



## Unfair Competition from Gulf Carriers

### Key Points

- The state-sponsored rapid expansion of Persian Gulf carriers **has harmed** and **will continue** to harm the competitiveness of Europe's aviation.
- The **massive capacity dumping** is a potential threat to the survival of Europe's aviation industry with negative repercussions for **employment, growth and economic activity**, tax & social security income, and connectivity.
- The Gulf's success is based on the combination of **at least two anti-competitive strategies**:
  - **Dumping capacity on the market**, 'inundating' it and destroying competitors, ('sponge effect' - push-inundate-absorb);
  - **Acquiring equity in EU airlines** to circumvent the EU rules on market access ('Trojan Horse' strategy) & to expand their network both within Europe and beyond ('Fifth Freedom' rights).
- The **Gulf shows unwillingness** to engage in any discussion on fair competition.
- So to achieve **fair competition a strong negotiating mandate is required**. (incl. specific chapters on financial transparency, state aid, environment, human rights and labour protections – with detailed, robust and enforceable Social Clause).
- In case the 3<sup>rd</sup> countries don't comply with their obligations under the agreement: **a mechanism for automatically withdrawing traffic rights is required**.
- And a **'Sun-rise' Clause** would be required to allow additional market access to the EU only if and once certain obligations are demonstrated to be complied with, (financial transparency, labour issues and fair competition).
- The **EU should sharpen its trade defence instruments**, i.e. EU Reg. 868/2004.
- The **Commission** should table a **concrete legislative proposal** in the 1<sup>st</sup> half of 2016.
- As to 3<sup>rd</sup> **country investments** in EU airlines: Europe's already liberal rules on **foreign Ownership & Control must** not be relaxed but instead must **be strengthened** to ensure that the 'effective control' of an EU airline is firmly in EU hands, rather than in foreign hands.

The European Cockpit Association (ECA – [www.eurocockpit.be](http://www.eurocockpit.be)) is the representative body of European pilots at EU level. It represents over 38,000 pilots from the National Pilot Associations in 37 European States and it is a recognised social partner in the EU sectoral Social Dialogue for Civil Aviation.