

in 25 countries to organize and market container services. It handled over one million TEUs (20-foot equivalent units) for the first time in 1989. The Commission may seek to ensure that Intercontainer does not have a monopoly position in the E.C. The second organization is the International Union of Combined Road-Rail Transport Companies (UIRR) which negotiates international piggyback rates with the national railway companies and facilitates cooperation among national piggyback companies. These companies retail piggyback services. UIRR companies carried just over one million vehicle units in 1988.

The Commission has acted to free UIRR services from trucking quotas and has encouraged investment in intermodal facilities. However, most progress in combined transport is beyond the Europe '92 program. In January 1990, the Brussels Joint Declaration of the railways, Intercontainer and UIRR announced a program of block trains with volume rates. A policy statement on combined transport by the Community of European Railways is expected by July 1991. The development of more combined transport business is expected to be led by trans-Alpine services. A study by A.T. Kearney forecasts that the volume of international combined transport traffic may triple over the next 15 years, compared with a doubling of freight transport demand. However, its growth remains contingent on a Council agreement on railway funding.

3. Air Transport

The European air transport industry has been dominated by large government-owned airlines, operating under regulated rates and bilateral market share agreements. Commission initiatives started only after 1974 when a European Court decision established that air services are subject to the competition provisions of the Treaty of Rome.

In practice, all-cargo services in Europe have been subject to limited regulation. Therefore, the formal liberalization of entry for community air carriers, to become effective in July 1992, will have limited effects. The main thrust of Commission activity has been to liberalize scheduled passenger services, which now have significant cargo capacity. The influence of capacity sharing agreements between airlines has been reduced and greater rate freedom

has been provided. However, proposals for free access to E.C. markets for Community airlines (airline cabotage) will be the subject of proposals to be introduced in 1992.

A pattern exists in air transport, as in many other industries: firms are getting larger and developing global alliances. The phased-in approach to airline liberalization allows a period during which the large airlines may enhance their market position. For example, Air France and Lufthansa concluded a cooperation agreement in 1989; British Airways and KLM Royal Dutch Airlines agreed to acquire a 20 percent stake in the Belgian carrier, Sabena. While deals are examined by the Competition Commissioner, it is unlikely that competition policy will prevent the major airlines from entrenching their market position prior to 1993.

The past and expected growth of air traffic is raising problems of air traffic congestion and airport capacity. The proportion of delayed flights is increasing as systems are reaching saturation at peak times.

The problems in air traffic control extend beyond the E.C., so the Council has passed a resolution calling for Member States to join Eurocontrol, the organization seen as best placed to ensure centralized traffic management. In April 1990, the transport ministers, meeting during the European Civil Aviation Conference, approved a plan to harmonize and gradually integrate air traffic control systems between now and the year 2000. Eurocontrol was given the responsibility for administering the plan. Nevertheless, it is expected that conditions will worsen before they get better.

The growth of air traffic has also placed pressure on airport capacity, but the Commission has been unsuccessful in achieving coordination of airport development. Commission policy does not directly affect airport development, which is often seen as part of competitive regional development strategy. However, airport capacity expansion will be important to the development of airline and freight forwarder services.

Substantial investments are being made at many airports in physical facilities and support services. For example, Frankfurt has a US\$4.3 billion