

Member State and a third country. To avoid the possible extra-territorial application of the Court's ruling, the Community's competition laws would apply to fares charged by a third country carriers in respect of services within the Community: that would mean fifth-freedom traffic, and not, as yet third- and fourth-freedom services. If, as envisaged in the Council's recent Regulation on competition, block exemptions on the application of competition rules to concerted practices are replaced by regulations on 1 January 1993, this would raise problems where third countries wish to protect their airlines with respect to fares to points in the Community (including fifth-freedom services), capacity or pooling arrangements. It will also have implications for countries, such as Canada, which prefer inter-airline consultations on these matters preparatory to negotiations at government level.

Fares: Bilateral agreements providing for the pre-determination of fares may need to be re-negotiated. The Community's preferential double disapproval regime and the option of any Community carrier being a price leader on fifth-freedom routes will no doubt affect the competitive position of a third country carrier's fifth-freedom operations within the Community and its ability to match parallel or comparable intra-Community third- and fourth-freedom fares, e.g. Air Canada's fifth-freedom service from London to Duesseldorf would need to match BA's or Lufthansa's fares on the same route. Much will also depend upon the Community's competition rules as