

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

Montreal, 24 to 29 March 2003

Agenda Item 1: Preview

1.1: Background to and experience of liberalization

**EFFECTS OF LIBERALIZATION OF AIR TRANSPORT WITH
REGARD TO AIRPORT CONGESTION AND ENVIRONMENTAL
NUISANCES**

(Presented by France)

SUMMARY

This paper presents measures that were taken to accompany the liberalization of air transport in France and to mitigate certain phenomena with regard to airport congestion and environmental nuisances. The lesson that was drawn from this is that it is highly desirable to anticipate, to the extent possible, certain effects that may result from the liberalization of air transport.

Action by the Conference is in paragraph 5.

1. INTRODUCTION

1.1 The objective of the liberalization of air services is to give carriers the freedom to determine and to adapt their supply of transport according to their assessment of the market and according to the competitive position that they wish to adopt.

1.2 In Europe, as a result of the liberalization movement that was started in 1986, but intensified as from 1992, the strategy of the major operators has been to:

- increase the frequencies on high-traffic services;
- diversify the network of services to secondary airports, particularly foreign airports.

This phenomenon therefore affected both domestic and international services.

1.3 In France, the historical operator, Air France, had to confront the arrival of competitors in 1995 as a result of the implementation of the liberalization of domestic services. The airline responded to the arrival of competitors by creating in 1996 a shuttle service on the main routes, the frequency of which at certain periods of time has been increased progressively to there being a shuttle every 30 minutes. The competitors themselves then had to implement schedules with up to ten flights per day in each direction, even if it meant using small aircraft such as the Fokker 100. It must be recalled that on the French domestic market, three main routes (Paris-Nice, Paris-Marseille and Paris-Toulouse) have considerable traffic flows since each of them (added in both directions) was close to two million passengers per year in 1992 and this increased to three million in 2000.

1.4 The opening up of the air transport market has also led to the strengthening or creation of “hubs”, both at Paris-Charles de Gaulle (with Air France) and at regional airports (mainly, Lyon with Air France, Bâle-Mulhouse with Crossair, Nice with Air Littoral and Clermont-Ferrand with Régional), as well as more recently to the development of services by “low-cost” carriers.

2. EFFECTS OF LIBERALIZATION OF AIR TRANSPORT

2.1 The operating conditions of the main domestic routes in France were changed as follows:

a) The number of movements increased considerably:

Besides the increase in the number of operators, the number of flights increased considerably between 1992 and 1998:

- from 40 to 60 flights per day between Paris-Orly and Nice;
- from 25 to 62 flights per day between Paris-Orly and Marseille;
- from 23 to 71 flights per day between Paris-Orly and Toulouse.

b) The size of the aircraft decreased:

i) Since the number of flights increased very considerably and more quickly than the number of passengers carried, the average number of passengers per flight decreased. From 1992 to 1998, this number dropped:

- from 160 to 88 passengers between Paris and Toulouse;
- from 150 to 90 passengers between Paris and Marseille;
- from 140 to 110 passengers between Paris and Nice.

ii) The airlines adapted by reducing the size of their aircraft. On services departing from Paris-Orly, the Airbus A300 with 314 seats (which performed 24% of the movements in 1992) and the Airbus A330 with 412 seats (in operation as from 1993) were withdrawn from service and the Airbus A320 and its derived versions (A319, A321) became the dominant aircraft type with 41% of the movements.

c) The quality of the services increased:

Liberalization benefited air passengers with regard to three points:

- on the main services, they were offered the possibility of choosing between two or even three operators;
- the number of possible flights increased considerably on the main services;
- the waiting time between flights was reduced and passengers were given the possibility of easily switching to an earlier or later flight (the “shuttle” system put in place by Air France).

2.2 The consequences were the following:

a) The problems of noise nuisances increased:

The reduction in the size of the aircraft generally reduced the noise impact of each flight. The repetition of noise events is however a factor that aggravates the discomfort experienced by those living near airports.

b) The airport congestion problems increased:

The considerable increase in the number of movements was reflected by periods of saturation of certain airport infrastructures (saturation of runways and aircraft parking positions, etc.). In fact, the airlines intensified their supply at the most attractive times from the commercial point of view (early morning/late afternoon) which were already the most congested. These saturation phenomena were accentuated by the “hub” system which tends to concentrate traffic at certain periods of time. The airport infrastructure developments did not make it possible, on their own, to eliminate these situations.

3. ACCOMPANYING MEASURES

3.1 In this context, it appeared necessary to introduce different measures to change the direction of certain phenomena resulting from liberalization.

3.2 One possible approach could have been to introduce elements of economic regulation through the setting of tariffs, for example by adjusting the charges for using the infrastructures according to the time of day. Up until now, the French authorities have not chosen this route.

3.3 The European and French regulatory authorities have taken accompanying measures that are proportional to the problems encountered:

- i) At the European Community level, Regulation 95/93 introduced a system for the allocation of slots at airports that are particularly congested and classified in the category of coordinated airports. In applying this Regulation, the French authorities decided to classify Paris-Orly, Paris-Charles de Gaulle, Lyon-Satolas and Nice-Côte d’Azur airports in this category. In this way, one ensures that operators do not schedule more flights at peak times than the airport system can physically handle.
- ii) To complement this, the French authorities put in place measures to reduce congestion and noise at Paris-Orly and Paris-Charles de Gaulle:

- at Orly airport, in order to reduce the pressure of the demand for flights at peak times in the morning and in the evening, the national authorities imposed a minimum capacity per flight related to the traffic of the service in question (for example, for a service with more than 250 000 passengers per year, the minimum capacity is 100 seats); this criterion applies to carriers performing more than four return flights per day between Orly and any airport located in a State where the Community regulations concerning air transport are applied. In order to limit the impact on the environment of the activity of this airport which is located in a dense urban fabric at the gates of Paris, the French authorities also decided to put an upper limit of 250 000 on the number of slots that can be allocated per year. Slots are then allocated by applying the above-mentioned Community Regulation;
- at Paris-Charles de Gaulle airport, the sustained growth of traffic led to an increase in capacity with the construction of additional runways, as well as a set of measures to contain the noise nuisances, particularly at night.

4. CONCLUSIONS

4.1 Liberalization of air transport has clearly had positive effects in France for the consumers, but the national and airport authorities have been confronted with insufficient capacity and new environmental problems resulting from the considerable increase in the number of flights. They have put in place measures to anticipate or to contain these phenomena that result from liberalization.

4.2 This experience leads one to recommend evaluating in advance and anticipating, to the extent possible, certain effects that may result from the air transport liberalization processes.

5. ACTION BY THE CONFERENCE

5.1 The Conference is invited to note certain possible effects of liberalization on airport infrastructures and the environment.

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