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EUROPEAN COUNCIL, LUXEMBOURG

1/2 DECEMBER 1980

CIVIL AVIATION

Brief by Department of Trade

OBJECTIVE

1. To argue for a liberalisation of air services if criticised for alleged protectionism in other areas.

POINTS TO MAKE

2. We have taken a liberal attitude and sought to make progress under the Treaty in a number of areas. We have both initiated and supported a gradual liberalisation of the present tightly regulated system. Disappointed at the very restrictionist response of other Member States.

3. Air transport an area where the Common Market needs to be completed. We are not seeking US style total de-regulation but air traveller needs a better deal in Europe. Better to agree on sensible measures on fares and route entry now than to await a possible Court judgement on competition policy grounds.

4. Efficient air services essential to proper development of intra-Community trade and for our citizens to move freely. Airlines should be free to offer what the customer wants at a competitive price. Businessmen expect liberal regime in aviation to parallel Common market in goods.

5. Recognise work already accomplished. Needs to be accelerated. Important that there is early action on the measures currently under discussion in the Community.

BACKGROUND

References: None

6. The UK has been pressing for more liberal arrangements in the regulatory system for aviation in Europe both bilaterally with European countries and in the wider 22 National European Civil Aviation Conference, as well as in the Community. Nearly all European States are fundamentally against such liberalisation, as they see the role and profitability of their national airline as of prime importance. Because of the possibilities under the Treaty, the Community has been the prime area in which we have sought to make progress. We instigated last year a study of measures to improve services between regional areas in the different Community States and as a result of this the Commission is now putting a Draft Regulation to the Council for consideration, initially at the official level Transport Working Group. The UK's proposed Draft Directive to liberalise the carriage of low weight high speed parcels is also already under discussion in the same Group. We have had particular difficulty with the important question of air fares [on which public attention has focussed] but last June we succeeded in getting the Council of Transport Ministers to agree to an examination of this whole subject by the Commission in consultation with national experts. Our aim is to move from a system where fares have to be approved by both sides to one where the sending state only regulates fares.

7. We hope that these initiatives will come to the Council of Transport Ministers for decision either during the Dutch Presidency in the first half of 1981, or during the UK Presidency in the second half of the year when we shall have some influence over the timing and scope of subjects discussed. In that period the Commission is also likely to respond to complaints about route entry and high air fares made by a Danish airline and by Lord Bethell MEP. We believe that these and other activities may well result in due course in a ruling that the present system for restricting access to routes and that the practice of airlines agreeing European fares in the

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IATA regional traffic conference and the refusal of other States to accept lower fares proposed by our airlines are contrary to the Treaty. This would not suit us because of the competence implications for both aviation and shipping. The prospect of this may give some incentive to other States to agree to some liberalising measures and we have urged them to do so by voluntary agreement in the Council so that Member States can retain control over the scope and pace of liberalising measures.

8. The Prime Minister does not think that there would be any profit in raising this matter directly in Luxembourg.

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