



EU SEEKS TOUGH CURBS ON AIRLINE SUBSIDIES IN AVIATION AGREEMENTS: DOCUMENT

News / Airlines



The European Union is seeking tough limits on public subsidies to airlines and the option of revoking their traffic rights as part of new commercial aviation agreements it wants to negotiate with several countries including Turkey and the United Arab Emirates.

A draft "fair competition clause", seen by Reuters, which the EU executive wants to include in air transport agreements, lists the forms of public support that could be considered unfair, such as protection from bankruptcy, provision of capital, tax relief and cross-subsidisation.

The clause proposes a consultation period of 30 days in cases of disputes over unfair subsidies to an airline. Should talks fail, the complaining country would be able to suspend or revoke the airline's air traffic rights as well as impose duties.

The European Commission is seeking a mandate from EU governments to begin talks on air transport agreements with a number of countries including China, Turkey, United Arab Emirates, Kuwait and Qatar.

Such agreements, at the moment often done on a bilateral basis between the governments of two countries, would set out where and how often foreign airlines could fly into the EU, and vice versa.

The issue has become politically charged since some European legacy carriers, notably Lufthansa

and Air France KLM, as well as major U.S. airlines, have accused Gulf carriers of receiving unfair state subsidies, allegations they have rejected.

Europe's aviation industry, which contributes 110 billion euros (\$124.60 billion) to EU gross domestic product, has been hit by the rapid expansion of Gulf airlines, such as Emirates [EMIRA.UL] and Etihad, and shifting traffic flows to Asia.

A spokesman for the Commission said it supported the objective of ensuring fair and open competition in the aviation sector by promoting EU-level air transport agreements and considering new measures to address unfair practices outside the 28-member bloc.

"Each contracting party shall eliminate all forms of discrimination or unfair practices which would adversely affect the fair and equal opportunity of the airlines of the other contracting party to compete in providing air transport services," the clause says.

Public subsidies or any other form of support should be made transparent by the receiving airline, including by identifying or separating it clearly in its accounts, the clause says.

The setting off of operational losses, foregoing a normal return on public funds invested or discriminatory access to airport services would also count as unfair public subsidies, the document says.

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SOURCE: REUTERS

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