

1957

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Recommended Citation

D. Goedhuis, *The Role of Air Transport in European Integration*, 24 J. AIR L. & COM. 273 (1957)
<https://scholar.smu.edu/jalc/vol24/iss3/2>

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THE ROLE OF AIR TRANSPORT IN EUROPEAN INTEGRATION

By D. GOEDHUIS

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WHEN Bertrand Russell, who was Professor of Philosophy at Cambridge in the early days of this century, was asked by one of his students named Wittgenstein whether he ought to consider himself "a complete idiot or not," Bertrand Russell answered: "My dear fellow I don't know; why are you asking me?" Wittgenstein replied: "Because, if I am a complete idiot, I shall become an aeronaut, but if not, I shall become a philosopher." Bertrand Russell concluded that Wittgenstein was not a complete idiot, and the student therefore decided to follow in his master's footsteps.

We have long left behind the Icarian period of aviation in which this conversation took place and, perhaps partly through eccentricity though not through idiocy, but primarily through their imaginative boldness and willingness to take risks, the aeronauts—whose intellectual capacities were apparently not rated very high by Wittgenstein—have changed the face of the world.

Now, the unfortunate thing is that mankind has concentrated its imagination, boldness and willingness to take risks on the development of the instrument of flight, but that with regard to the *use* to be made of this instrument, these qualities have been sadly lacking. Thinking about the ends to be served by the aeroplane has constantly been vitiated by vague fears, by a lack of insight into the practically unlimited possibilities offered through the newest and fastest means of transport.

From the manner in which the problem of European aviation integration is being approached, it will be seen how greatly these vague fears have influenced and are influencing the minds of those who are trying to find a solution.

Let us go back for a moment to the beginning of civil aviation immediately after the First World War. In that period air carriers in several European countries started operations as a private enterprise, relying on their own financial resources. At that time the prevalent idea was that expressed by Winston Churchill in 1920: "Civil aviation should fly by itself. Governments cannot hold it up in the air." This

¹ As the author holds an official position, it should be noted that the views expressed in this article are his personal views. Their expression does not in any way imply the concurrence of the Netherlands Government.

seemed completely obvious to Churchill with his unshakable belief in the value of personal initiative and ingenuity.

However, not long after this statement was made, the British aviation companies had to suspend operations for lack of finance. In England, as in other European countries, the government decided on financial aid to its airlines, but this aid was meant as a temporary measure, as a support needed in the early stages of development. Gradually, though, this idea of helping a new industry on a temporary basis was replaced by the thought that the continued existence of a flagline was nationally necessary, irrespective of its ability to pay its way and to be self-supporting. In several countries this new view resulted in the complete nationalization of the airline by the State; and, though it may be true that there are at the moment a number of European airlines—K.L.M., Swissair, Sabena and S.A.S., for instance—which are partly capitalized by private investors, in most cases the amounts are small in relation to the total commitments, loans and other capital provisions borne or guaranteed by government.

Why was it that aviation came more and more to be considered as an instrument of national policy; why was it that extra-economic or even anti-economic considerations came more and more to control and to shape the course of aviation? I shall not try to analyze all the factors which have led up to this situation, but I should like to draw attention to a few important points.

Apart from its economic and social aspects, aviation presents a political and strategic aspect. This means that aviation relations cannot be considered independently of general international relations. One of the most marked developments in the period between the two world wars was the steady growth of economic nationalism. The increasing economic disintegration of the world was caused by three factors: the economic consequences of the First World War, the economic crisis of 1929, and the threat of a new war. The narrow nationalistic trends which became more and more apparent, particularly after 1929, in the *general* economic and political field were reflected in international aviation. The social factor in aviation vanished from the stage and the element of power was left in sole control of the scene. Rational appreciation of the value of aviation as a stimulator towards higher levels of economic activity in the world became lost.

