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DOCUMENT 1-286/82/Corr.

REPORT

drawn up on behalf of the Committee on Economic and
Monetary Affairs

on the proposal from the Commission of the European
Communities to the Council (Doc. 1-461/81 - COM(81)
396 final) for a regulation applying Articles 85 and
86 of the Treaty establishing the European Economic
Community (rules on competition applying to undertakings)
to air transport

Rapporteur : Mr R.G. SCHWARTZENBERG

By letter of 2 September 1981, the President of the Council of the European Communities consulted the European parliament, pursuant to Article 87 of the Treaty establishing the EEC, on the proposal from the Commission for a Council regulation applying Articles 85 and 86 of the Treaty to air transport (Doc. 1-461/81).

At its sitting of 14 September 1981, the European Parliament referred this proposal to the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on Transport and the Legal Affairs Committee for their opinion.

On 23 September 1981, the Committee on Economic and Monetary Affairs appointed Mr Schwartzberg rapporteur.

The Committee on Economic and Monetary Affairs considered the Commission proposal and the draft report at its meeting of 18 May 1982. At this meeting it decided to recommend that Parliament adopt the proposal without amendment and adopted the motion for a resolution as a whole by 14 votes with 5 abstentions.

The following took part in the vote:

Mr Moreau, chairman, Mr De Ferranti and Mr Deleau, vice-chairmen, Mrs Desouches (deputizing for Mr Schwartzberg, rapporteur), Mr Albers (deputizing for Mr Wagner), Mr Beazley, Mr Bonaccini, Mrs Caretoni Romagnoli (deputizing for Mrs Hoffman), Mr Carossino (deputizing for Mr Leonardi), Mr Fernandez, Mrs Forster, Mr Giavazzi, Mr De Goede, Mrs Nikolaou (deputizing for Mr Rogers), Mr Nyborg, Mr Purvis, Mr Rogalla (deputizing for Mr Mihr), Mr Ruffolo and Mr Von Wogau.

The opinions of the Legal Affairs Committee and the Committee on Transport are attached.

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A.
The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following Motion for a Resolution together with Explanatory Statement.

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation applying Articles 85 and 86 of the Treaty establishing the European Economic Community (rules on competition applying to undertakings) to air transport.

The European Parliament,

having regard to the proposal from the Commission of the European Communities to the Council (COM(81) 396 final)¹,

having been consulted by the Council pursuant to Article 87 of the EEC Treaty (Doc. 1-461/81),

having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Legal Affairs Committee and the Committee on Transport (Doc. 1-286/82),

having regard to the result of the vote on the Commission proposal,

1. Recalls that there is a need for a gradual and balanced increase in competition in the air transport sector, taking full account of the special features of this sector, particularly as regards constraints arising from the geography and energy situation of the European Community, the various social, regional, ecological and safety requirements which must be met, and the obligation of airlines to operate in the public interest;
2. Emphasizes that the provisions of Articles 85 and 86 of the Treaty of Rome apply to air transport, as the European Court of Justice has reaffirmed on several occasions, but notes that the Commission, which up to now has lacked the necessary powers to give effect to the rules on competition contained in the Treaty, is dependent on the cooperation of the competent national authorities in accordance with Article 89 of the Treaty, and that this is detrimental to the effective and consistent application of competition policy in this sector;
3. Approves, therefore, the principle underlying this proposal for a regulation to equip the Commission with the necessary instrument to ensure the proper application of competition rules to air transport in the Community and particularly approves the provisions of Article 5 intended to simplify the procedure for the notification of agreements;
4. Observes, however, that given the present state of air transport in the Community, the proposal for a regulation is of limited scope only, and is merely a first step;
5. Expects the Commission, therefore, to produce the proposals required to create the structural conditions for fair competition in the air transport sector, since it is only after these conditions have been established, particularly with regard to fare-setting, access to the market and traffic rights, that a more comprehensive application of the competition rules will gradually be made possible, given the various constraints to which this sector is subject;

