



EUROPEAN UNION

~FACTSHEET~

AIR TRANSPORT AGREEMENT

Issue

The EU's ultimate goal is to establish an "Open Aviation Area" (OAA) between the European Union and the United States. The intention would be to combine the deregulated US domestic market with the liberalised EU single market to create a free trade area in air transport.

EU policy aims

- To secure the full liberalisation of air services between and within both the EU and the US;
- To create greater flexibility for the airline industry to grow and re-structure;
- To ensure that effective competition is preserved and promoted in order to maximise the economic benefits to air travellers and shippers;
- To guarantee high standards of safety, security, environmental protection and passenger protection through strengthened regulatory co-operation; and
- To bring agreements between EU Member States and the US into conformity with Community law following the judgements of the European Court of Justice of 5 November 2002.

EU strategy

The EU's aims would be secured through a comprehensive aviation agreement with the US. Achievement of the EU's objectives in full would require significant legislative changes in the United States. In particular establishing an OAA would require changing existing US laws in relation both to foreign ownership and control and to cabotage. This is an ambitious goal that goes considerably beyond the traditional US "open skies" approach. In view of this, the EU aims to adopt a phased approach, and negotiations have focused on how to achieve a comprehensive and well balanced first-stage agreement, which includes a shared commitment to proceed with subsequent negotiations on a second stage.

Link to US

The United States is the EU's biggest aviation partner. Establishing an open aviation area with the US would generate significant economic benefits and would set a model for aviation liberalisation worldwide.

The wider context

The air transport industry is an essential part of the increasingly global economy. Yet it remains governed by a regulatory framework designed in the aftermath of the Second World War. Air services between the EU and the US continue to operate under a regime of bilateral agreements between individual EU Member States and the US. These agreements serve to restrict competition and prevent the airline industry from adapting fully to the requirements of the market. US open skies agreements with many, but not all, EU Member States have gone some way towards liberalising the market, but have left key restrictions in place. In particular the airline industry is prevented by strict limits on foreign ownership and control from reaping the benefits and efficiencies of drawing on international capital that other industries are able to exploit. EU/US negotiations provide an opportunity to give the industry greater freedom and allow it to break out of its current situation, to the benefit of consumers and the economy.

Facts and figures

A report by US consultants, The Brattle Group, has estimated that an EU/US open aviation area would generate upwards of 17 million extra passengers a year, consumer benefits of at least \$5billion a year, and would boost employment on both sides of the Atlantic.

History

The European Court of Justice ruled on 5 November 2002 that certain provisions in existing agreements between certain EU Member States and the US were incompatible with European Community law. These provisions therefore need to be amended through an EU/US agreement, giving added impetus to the need for reform.

Negotiations were launched at the EU-US Summit in June 2003. Eight rounds of negotiations were held between October 2003 and November 2005, and the text of a first stage agreement was finalised on 18 November 2005.

On 5 December 2005 the Transport Council expressed its unanimous satisfaction with the text of the draft agreement. However, in making a decision whether to proceed with the agreement, the Council will take into account the outcome of an ongoing rulemaking process initiated by the US Department of Transportation (DOT) in November 2005 that would re-interpret the statutory requirement for US airlines to be under the “actual control” of US citizens so as to expand opportunities for foreign citizens to invest in and participate in the management of US airlines. The outcome of the US DOT process is anticipated in the second half of 2006.

For more information go to: http://europa.eu.int/comm/transport/air/international/index_en.htm

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