

March 23, 2007: European transport ministers have unanimously backed a deal to throw open transatlantic air travel to more competition but have agreed to a UK request to delay applying the accord until 30 March 2008.

After more than four years of stilted negotiations, EU and US negotiators reached an agreement on 2 March 2007 that would allow EU airlines to fly to the US from any European airport, regardless of their home country, and remove restrictions on US airlines flying to Europe.

The need for a deal was pressing, since the European Court of Justice ruled in 2002 that the current network of bilateral agreements between EU countries and the US was incompatible with EU law and that a single pact was needed.

A previous package deal, outlined in November 2005, was sunk in December 2006 when the US Congress opposed provisions that would make it easier for foreign companies to invest in and operate American airlines.

Issues:

A diplomatic row was averted on 22 March when the Council of transport ministers unanimously backed the 'open skies' agreement that had been crafted weeks before by Transport Commissioner Jacques Barrot.

Britain – which accounts for 40% of transatlantic air traffic – had previously opposed the deal, as it forces the country to open up the lucrative route between London's Heathrow Airport and the US to airlines other than the four currently permitted to serve the route (BA, Virgin, American Airlines and United).

Nevertheless, it agreed to the accord, after winning backing from the 26 other ministers for a delay in its application.

The delay – until 30 March 2008 – will give Heathrow airport time to finish building its new terminal, thereby increasing its capacity to welcome new companies.

It should also give some relief to British Airways, which currently gets 60% of its revenues from operating the transatlantic route and is incensed about having to give up its part-monopoly in exchange for only limited opportunities to operate and invest in the US.

The agreement contains a “suspension clause” that commits the US to taking further steps towards opening up its domestic market and loosening its rules on foreign investment and ownership by mid-2010.

Positions:

EU Transport Commissioner Jacques Barrot said he was "delighted" by the unanimous backing from the Council. "This confidence and unity means that the European side enters the next phase of negotiations with the United States in a strong position," he said.

US Deputy Assistant Secretary of State John Byerly, who was the chief negotiator on the US side, said he does not expect any opposition to the deal from the US Congress. "It is simply too great an agreement to oppose," he said. He played down the significance of the EU exit procedure, saying that termination provisions are a "standard fare" in aviation agreements. He said that the US is committed to pursue second-stage negotiations "in absolute good faith and in the spirit of cooperation", but warned it would take time "to build consensus among stakeholders as well as Congress to see what we can do."

Asked about whether progress could be made towards a second-stage deal, a spokesman from the US Mission to the EU told EurActiv: "Mr Barrot says that he's confident."

The Association of European Airlines (AEA) said the agreement was "good news for passengers" but added: "The immediate commercial advantages of this agreement for airlines are difficult to assess at this stage."

A number of European airlines welcomed the agreement, including Air France and KLM. The deal means that the concept of an "EU airline" will be recognised by the US, allowing them to finalise their merger without losing out on flight rights to the US. This agreement will create a more "stable regulatory framework", they said, adding: "It would particularly allow Air France and KLM to sell its non-stop air point in the European Union and the United States."

Deutsche Lufthansa AG added: "Point-to-point traffic is not the only benefit. There are other elements in the agreement that will help us, for instance, comparable security standards between the US and the EU."

British Airways chief executive Willie Walsh said that the deal would "deliver short-term gains for the subsidised American aviation industry". He warned: "With the EU having given away their most valuable negotiating asset - Heathrow - the UK government must stand by its pledge to withdraw traffic rights if the US does not deliver further liberalisation by 2010."

Sylviane Lust, director general of the International Air Carrier Association (IACA) said: "This agreement is a way off from the original plans for an Open Aviation Area trumpeted four years ago by the European Commission. The Commission's shopping list for the second phase negotiations remains substantial while the US side has obtained everything it wanted in the first phase," adding: "A deal between the EU and US can only be balanced if it results in equal traffic rights for EU and US airlines in each other's internal markets, identical ownership limits and control possibilities, as well as equivalent access to governmental traffic."

Olivier Jankovec, director-general of Airports Council International Europe (ACI EUROPE) said that the deal would "open new opportunities and bring valuable economic benefits for airports around Europe", but added: "We must not stop here."

Jos Dings, director of the European Federation for Transport and Environment (T&E) said the deal was a serious setback to the EU climate policy, because it preserved "a decades-old prohibition of fuel taxation on transatlantic flights, the most important measure for reducing emissions from the sector".

He said: "Just two weeks after the EU announced major new climate targets, it has given away airspace to American carriers but hasn't gained a clear mandate to combat emissions from those flights."

Latest & next steps:

30 April 2007: The agreement should be signed at the EU-US Summit.

30 March 2008: Expected entry into force of the deal (if the US agrees to the five-month delay).

Before end 2008: Second-stage negotiations expected to begin.

2009: The EU will review the progress of second-stage negotiations.

Mid-2010: Deadline for achieving an 'Open Aviation Area'.