For a short while after the Second World War it seemed as if the world had gained a better insight into the unlimited possibilities of aviation and the importance of its free development. The total disorganization of means of surface and sea communication left more room for private initiative in aviation. But it was not long before narrow nationalism gained ground again.

The constantly growing part the State played in aviation caused national barriers to rise sharply, and the idea of an "international common interest" to weaken. Common interest is by its very nature

a concept that does not come quite within the material sphere; the mental climate in which aviation had developed in the first post-war years had changed fundamentally.

How did European aviation fare under this system in which the State played a decisive part? Let me mention some figures.

Europe, with a population of 300 million, generates only about one fifth of the volume of air transport generated on the domestic network of the U.S.A. Of all transport in Europe, air transport comprises only approximately 15 per cent. In 1950 the European airlines carried 17.9 per cent of the total world air traffic and in 1955 only 18.1 per cent—an increase in participation of only 0.2 per cent. Whereas North America counted for 64.1 per cent of total world air traffic in 1950 and 67.3 per cent in 1955, an increase of 3.2 per cent.

A recent publication, "Airline Finance Record,"² giving statistics on financial results of major European airlines during the period from 1950 to 1955, demonstrates how unsatisfactory these results are. It has to be taken into account, though, that the financial situation of the entire international aviation industry is far from flourishing. As the Director-General of the International Air Transport Association, Sir William Hildred, remarked recently, the economic balance of this industry is that of a man standing on one leg; and, as far as this comparison goes, this one leg must, where Europe is concerned, be considered very weak indeed.

Now there are two questions which require an answer: (1) What are the general reasons for international aviation being in such an unfavorable economic position, and (2) are there, in the case of Europe, any additional *particular* causes to make economic operations more difficult?

In connection with the first question, I have already mentioned the excessive state influence with regard to aviation and its growth on military grounds and for reasons of prestige. The proclamation of the concept of "complete and exclusive sovereignty over the airspace" of the underlying State in the Paris Convention of 1919, and later in the Chicago Convention of 1944, was treated by the States as a permit to subject foreign aviation to the most sweeping restrictions.

Economic operation of a trunk route is impossible without fifth freedom rights, and in a considerable number of the more than 400 bilateral aviation agreements, so far concluded between the States, these rights are either not granted, or granted to so limited an extent, that a healthy growth of traffic is impossible.

If we take into account that aircraft speed has increased tenfold in half a century, it is not surprising that airlines have found, and find it particularly difficult to keep pace with this technical evolution where profitable economics are concerned. Technical development is greatly stimulated by military considerations. Competitive reasons—

² Aviation Studies London.

in which latent assets for defense purposes also play a part in certain cases—force the airlines to follow suit, and this implies early writings-off and, therefore, high costs. In the second half of this century a further increase of aircraft speed is to be expected, and according to Peter Masefield, Director of Bristol's, this will not be less spectacular than the tenfold speed increase of the first half of this century.³

With regard to the question whether there are particular reasons why European aviation has to face even more severe financial difficulties than that of other parts of the world, aviation experts have given different answers. Secretary-General Lemoine, of Air France, expressed the view in a recent article⁴ that distances between European traffic centers are not sufficiently great for economic operation, and that United States opinion is to the effect that air traffic is not profitable under 500 kilometers. *Wheatcroft*, in his book "The Economics of European Air Transport"⁵ on the other hand, says that it is the low intensity rather than the short haul nature of European airlines operations that causes the main economic problem.

It may be assumed, however, that unless conditions prevail which are highly in favor of air transport, such as a journey involving a sea-crossing, it is far from an easy task to render services with a range of less than 500 kilometers profitable. Factors which add to the difficulty of avoiding loss in short-haul traffic are, for instance:

a. A short range means a relatively large number of landings and, therefore, a higher operation-expenditure per ton-kilometer; relatively small usage of aircraft and crew, relatively high take-off and landing costs, and high proportional cost of service to passengers.

b. Establishment expenses, too, are high in proportion to revenue. A great deal of this expenditure is unrelated to the length of the journey.

c. The adaptation of fare tariffs in view of this high establishment expenditure is difficult on short-range travel, owing to the relatively little gain in time which this kind of air travel can claim.

d. The inconsiderable gain in time compels short-range air traffic to offer more frequent services and, therefore, to make use of smaller aircraft, which render its ton-kilometer production dearer than that of long-range air traffic.

