

# **May the best one win**

How to tell whether aviation's playing field is level and what to do if it isn't.

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# Three (slightly odd) examples

- Suppose a municipality wants to attract a big firm and offers:
  - A direct payment
  - Additional infrastructure
  - To go easy in providing and maintaining licenses
- Do these examples affect the playing field the firm is active in?

# Level playing field?

- *Rules based*: all rules equal for all players
- *Outcomes based*: equal chances of winning the game
- Which one is more desirable?
  - In sports
  - In economics

# Level playing field; economics

- Fair game not a goal in itself
- If the best one wins, we all win (exceptions apply)
- generally, equal rules lead to optimal outcome
- but 'equal' is pretty hard to assess in an international context
  - generic rules
  - specific rules
  - circumstances

Does one or more of the following situations apply?

- government subsidizes firm
- firm was granted a legal monopoly
- government grants firm tax exemption
- government provides inputs below costs
- government is shareholder and accepts below normal rate of return

yes

Does the firm provide a specific service in return?

yes

no

Does the situation apply to all firms involved?

yes

no

Is the situation different from common practice in other countries?

no

yes

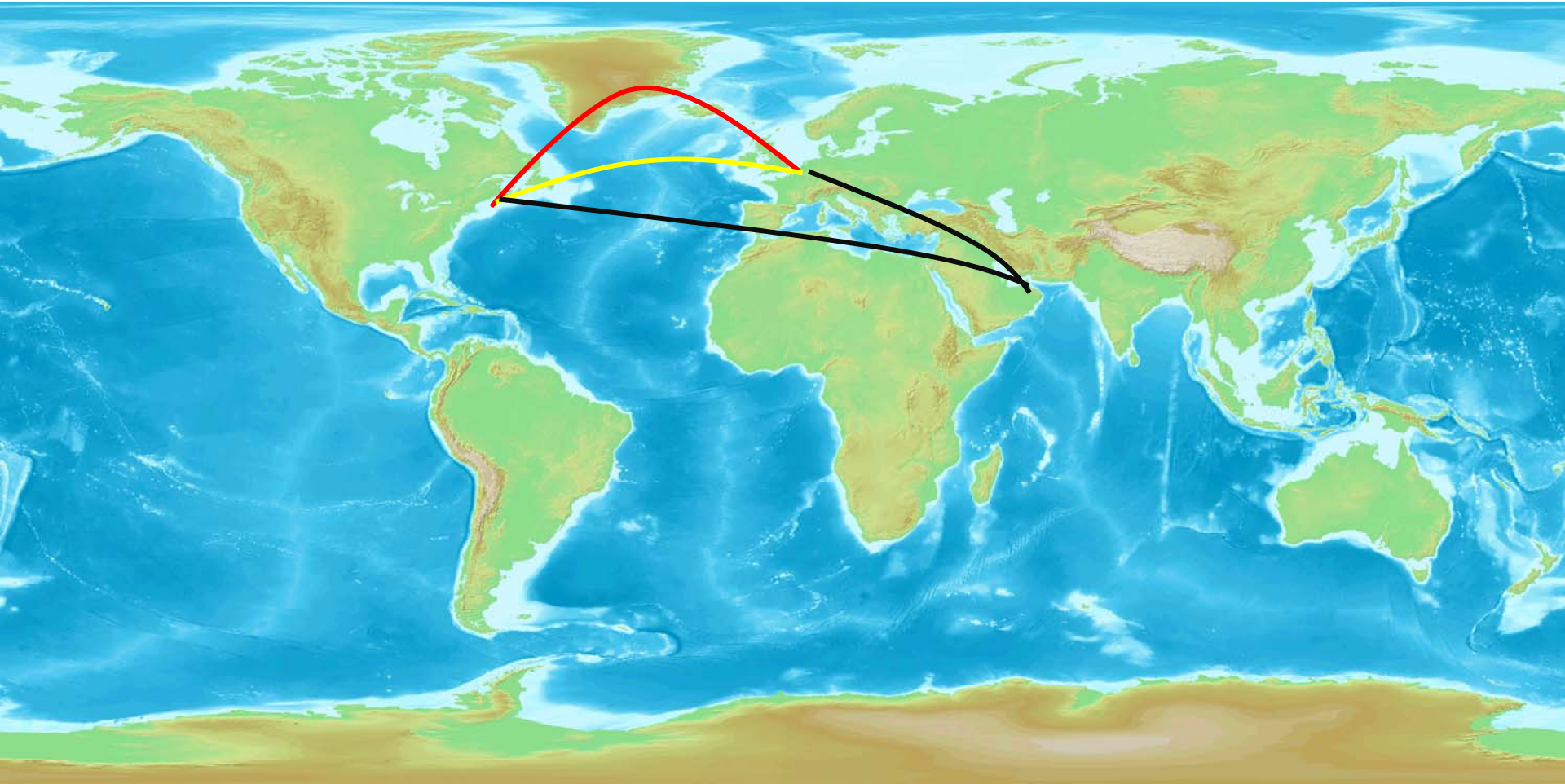
Playing field is not level

Playing field is level

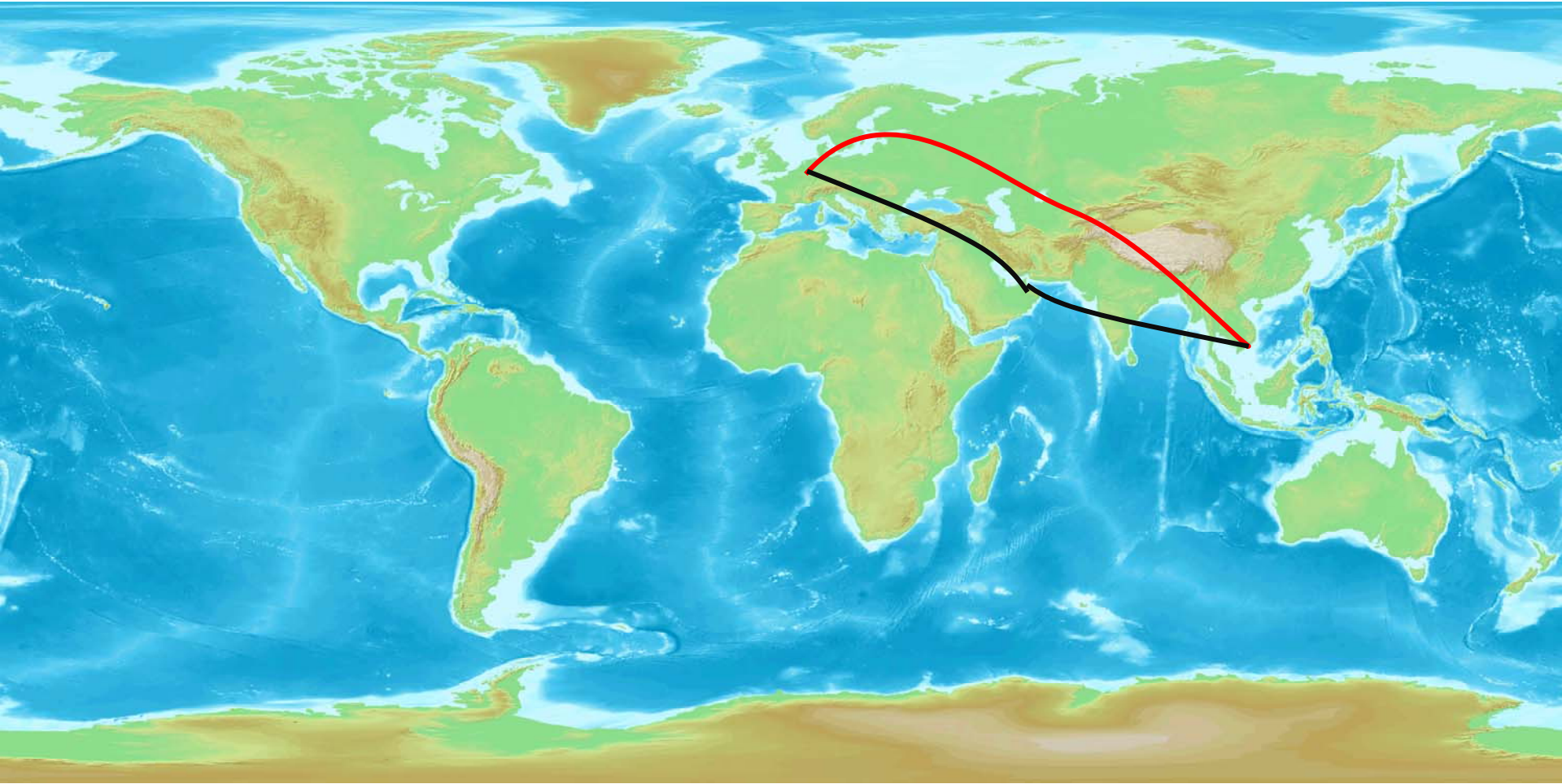
# Three examples revisited

- Suppose a municipality wants to attract a big firm and offers:
  - A direct payment
  - Additional infrastructure
  - To go easy in providing and maintaining licenses
- **Would your answer change if the big firm is:**
  - A steel factory
  - A furniture store
  - An airline

