Aviation: Renewal of block exemption Regulation 1617/93

Monique NEGENMAN, Directorate-General Competition, unit D-2

On 25 June 2002 the Commission adopted Regulation (EC) No 1105/2002 (1), renewing the block exemption for passenger tariffs conferences for the purpose of interlining in Regulation EC No 1617/93 until 30 June 2005. The renewal is conditioned with an obligation for air carriers participating in the conferences to collect certain data on the relative importance of the consultations for interlining. Interlining occurs when a passenger travels with more than one airline or alliance on the same ticket.

The block exemption applies to just one organisation, the International Air Transport Association (IATA). Most EEA airlines (including all flag carriers) are members of IATA and take part in twice-yearly conferences where they agree fares for interline journeys. DG COMP has investigated whether the benefits of these tariff conferences outweigh their restrictive effects and therefore whether a continued exemption can be justified.

To that end DG COMP issued a Consultation Paper, inviting interested parties to submit their views on how serious the restrictive effects of the price-fixing were and to what extent any restriction of competition could be justified by the benefits of the IATA system. It also asked for views on a number of options to limit the scope of the block exemption and possible less restrictive alternatives.

DG COMP received a large number of responses to our consultation paper from Member States, airlines, travel agents and consumer groups. The overwhelming majority of those responding

argued that the IATA tariff conferences secure an important benefit in the form of passenger interlining, and that this benefit was unlikely to be replicated by any alternative, less restrictive system. In the consultation there was wide-spread support for an extension in time of the block exemption. The small number of respondents who argued against a continued exemption included a Member State government, a non-European travel agents group and EU freight forwarders. In particular, it was advanced that the conferences are likely to have wider restrictive effects as carriers might use IATA fares as a reference price and the benefits of interlining might be exaggerated, in particular in thick markets.

Having considered the arguments made by the various respondents the Commission has concluded that the block exemption should be extended for a further three years. The tariff conferences secure a benefit in the form of fully flexible interlining and this benefit is unlikely to be completely duplicated at this moment by less restrictive means. While prohibiting the tariff conferences would not mean the end of interlining altogether, it would reduce the fare products available for a significant number of consumers and, in the short term at least, could make it harder for small airlines to compete.

However, as alliances develop it might be argued that in the longer term the need for tariff conferences becomes less obvious, in particular on thick routes.