

V. THE PROMOTION OF COMPETITION POLICY IN HIGHLY RESTRICTED AREAS OF THE EUROPEAN ECONOMY

The scope for competition in many areas of the European economy has traditionally been severely restricted by regulatory and administrative restraints imposed by the Member States. In the air travel sector, for example, competition within the EC has been limited by the use of bilateral agreements between the Member States on fare levels, the number of carriers allowed to operate on routes, and the sharing capacity among authorized carriers. In a number of other sectors, competition has been greatly restricted by public procurement practices favouring suppliers from the purchasing Member State over suppliers from other EC countries.

The EC Commission has recognized from the outset of the Europe 1992 initiative that the dismantling of such restraints would be necessary for the completion of the internal market. It has also been recognized, however, that ensuring the development of open and competitive markets in previously highly restricted areas of the European economy would require active enforcement of Community competition policy. In particular, effective application of the EC competition rules in these areas is considered necessary to ensure that companies will not be able to thwart efforts to open their markets through the use of anti-competitive private arrangements.

This part of the report surveys recent EC efforts to establish competitive markets in a number of traditionally highly restricted areas of the European economy. The discussion focuses on developments in three sectors that have been singled out by EC competition authorities as areas of concern: air travel; telecommunications; and banking and insurance sectors. In addition, it examines measures that have been taken to enhance competition in the area of Member State public procurement. Subsection 1 outlines major market-opening reforms that have been proposed or adopted in the above areas. Subsection 2 examines efforts being made to extend EC competition policy in these areas. Subsection 3 discusses