Everybody agrees that the lack of any logical pattern in Europe's air services has detrimental effects. As it is easier to obtain third and fourth than fifth freedom rights, a radiation system is being applied,

³ Masefield bases this prediction amongst others on the following consideration: "No seat yet made remains comfortable to the human posterior for more than about 3 hours at a stretch. The simple and logical requirement then is that any terrestrial destination should be reached within the comfortable sitting time."

⁴ *L'idée européenne dans l'aviation de transport et l'accord multilatéral sur les droits commerciaux pour les transports aériens non-réguliers en Europe* (Revue Française de Droit Aérien 1957 no. 1 p. 1 et seq.).

⁵ Manchester University Press 1956. (Reviewed in *Journal of Air Law and Commerce*, Winter, 1957.)

which leads to constant overlapping of services. The general lack of coordination affects costs unfavorably.

Another important factor is that the primary purpose of many European services is to act as "feeder service" for long-distance services. Regional services are thus withheld from their function of satisfying regional needs.

In addition to this, it is obvious that the existence of a great number of separate countries, all with their own customs, immigration and other controls, increases the costs of operation. Traffic demand is highly seasonal and is also subject to fierce competition by a well developed net of ground communications.

Looking at this far from encouraging picture of European air transport, it is not surprising that when the plans toward a general European integration were taking shape, and the question was being considered what function air transport could exercise in promoting European unity, the idea of such integration was seized upon in many circles as the solution "par excellence" of all the ills of European air transport. Moreover, as the efforts toward finding a solution to the aviation problem on a world-wide basis had failed, would this problem not have more chance of being solved by dealing with it on a regional basis?

It was in 1951 that several plans for a European aviation integration were discussed at Strasbourg in the Council of Europe.

The most revolutionary proposal was that made by the Italian Foreign Minister, *Count Sforza*, who suggested the creation of a common European air space. The creation of this space was intended to allow all traffic between member States to be considered cabotage traffic. A Control Authority would be set up, the role of each State being fixed according to three criteria: population, surface area, and geographical situation. Another plan was submitted by the Frenchman *Bonnefous* on behalf of the "Committee on Transport" of the Consultative Assembly. This plan aimed at the creation of a single European air company, as did a third plan submitted by the "Committee on Economic Questions." This last proposal was to the effect that, as the airlines frequently depended for their existence on their governments and could not survive without their financial support, only the governments were in a position to undertake the establishment of this single European company.

When the directors of the European airlines read this proposition, they must have felt rather like the members of the States-General of Holland as, after a rather unfortunate war with France, they were told by one of the French emissaries before the start of the Peace Conference of 1712 that: "on traitera de la paix chez vous, pour vous, sans vous." The air companies realized that the best way to avoid their future European status being determined by the governments "for them and without them" was to get together and examine the possibilities of arriving themselves at a concerted action regarding the coordination

of European air transport. An Air Research Bureau was established under the direction of the Belgian economist *Professor de Groot*, and since its inception this Bureau has produced some important studies about which I shall say something later.

