restrictions on dry or wet leasing in any liberalized air transport environment. The leasing of aircraft is extremely important to the finances of IACA member airlines. IACA considers that it is vital that airlines are permitted the freedom to lease aircraft, wet or dry, subject to essential safety requirements.

3.2 Some ICAO Member States currently do not reciprocate the ability its carriers have to wet lease their aircraft into the European Union (EU) market. This is a protectionist barrier.

4. SLOTS

4.1 IACA fully supports the working paper submitted by IATA (ATConf/5-WP/26) on this very important issue.

5. CONSUMER INTERESTS

5.1 IACA is aware of the increasing focus on consumer interests throughout the aviation industry over the past few years and acknowledges the importance of the issue. IACA has actively taken part in the implementation of various initiatives taken in the EU in this context.

5.2 The position of a passenger on a scheduled flight differs from that of a passenger on a charter flight (except where the passenger has made a "seat only" arrangement with the airline or its agent), as a charter passenger generally has no direct contractual relationship with the airline but has such a relationship with the tour operator.

5.3 The fact that charter carriers do not generally interline with other airlines also removes the need for their conditions to be in common form. However many charter airlines do follow the form of Resolution 724.

5.4 Some charter carriers do not issue their own tickets, but rather passengers are issued with tickets by the tour operator which identify the airline in question, normally include the tour operator's conditions of contract in standard form and refer to the airline's conditions of carriage.

5.5 Charter flights also differ from scheduled flights in operational terms. As mentioned in the introduction to this paper, the customer base of IACA airlines is significantly or predominantly accounted for by the leisure traveller. Therefore, IACA member airlines very often fly to small airports where hardly any service is available to the passenger. These airports are often closed during night time.

5.6 Variety in service levels between airlines, both in scheduled and in charter services, is a fact of life these days. Competition is the key word when it comes to innovation and introducing new market strategies. This development should be seen as a major step towards an increase in choice for the consumer, and should therefore be enhanced by governments.

5.6.1 Whenever considering intervention, governments should realize that strengthening the position of the consumer usually means burdening the airline with extra costs. These costs will eventually have to be paid by that very same consumer. In the end these measures will be detrimental to the consumer's position.

5.6.2 Further regulation, particularly on a EU basis, places European air carriers at a competitive disadvantage and raises issues of extra-territoriality, which invites reciprocity. Inconsistencies in consumer rights could develop which are not in the consumer's interest.

5.6.3 Taking into account the way in which the vast majority of airlines have adhered to voluntary commitments with regard to the most basic consumer rights, governments should enhance competition rather than strengthen the consumer's position. IACA calls on governments to ensure that any regulatory measures are fully justified and proportionate.

5.6.4 As far as proportionality is concerned, IACA has the view that compensation fees, e.g. with regard to denied boarding or delay, should in some way be related to the price paid for the transport.

6. ACTION BY THE CONFERENCE

6.1 IACA recommends that the Conference incorporate in its conclusions recognition of the differences between leisure transport and scheduled transport when it comes to the position of the passenger towards the airline.

6.2 IACA supports the conclusions drawn by the ICAO Secretariat in WP/13. However, IACA recommends the Conference to add the following to its conclusions:

“As regulatory measures usually involve an increase in costs for the airlines, government intervention by way of regulatory measures should only take place when justified by an identifiable increase in benefits to the passenger on the issues concerned.”