

# Current Priorities in Competition Enforcement in the Aviation Sector



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# Background

## INDUSTRY CHALLENGES....

- **Increasing passenger growth**
- **Congestion at main European airports**
- **Environmental challenges**

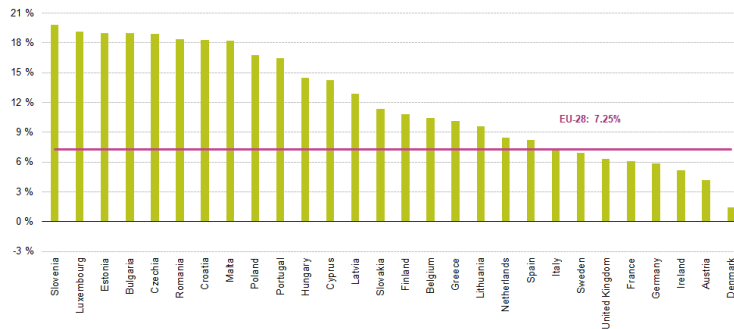
## ... IMPACT COMPETITION ENFORCEMENT WORK

- **Pressure on costs may lead to further exits**
- **Further consolidation at main European airports needs to be assessed carefully -> ever high barriers to entry**

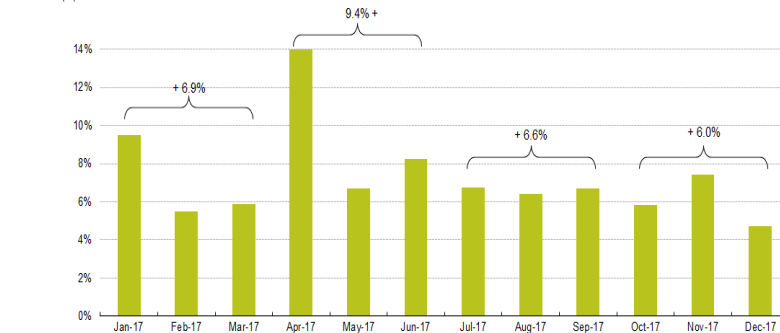
# Dynamic growth of passengers ...

## Intra-EU

2016-2017 growth in total passenger air transport by Member State (%)

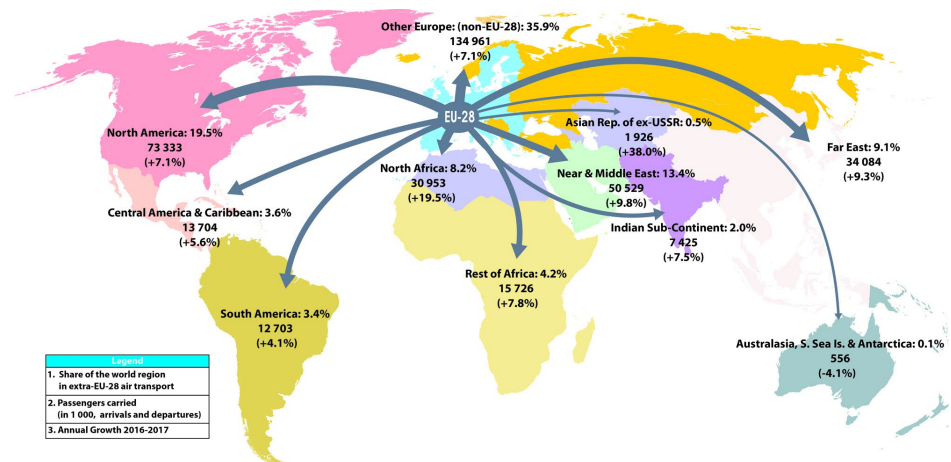


EU-28 monthly growth in air passenger transport, 2016-2017 (%)



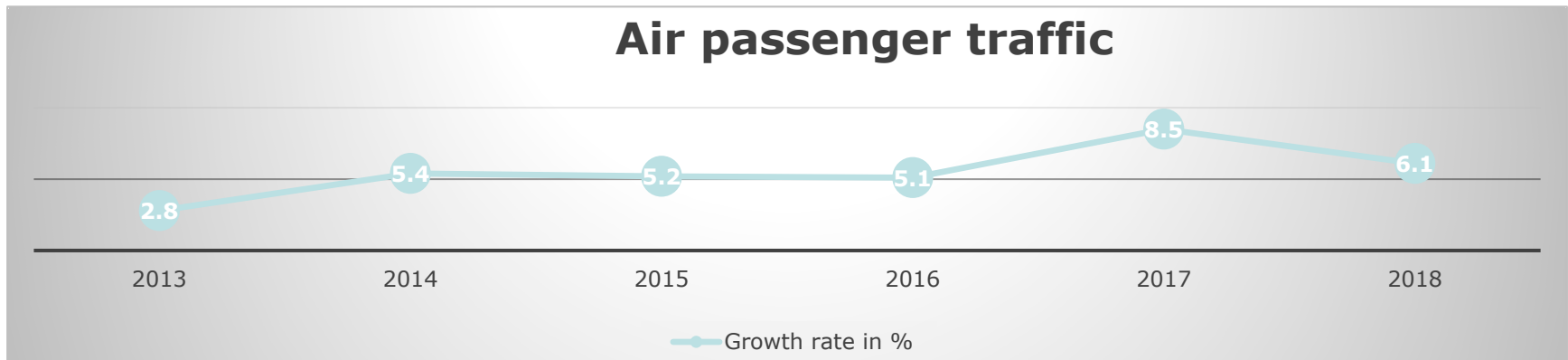
Source: Eurostat (online data code: avia\_paoc)

