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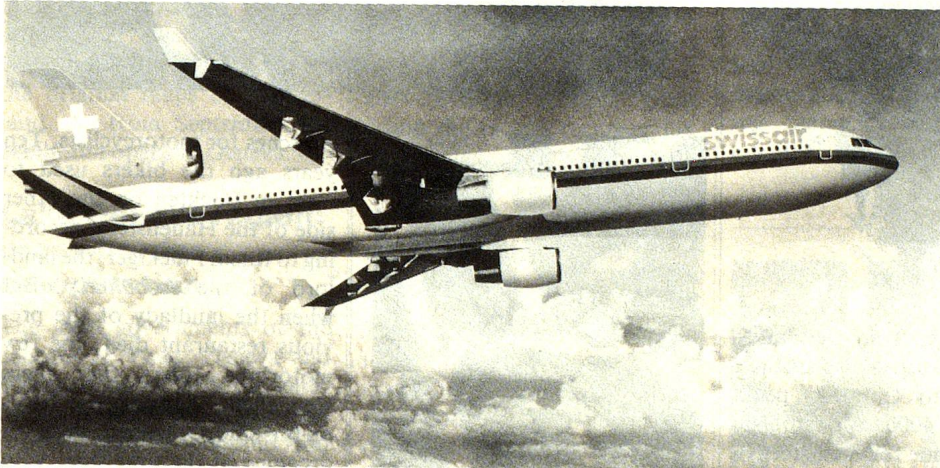
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## Liberalization in air transport

# Open sky over Europe?

*Above the clouds must freedom surely know no bounds – or so it goes in the song. In America the wish has come true – even if the open sky policy in the USA has to some extent had questionable consequences. Europe, however, finds the going hard with the liberalization of the heavens.*



*From 1990 the American MD-11 long-distance machine will replace the DC-10 of Swissair.*

With the deregulation carried through by President Carter, the price structures and constraints of American air transport were lifted and the principles of a free market economy were applied. This brought the advantages that, today, the air traveller benefits from the greater competition and can fly cheaper (although only on certain «peak» routes). On the other hand, the relentless price struggle in the USA has driven quite a number of companies into bankruptcy – and into the arms of the financially strong airlines. It seems clear that monopolies are re-emerging and that dictated prices are returning.

One does not want to go this far in Europe. According to the negotiations held to date within the European Commission, the following compromises outlined in the points made below should be possible:

■ **Traffic apportionment:** the rigid 50:50 system should be slightly eased, whilst the ways and means of putting any revised distribution of capacity, as between the airlines, are still at issue.

■ **Air fares:** the introduction of «single rebate zones» and «super rebate zones», with fare reductions of between 10 and 35 per cent and 35 and 55 per cent respectively, is envisaged, although here the passenger

would have to meet stringent prerequisites as regards booking, length of stay, etc. to qualify for such rebates.

■ **Market access:** concessions (though not very concrete ones) to the smaller air companies are also envisaged.

### What does Switzerland say?

And to what extent is Switzerland affected by these plans? All interlocutors are agreed that our country should not become an island of prices within Europe, and that it is therefore directly affected by whatever is negotiated in Brussels. And the persons questioned are also unanimous in their formulation: «Liberalization yes, but in moderation and within reason». Federal Councillor Leon Schlumpf, head of the competent Swiss authority, the Department of Transport, Communications and Energy, put it thus: «I am for step-by-step liberalization with clear definitions and delimitations which exclude all wild growth». And Max Neuenschwander, head of the Swiss Federal Office for Civil Aviation, also expressed reservations: «It cannot be a question of liberalization without end and without limits. I resist, above all, any question of ideologizing the whole matter. If the call for liberalism is only justifiable on ideological

grounds (and this is a danger that cannot be wholly excluded) then there is something wrong somewhere. For the present system is still not as bad as all that».

### Swissair: yes, with limits

In expressing this view, Civil Aviation Office Director Max Neuenschwander shows himself to be largely in agreement with Swissair, which would indeed be the first to be affected by a change in the system. Martin Monsch, chief of the division in Swissair for air traffic policy, stresses that the existing system is in fact too rigid and that gradual progress towards liberalization would be welcomed. There were limits, however, particularly in regard to the question of fares. A cost shortfall would be inconceivable, for Swissair had to aim at an air-fare level that enabled it to bear Swiss production costs. Equally unthinkable would be any question of saving on safety or service simply to reduce costs. In sum: a yes to liberalization in the sense of evolution but always linked with the question of whether it really benefits the air traveller in the long run as well as in the short.

So, Swiss concord is how Civil Aviation Director Neuenschwander views the situation of air transport in the year 2000. «Accords on fares and capacities must continue to be reached between the airline companies in the interests of satisfactory progress and in favour of a good, and, above all, reasonable proposition for the customer. This does not exclude all the possibilities for low-cost fares being still ferreted out. From this, it follows that we are not for a revolution but rather for an evolution – for gradual, careful but then real changes for the better – improvements which offer something of substance to the consumer but which are also acceptable to the airlines».

Will flying in Europe be cheaper? Possibly, but only in accordance with special criteria. Is flying in Europe today too expensive? Swissair man Monsch on this: «If the air fares in Europe would be so high as is maintained, then the European airlines would seem to have to be flying into much greater profitability. But Swissair, for example, is flying in the red in Europe».

Thus Swissair which, according to Monsch, is numbered among the «liberal» companies, wants a careful and cautious advance, for it is not just Swissair alone which stands to lose. Indeed, of this, Deputy Director Monsch is convinced: «In the long run it is also the interests of Switzerland as a country which are at stake».

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