¹ OJ No. C 291 of 12.11.1981, p.4

6. Expects the Council to adopt this regulation without delay, if necessary by a qualified majority, in accordance with the specific provisions laid down in Article 87 of the EEC Treaty.
7. Points out that in connection with the Hoffmann report (Doc.1-469/80) Parliament called for protection of the social aspects, services and safety in air transport and for these factors to be taken fully into account in the development of competition policy;
8. Draws attention to the fact that, to be effective, the extension of competition policy to the air transport sector will require increased resources to be made available to the Commission;
9. Approves this proposal for a regulation, subject to the above-mentioned reservations, as the first stage in the process of extending competition policy to air transport in the Community, which will both benefit airline users and generate greater productivity and competitiveness among airlines;
10. Instructs its President to forward to the Commission and the Council the proposal from the Commission as voted by Parliament and the corresponding resolution as Parliament's opinion.

EXPLANATORY STATEMENT

The Commission's proposal for a regulation calls for comment both on the need for such a regulation, and on its main features.

I. NEED FOR A REGULATION APPLYING THE RULES ON COMPETITION TO AIR TRANSPORTa) the current situation

1. As Community legislation stands at present, air and sea transport are the only branches of the economy for which no detailed provisions have yet been laid down as regards the application of the rules on competition contained in the EEC Treaty.

Council Regulation No. 17 of 16 February 1962 does not apply to these sectors. Admittedly, Articles 85 and 86 of the Treaty of Rome apply to air transport, as the European Court of Justice has reaffirmed on several occasions¹. But, in the absence of an implementing regulation, the responsibility for putting Articles 85 and 86 into effect rests with the authorities in the Member States, which are empowered, under Article 88, to rule on the admissibility of agreements and the abuse of dominant market positions. Under Article 89 of the Treaty of Rome the Commission, in cooperation with the competent national authorities, investigates cases of suspected infringement of the competition rules laid down in the Treaty. If the Commission finds that there has been an infringement of the rules, it suggests appropriate remedial measures to the Member States.

b) disadvantages of the current situation

2. These are twofold. The Commission, lacking autonomous powers to give effect to Articles 85 and 86 is dependent on the cooperation of the appropriate national authorities. This dependence is detrimental to the effective and consistent operation of competition policy in this sector of the economy. Indeed the national courts which have occasion to rule on undertakings' practices are developing a body of case law which may differ from one Member State to another with, consequently, the risk of inconsistency. Moreover, according to the Member States this case law may possibly fail to take sufficient account of the special features of the activities concerned.

c) increased competition in air transport

3. Over the last few months, the need for increased competition in the air transport sector in the Community has become apparent. The Commission's memorandum on the contribution of the European Communities to the development

¹ Judgement of 4.4.1974, case no. 167/73; Judgement of 2.10.1978, case no. 156/77.

of air transport services, which was submitted to the Council on 16 July 1979, places particular emphasis on the need in this sector for increased competition but on a moderate and balanced basis taking account of social, regional and safety considerations, and the European Parliament has endorsed this basic principle¹.

This proposal for a regulation should enable the Commission to ensure airlines' compliance with the competition rules more effectively than it can at present under Article 89 of the Treaty. The proposal for a regulation is the first stage in a series of measures intended to increase competition in air transport and thereby improve the productivity and competitiveness of firms in this sector.

II. PRINCIPAL FEATURES OF THE PROPOSAL FOR A REGULATION

4. The specific features of the air transport sector, particularly the very great influence exerted by governments and the obligation imposed on airlines to operate in the public interest, have led the Commission to produce a regulation to implement the competition rules in this sector which is more specific than Regulation No. 17 which contains general provisions for the implementation of the competition rules.

a) limited scope

The regulation is of only limited applicability, due to the particularly substantial role played by governments in this sector, and to the legal status of most European airlines.