# A global market?

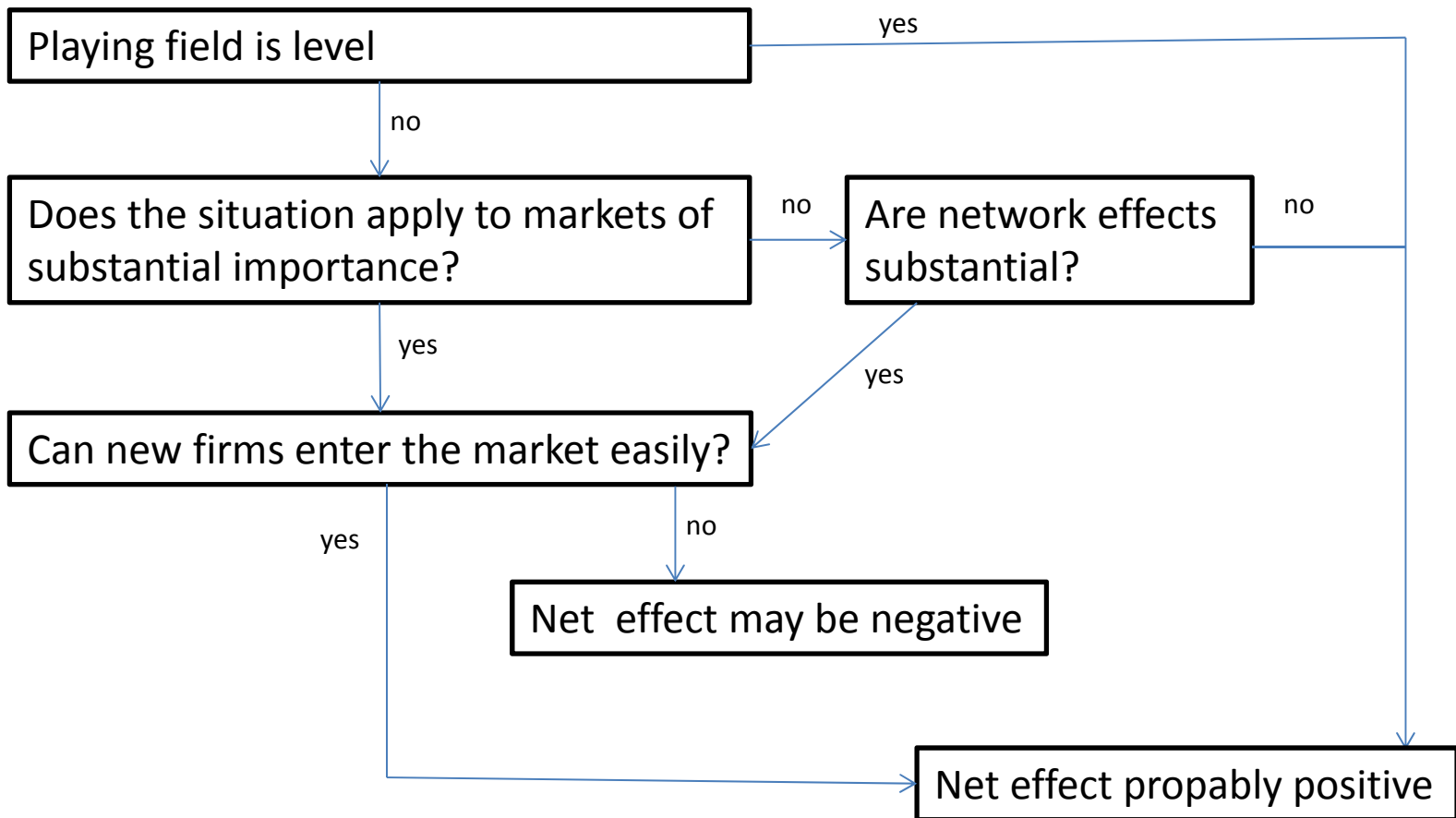


For the sake of argument...





# Not always negative



# Instruments

- Diplomacy & Int'l organizations: how likely that 'cheaters' will comply?
- Unilateral action;
  - trade barriers (retaliation; will be costly)
  - re-leveling (costly as well; more countries may get involved)
- Accept the situation; uphill training can be very effective