But let me first come back to the proposals made in the Council of Europe. This idea of having international aviation operated by a single company was not a new one. Once or twice, within the last 25 years, plans of a similar nature, but on a world-wide scale, had been put forward. At the Geneva Disarmament Conference in 1932, the Frenchman *Tardieu* made a proposal for the creation of an "Aéronautique Civile Internationale de Transport" under the auspices of the League of Nations. In a pamphlet, "Wings for Peace," published in the spring of 1944, the British Labor Party set forth as the essential object to be realized the creation of a World Air Authority to own and operate international air services. At the Chicago Conference in 1944, Australia and New Zealand proposed that international aviation should be administered by a single international corporation in which each State should participate. Both conferences, while greatly appreciating the high-mindedness which the delegates felt lay behind these plans, considered that they would not be feasible in practice. But, one may ask, if not on a world-wide scale, would an international company on a regional scale not offer a solution?

I believe that this question has to be answered in the negative. The establishment of a single European company is undesirable, and even if it were not undesirable it would be unattainable. It would be undesirable because such a company would curb initiative, would leave insufficient scope for creative impulses, and would therefore not serve the needs of the public in the best manner. It would lead to an increase in the already far too powerful influence of political considerations in aviation, whereas it is essential to try to limit the influence of these factors.

That plans of such a nature would be unattainable becomes clear when one studies the suggestion made by *Count Sforza* as regards the criteria to be applied in determining the role of each State in such a single company. The Sforza Plan, as I have already pointed out, cited as criteria: population, surface area, and geographical situation. What about technical skill, economic strength, international relations, tradition, pioneering ability? Would all these factors be ignored in allotting the share which the various nations would be allowed to have in this company?

The reactions to the above proposals made it clear to the Council of Europe that they were on the wrong track and that a better way of approach would be to study methods of improving commercial and technical cooperation between the European airlines, and to study the possibilities of limiting the restrictions on the granting of commercial rights.

Another matter debated by the Council was whether the Conference to discuss these problems should be held under the aegis of the Council itself or whether it would be better to ask the I.C.A.O. to convene the Conference. Preference was given to the latter course of action and, in my opinion, rightly. The implications of global air transport should never be lost sight of. Tendencies in the world toward dealing with aviation problems on an *exclusively* regional basis should be combated. Regional problems should never be discussed apart from the world problems of aviation, and regionalism should never lead to the formation of blocks of closed sky.

In April 1954, a conference, convened by ICAO, was held in Strasbourg, which had the benefit of an extensive report on European air transport, prepared by the Air Research Bureau; and on the basis of the statistical data at its disposal, it reached the conclusion that solutions based on coordination between the airlines would be preferable to those imposed by governments.

When the question of the reduction of costs was discussed at the Conference, the delegates were able, without any contentious debate, to make a series of recommendations. But when the most important question of all, that of liberalizing the grant of traffic rights, came up for discussion, the conference ran into the kind of difficulties which by now have become almost traditional. The two schools of thought, the one advocating complete freedom, the other wanting maximum protection, clashed. It soon became clear that any chances of arriving at some form of multilateral agreement on the exchange of rights for *scheduled* services were simply non-existent.

The conference was able, however, to secure a measure of agreement on the subject of granting greater freedom to the operation of services confined to the carriage of *freight* traffic. A recommendation was accepted that freedom distinctions should not be applied to scheduled freight services in Europe, and that States should consider favorably applications made to them for indirect routings required for the operation of such freight services.

Another step in the right direction was taken by the recommendation of the conference that *non-scheduled* intra-European services which did not prejudice the interests of scheduled services should be freely allowed, and that a multilateral agreement should be concluded to ensure the greatest possible freedom for that kind of flights. At the first European Civil Aviation Conference, held at Strasbourg in November 1955, this recommendation was followed up and agreement was reached on a draft multilateral agreement on commercial rights of non-scheduled services. By this agreement a rather modest easing⁶ and standardization of the existing regulations has been achieved.

What are the results which up till now have been attained by these two recommendations?

⁶ For a criticism of the requirement of prior permission for such flights see Wassenbergh, *Post-War International Civil Aviation Policy and the Law of the Air*, The Hague, 1957, p. 95.