## Extra-EU



## ...and airports

### Air passenger traffic



*European airports = 2.34 billion passengers in 2018*

*Regional airports (< 3 million passengers p.a.):  
**82% of EU airports but only 13% of traffic.***

# 2015 Aviation Strategy

- Generate growth and let passengers benefit from competition across the air transport value chain
- Role of competition law:
  - **Generally: support the liberalized market**
  - **Merger control: to prevent consolidation takes place at the expense of consumers**
  - **State aid: ensure that government interventions do not distort level playing field**
  - **Antitrust: tackle anti-competitive practices**



# Ongoing consolidation wave

- DL/AF-KLM/Virgin Group/Virgin Atlantic JV
- Further acquisitions stemming from bankruptcies



# Analytical framework

- Route-by-route assessment
  - **Remains valid in most cases**
- Airport dominance assessment
  - **Especially at congested airports where incumbents already control a high share of capacity**
- Remedies
  - **Challenge remains to find suitable remedies that would be effective in practice**



European  
Commission

Competitive Patent Consider Discover Global Transactions Explore Across  
Regulatory Counsel Reviews Market Recent Legal Merger Jurisdictions Programs Claim  
Investigations Advertising Increasingly Markets Laws FTC Foreign  
Government Pharmaceutical Minority Approach Protection Fundamentals Protect  
Enforcement Data Consumer Program Agencies Matters Compliance Damages  
Parties Analysis Innovation Economics Best New Security Cases Law  
Two-Sided Developments Anticompetitive Enforcers Ethics Guidance Latest Litigation  
Practical Provide Consumers Industry Debate Private State Claims Affect  
Agency Industries Mergers Practices Individual  
U.S. Federal Standards Conduct Media Distribution

# Cooperation among competing airlines

- Brussels Airlines/TAP Air Portugal codeshare investigation
- Metal-neutral joint ventures



# Airline ticket distribution

- Internet has profoundly changed consumer behaviour and expectations
- Trends:
  - **Online (direct) bookings**
  - **Bookings through mobile applications**
  - **Interactions across multiple platforms**
- Investigation of terms and conditions of Amadeus and Sabre





# Airport Airline agreements – an evolving market

- Commission approach confirmed by Court judgments of 13 December 2018
- New market trends:
  - **Imputability of independent associations, e.g. Montpellier airport**
  - **Questionable PSOs: tenders for routes which do not seem to fulfil a genuine public service obligation**
  - **Travel tax reductions**



## Focus on cases with impact

- Concession fee Athens airport
  - **Increase of the value of the extended concession from EUR 484 million to EUR 1.1 billion**
- Smaller cases (investment and operating aid to airports) are increasingly covered by the GBER

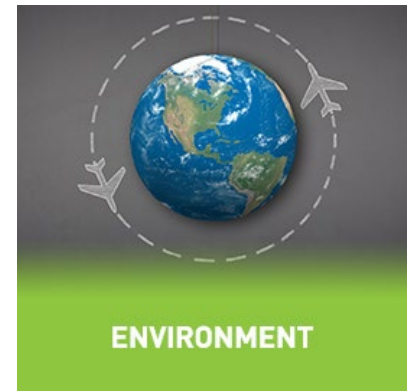


# Challenges ahead



# Aviation industry: some further challenges

- Safety and security
- Technological changes
- Environmental sustainability



# Tackling congestion vs duplication of unprofitable airports

- Recast of the Slot Regulation
- Evaluation of 2014 Guidelines on State aid to airports and airlines
  - **Public consultation to be launched in April/May 2019.**
- Revision of Airport Charges Directive



## Concluding remarks

- Aviation sector changed profoundly in last years
- Passengers and other consumers interest remains at the core of our enforcement priorities
- Competition law enforcement needs to
  - ✓ **respond to new challenges and industry developments**
  - ✓ **tackle market failures without impeding industry objectives**
  - ✓ **focus on priorities**
  - ✓ **complement regulatory efforts**