

The measures outlined in the table are intended to go a substantial way toward reducing the anti-competitive effects of the former bilateral agreement framework in the EC air travel sector. The use of cost-based criteria for fare approval combined with the establishment of the automatic fare zone system is expected to provide airlines in the EC with greater flexibility to base air fares on their actual costs of operation as well as consumer demand for different classes of air travel. Furthermore, the easing of capacity and entry restrictions should provide more efficient EC airlines with greater opportunity to benefit from competitive pricing by allowing them to expand their capacity shares on routes. The opening of fifth freedom rights should help EC airlines to increase their efficiency by allowing them to more effectively combine service to more than two countries within the Community.

The first and second packages of air travel reforms, however, have left in place a number of major obstacles to the competitive and efficient operation of airlines in the EC. Airlines are still required to obtain approval from both Member States on a route if they wish to establish scheduled fares at levels falling outside of the fare zone system. Also, the measures that have been adopted have not included so-called cabotage rights (i.e. the rights that allow an airline based in one Member State to carry passengers between two points inside a second Member State). Provisions relating to these issues were initially proposed as part of the second package of air travel regulatory reforms. They were removed, however, due to strong objections from some EC countries which were concerned that they could jeopardize the interests of their national airlines.⁷² A further issue that has not been resolved is the method for slot allocation at Community airports. This is potentially a major barrier to competition since it can prevent airlines from gaining access to the facilities required to enter new routes. In respect of these and other remaining obstacles to competition in the EC air travel sector, the EC Commission is intending to introduce a third package of measures to further liberalize EC air travel after 1993.⁷³