As regards the one on the liberalization of freight traffic, so far only eight countries—among them England and the Netherlands—have informed ICAO of their intention to implement this liberalization. Two countries—France and Greece—have made it known that they are not able to apply the recommendation. The other nine countries which took part in the work of the European Conference have not yet announced their points of view. This means that any truly worthwhile result in European air freight transport is as yet far from realized.

The multilateral agreement on non-scheduled services had a slightly better result. At present sixteen countries—including the Netherlands, France, West Germany, but not England—have signed the agreement. Switzerland, Austria, and Spain are up till now the only countries which have ratified it.

The question of a multilateral agreement on *scheduled* services in Europe was once more discussed at the Second European Civil Aviation Conference, at Madrid in April/May 1957. But this conference, too, was under no illusion that such an agreement would be reached. A recommendation was, however, accepted that States should follow a liberal policy in general in the granting of traffic rights, and, with this objective, should adopt a liberal attitude towards direct intra-European services (*i.e.*, services without commercial stops in the territories of third States); that they should facilitate the establishment and operation of other intra-European air services of member States unless it is considered that these services unduly affect national carriers or do not serve the interests of the users; and that they should give favorable consideration to cooperative arrangements between airlines. A closer look at this recommendation shows that, as far as the granting of fifth freedom rights is concerned, it does nothing to change the States' highly guarded attitude. If they do not wish to grant these rights they can always base their refusal on the claim that they would "unduly affect" the national carriers. And as it is precisely in respect of the fifth freedom rights that liberalization is most needed, the question arises whether this means that the whole recommendation is of no value at all. The answer is that, notwithstanding the fact that it has no juridical value, it is of a certain ideological importance.

If we look at European air transport as a whole, it is difficult to come to a conclusion other than that very little progress has been made in regard to its economic structure since the Council of Europe in 1951 took up the matter of integration. And it does not seem very likely that more substantial progress will be made in the foreseeable future. The will to achieve a greater European aviation integration is weak because there is as yet no general understanding of its necessity. In this, to use the words spoken by Benjamin Franklin at the signing of the American Declaration of Independence, it is not yet realized that "We must all hang together, or assuredly we shall all hang separately."

But, though it is difficult to be optimistic about the near future,

there are forces at work in Europe which cannot be stopped and which will increasingly influence the approach to the European aviation problem. Unconquerable as they must be in the long run, their effects could be accelerated by direction into certain channels, and to this subject I should like to give some further consideration.

The first question is whether the establishment of a European authority under the aegis of a European Civil Aviation Conference would be feasible.

In the March issue of *Interavia* the Chairman of Air France, M. Hymans, reverts in an article entitled "European Air Transport Is Indivisible" to the idea of the creation of an Air Transport Authority which would be responsible for the distribution of operating rights inside Europe. This authority, he explains, would bear a strong resemblance to the United States Civil Aeronautics Board.

This comparison would hold good only if the Authority's allocation of operating rights were to be governed by standards of efficiency and economy in operation, based on the interests of the customer. These, indeed, are the standards applied by the CAB to the internal network of the United States. CAB has not got to wrestle with the problem of economic nationalism. If the "Air Transport Authority" could base its policy on truly economic values, there would be much to be said for an institution of this kind, but such a basis presupposes a complete change in the attitude of many European States toward the aviation problem, and, I am afraid, it would amount to a complete illusion to expect such a change in a foreseeable future.

Another plan, that of Mr. Wheatcroft, economic adviser to B.E.A., which does not go quite as far as M. Hymans', also deserves attention. Mr. Wheatcroft proposes the creation of an Air Transport Commission of a very different character from the Authority proposed by Mr. Hymans. The Wheatcroft commission is not intended to be a full-fledged licensing authority but an *advisory* body, because Mr. Wheatcroft believes, rightly, that the European States—it would be better, perhaps, to say the majority of them—are not yet willing to leave the decision regarding air routes to be operated to and through their territories to an international body.

