

90 to 80%; and the deep discount zone from 79 to 30%. Within each of these zones, air fares meeting the required criteria would qualify for automatic approval. Member States can disallow fares where conditions are not met, and to ensure against excessively high or predatory pricing. Economy fares proposed at levels above the 105% level of reference price will be approved unless both Member States involved disallow them. The regulation, however, does not preclude Member States from entering into more liberal or flexible pricing arrangements.

One interesting provision affecting non-Member States concerns agreements between a Member State and a third country involving the exercise of fifth freedom rights which may be incompatible with the provisions of the Community regime on fares. Member States are required to remove such inconsistencies, pending which the Regulation will not affect the rights and obligations of Member States toward third countries.

Market Access and Capacity-Sharing

The Preamble to the Regulation relating to both market access and capacity-sharing states: the desirability of introducing more liberal provisions in the Second Phase in respect of multiple designation, third-, fourth- and fifth-freedom rights; that bilateral restrictions on capacity should be progressively relaxed and their removal accelerated so as to encourage inter-regional services; that capacity-sharing is incompatible with the principles of the