

internal market, which should be completed by 1 January 1993; and the desirability of adopting further measures, including cabotage in respect of market access and capacity by 30 June 1992. It is important to note that in the Second Phase, Member States still continue to retain the right to license and designate their own air carrier(s), and to regulate market access and capacity-sharing. However, the Regulation states that by 1 July 1992 Community rules will apply to the licensing and regulation of both carriers and air routes.

On third- and fourth-freedom traffic rights, Community carriers shall be permitted to exercise third- and fourth-freedom rights between airports or airport systems open for international traffic between two Member States. Additionally, once a Member State has licensed its own carrier to exercise third- and fourth-freedom rights on a certain route within the Community, that Member State shall authorise air carriers licensed in another Member State to exercise third- and fourth-freedom rights on the same route and to use same flight number for combined third- and fourth-freedom services within the Community. This would allow qualified open third- and fourth-freedom traffic rights: e.g. France cannot deny BA's application to exercise third- and fourth-freedom traffic rights between Paris and Frankfurt, once Air France has been licensed on that route, and can use the same flight number on a London/Frankfurt route. An interesting question arises in the case of Luxembourg: having no scheduled air carrier operating passenger services on third- fourth-freedom routes within the Community, can Luxembourg deny a