Examination of the proposals of Mr. Hymans and Mr. Wheatcroft reveals three fundamental questions for which they fail to allow.

a. What will be the position of the various States in the authority to be created? Will their factual inequality be taken into account and on what basis will this be shown—political inequality, inequality in economic power, inequality in aviation know-how?

b. How will resolutions be arrived at? Will they be made on the basis of unanimity or a majority of votes? In considering this point, certain words of Lord Granville come to mind. When, in 1881, the question arose whether the British Cabinet should use the vote, he declared: "I never knew numbers counted in the Cabinet and I think

it is absurd to count heads in assemblies in which there is such a difference in the contents of the heads."⁷

c. Finally, the third question: What would be the authority's powers—on what basis would it allot European routes and services or advise thereon?

The answer to this question must take into account the fundamental differences of opinion between States wishing to be guided by considerations of a purely economic nature and favoring a liberalization approach, and those wishing primarily to take into consideration political criteria and favoring a planning approach that puts the accent on measures of protectionism.

Within the first category come in the first place the Netherlands, the Scandinavian countries, Finland, Iceland, Luxembourg, and Turkey. Belgium is more difficult to place, though she, too, appreciates the value of more freedom in European air traffic. Belgium does not as yet, however, belong to the countries which favor greater freedom of air traffic *in all its consequences*, since she still strongly protects her highly profitable Congo route.

The United Kingdom is to a certain extent in the same position as Belgium. The British delegate's attitude at the recent European Civil Aviation Conference in Madrid gave evidence of England's increasing inclination to join, as far as Europe is concerned, the States that wish to eliminate artificial barriers and to attain greater efficiency through better division of labor and competition. It would not be surprising, though, if there were some truth in the supposition that there is some connection between this growing inclination towards liberalization in Europe and the powerful competitive position of B.E.A., owing to its introduction of the Viscount aircraft. The same inclination towards liberalization is not noticeable on a wider basis; B.O.A.C. still insists on protection by the British Government on its long distance routes. As a result, British aviation policy is contradictory—working for freedom in the matter of European routes, aiming at restrictions in the matter of intercontinental routes. It is not to be expected that this contradiction will prove permanent. The introduction of new aircraft such as the Britannia is likely to lead to a better understanding of the realities of the situation; and anything which helps towards the growth of the total market, or accelerates its rate of growth, is far more likely to improve the results of individual airlines than protection by artificial devices.

Western Germany, which has undertaken a crusade in favor of more general free trade under the guidance of Minister Erhard, has not, so far, decided upon a settled point of view in respect of aviation relations. The reason is that her participation in air transport is as

⁷ Cited by Tammes, *Hoofdstukken van Internationale Organisatie*, Nijhoff, 1951.

yet of short duration, so that she is still unsure of the effects a really liberal policy will have on the growth of German aviation.

As for France, it is clear from a Report of the Conseil Economique published in March 1957 that she still believes firmly in extensive planning and a political approach to the European aviation problem.⁸ The aviation policies of the governments of Spain, Portugal, Italy and Greece move in the same direction and are strongly influenced by protectionist ideas.

Though there are a number of variations in the aviation policies of practically all the European States, these policies can be divided into two *main* categories.

a. The first category, which applies mainly to the northern European States, is based on the principle of regarding aviation as a normal commercial enterprise.

b. The second category, which applies mainly to the southern European countries, is based on the idea of a directed protectionist solution of the European aviation problem.

For the time being this gap is there and, in estimating the possibilities of a closer aviation community, it must be accepted as an inescapable fact if the present situation is to be judged realistically.

To recall the guiding principles of the Common Market and the European Free Trade Area, both these groups accept the idea that a country which has shown a special capacity for a given activity should be allotted a share in the European economy proportionate to that capacity, recognizing that maximum development of economic strength in Europe can be reached only by arranging *for* and not *against* competition.

