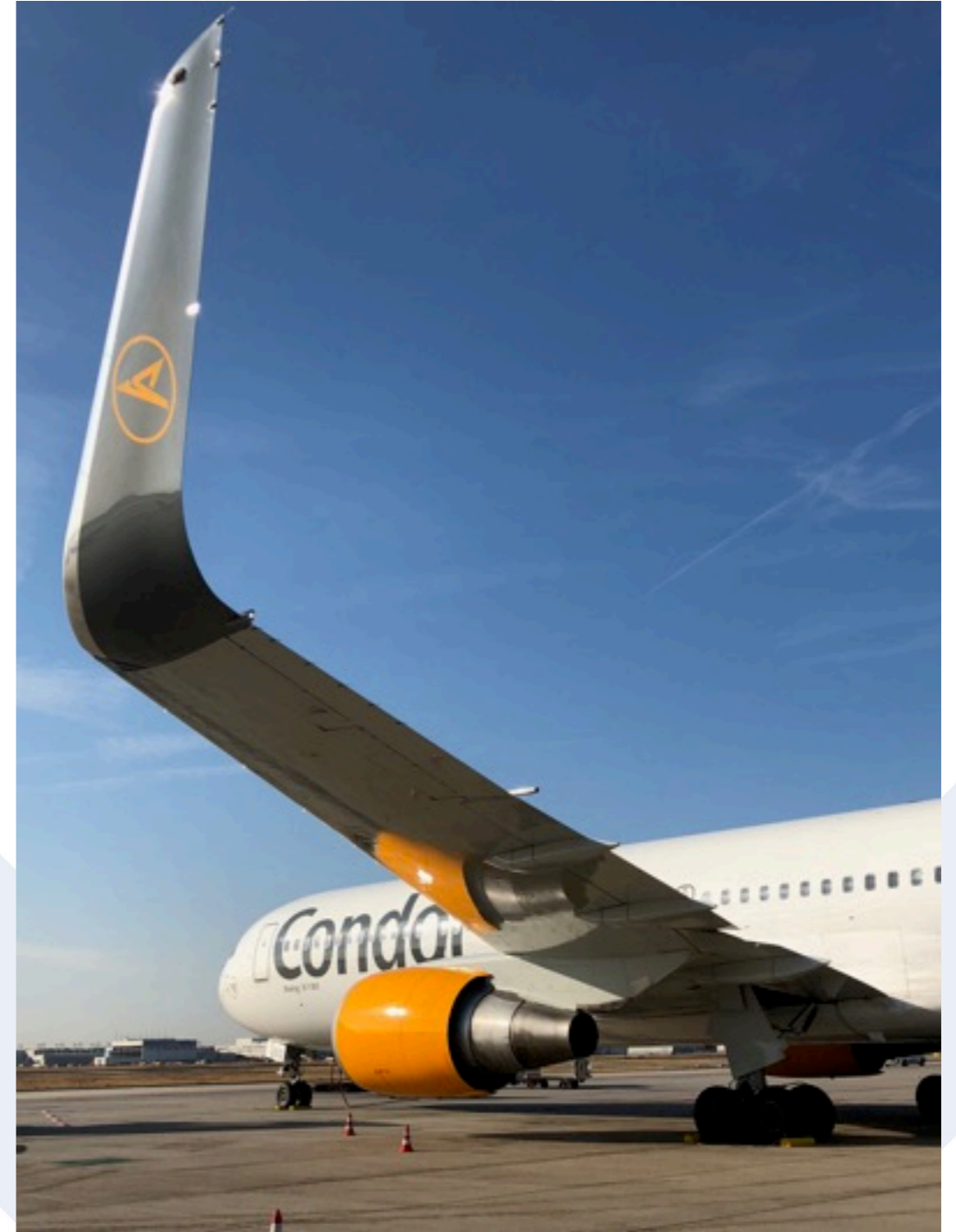




Ownership and Control in Airlines

- Air transport promotes freedom of movement and brings people closer together
- Airlines, operate in a cage of regulatory complexities second to no other international industry
- One of these complexities is the “ownership and control clause” restrictions
- First, the restrictions prevent cross-border mergers which are an important component to expansion
- Second, the airline industry is highly cost intensive, characterised by cyclical demands, vulnerability to external shocks, and very low profit margins compared to other industries





2018 Hermes Report Committee

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- Air transport is a major contributor to the world economy characterised by solid growth and in need of large capital injections
- Securing airline financing is faced by severe difficulties
- Current attempts to circumvent the regulatory restrictions are not allowing the industry to realise its full potential
- Financing will flow to the airlines that investors believe are most likely to be successful
- Future industry will be dominated by carriers pursuing cost leadership and/or revenue generation models that extend beyond national boundaries
- The successful airline industry that will emerge will be well-managed, attract investments, benefit travellers and drive GDP growth

Conclusions

- Decision makers should consider the benefits of being proactive in creating the environment that will allow airlines access to the capital necessary to effectively compete in the industry
- This may include relaxing ownership and control restrictions within a regional context. States should consider acting in concert with like-minded states to seek regional solutions to develop the environment needed to support aviation growth
- Moreover, regional blocks should develop a dialogue with other regional blocs to facilitate aviation growth for the benefit of their populations and economies
- Although ownership and control may not be seen as a major problem to some governments and airlines given the advent of alliances and the other workarounds employed to facilitate air transport, it may be the case that the states that are proactive in developing policies that facilitate aviation growth will produce the winning airlines in the long run