This is the same idea as that underlying the policy of the countries belonging to the first of our two categories. And if it is also borne in mind that aviation is a factor of ever increasing importance for the achievement of a continental economic policy, and that therefore the stimulation of a greater aviation community is a logical and necessary consequence of the plans for European integration, only one conclusion can be reached.

Since, on the one hand, it will be impossible for the time being to achieve European aviation integration, but a number of States, on the other hand, follow an aviation policy guided by the basic principles of this form of community, it is up to these countries to try to arrive at an arrangement inspired by liberal conceptions. Such a "sector approach" should, of course, not be an end in itself but an encouragement towards further integration. There can be little doubt that the indirect consequences of a liberalization approach of this nature will

⁸ The Conseil Economique in its Report of 24 March 1957 states for instance: "Une véritable coopération sur le plan européen ne peut être obtenue sans l'action constante des gouvernements eux-mêmes et doit se concevoir en fonction de la position déjà acquise par la France dans la compétition internationale et des possibilités d'expansion qu'elle présente par son passé aéronautique, le haut niveau de sa technique, sa position géographique et ses possibilités touristiques."

be of major importance not only for European, but also for world, aviation.

A method for cooperation in this sense will have to be found by statesmen and aviation experts in close collaboration. In addition to this task, for the achievement of which the governments will in first and last instance be responsible, there remains an important one for the airlines themselves. In the next few years, as a result of the introduction of jet aircraft on scheduled services, the necessity for closer cooperation will become increasingly urgent. At the moment the revolutionary changes arising out of the use of jet aircraft are being studied by the airlines separately. One question to which no easy answer is possible is: what effect will the introduction of jet aircraft have on European fifth freedom traffic? The use of these aircraft on intercontinental services will result in fewer intermediary landings in Europe, whereas at certain European points a new taking-on and discharging function will be created. Part of the intra-European traffic which uses intercontinental services at present will have to be taken over by regional services. This will probably lead to an increase in the value of fifth freedom traffic but nobody can as yet assess the consequences with any degree of certainty. What is certain, however, is that the introduction of jet aircraft will render European cooperation even more imperative. For this reason a joint study of the operating problems will become a matter of vital importance as soon as the airlines have arrived at a considered opinion on the use of these aircraft.

Before concluding this article I should like to add one or two observations on the future development of international aviation in general. I have pointed out that increasing "étatisme" in aviation has imbued the State with too much power and that this state-influence has reached a point where it is no longer constructive. This extreme "étatisme" has hindered aviation in its normal growth because it hampers the free play of economic laws. In the last few years, however, a few States have asked themselves if their true national interests would not be better served by decreasing the State's participation in the national airlines. An example of this tendency can be seen in the Netherlands Government's decision to allow K.L.M. to buy back 15 million guildersworth of shares which were in the government's hands. Ever since 1929 the Netherlands Government has been K.L.M.'s biggest shareholder, as such, and also through certain powers vested in the Board of Directors under a subsidy agreement concluded in 1927, it has exerted considerable influence. In 1956 the K.L.M. articles of association were amended and its administration was changed into that of a normal limited company. The State remains the biggest shareholder, but it now has only the same rights as normal equity holders.

I have also called attention to the factors responsible for civil aviation coming to be increasingly looked upon between the two world wars as an instrument of military and political power. But if we bear in mind what revolutionary changes have occurred in the means of

warfare in the last few years, it will become evident to us that the relative value of civil aviation in military matters has been considerably reduced.

The kind of development which can be noted in the history of all forms of international transport is now perceptible also in aviation: as communications expand, political traffic requirements give way to economic needs. Purely political considerations fade into the background at the same rate at which traffic expands.

Europe was the cradle of international aviation, and it is now offered the chance of becoming the cradle of an order of law, limiting the arbitrary and irresponsible exercise of power to obstruct the air communications which form such an essential element in the promotion of European unity. What we need is the boldness and the willingness to take risks which was displayed by the aeronauts in the beginning of this century.