- the national governments' prerogatives at present

As the Commission memorandum points out, the national governments have extensive prerogatives concerning traffic rights, tariff-setting and capacity, largely due to a vast complex of bilateral agreements. Competition is therefore limited for the international scheduled carriers of the Community; and initially the proposed regulation will only really affect charter services.

However, the Commission has just submitted (in October 1981) a proposal for a directive on tariffs for scheduled air transport between Member States. The principle underlying this draft directive is that the common criteria which it establishes for the setting of fares should be related to the costs incurred by an efficient carrier. This draft directive, which the European Parliament will have the opportunity of considering in due course, could make a significant contribution to the development of competition in the air transport sector.

¹ Report by Mr Schwartzberg (Doc. 1-724/79): paragraph 3 of the resolution.

- the legal status of airlines (Article 90(1) and (3) of the Treaty of Rome

5. Most undertakings in the air transport sector fall within the category of 'public undertakings' or 'undertakings to which Member States grant special or exclusive rights' within the meaning of Article 90(1) of the EEC Treaty. Consequently, this proposal for a regulation, which does not prejudge the application of Article 90, only applies to undertakings - public sector, private sector or mixed - to the extent that their business is the result of an independent commercial policy. Any activities of such undertakings which are dictated by public authorities are, on the other hand, judged in the light of the provisions of Articles 90(1) and (3) of the EEC Treaty.

This would not be the case if, taking the example of tariff-fixing (at present generally the responsibility of the Member States), the Commission ascertained that undertakings had been delegated the power to set fares themselves. In such a case, the provisions of the proposed regulation would apply.

- the particular tasks of airlines (Article 90(2) of the Treaty)

6. Similarly in accordance with the provisions of Article 90(2), the proposed regulation does not apply where it appears that the prohibition of certain agreements or abuse of a dominant position within the meaning of Articles 85 and 86 would obstruct the performance of the particular tasks assigned to these airlines in the public interest. It is understood, however, that derogations of this kind may be made only on a case-by-case basis, under the supervision of the European Court of Justice.

The European Parliament has already had occasion¹ to emphasize that, in respect of the monitoring of national subsidies, account should be taken of abnormal costs which are directly related to the operation of routes provided by airline companies in the public interest. For, however desirable increased competition in the air transport sector may be, it should not lead to complete deregulation, which would produce intense, unbridled, and 'cut-throat' competition overriding the real interests of passengers, personnel and the general public and particularly the interests of regional development.

The extension of competition should not result in lower standards of service or reduced social benefits for airline personnel; on the contrary, to be fully acceptable it must be compatible with maximum concern for passengers, for air safety, for the future prospects of airline personnel, and for the environment.

¹ Report by Mr Schwartzberg (Doc. 1-724/79), paragraph 15 of the resolution.

b) a gradual approach

7. Generally speaking, the Commission's aim in drawing up this regulation has been the gradual application of competition provisions to the airlines.

This progressive approach is necessitated by the role of the national governments, the airlines' legal status, and the special tasks assigned to them. Only after the structural conditions for fair competition have been established (in the fields of tariff-fixing, traffic rights and capacity) will it be possible to contemplate a more complete application of the competition rules in this sector. Hasty and indiscriminate action in this respect would only damage the competitiveness of air transport on the Community and international markets, at least in the short term. It is for this reason that the Commission has refrained from attempting at this stage to define which categories of agreements or concerted practices would not be covered by Article 85(1), or might qualify for exemption under Article 85(3).

c) a procedural regulation designed to be flexible

8. For all the reasons outlined above, the Commission proposal for a regulation is limited to a few basic provisions. Article 1 establishes the scope of the regulation, and Article 2 provides for exemption in the case of certain technical agreements.

Otherwise this procedural regulation, which lays down detailed rules for the application of competition rules to air transport (Commission's powers of investigation and verification, power to impose fines and periodic penalty payments, etc.), is based on the rules already contained in Regulation No. 1017/68, which established the general framework for the application of Articles 85 and 86 to transport undertakings other than air and sea transport.

However, in view of the specific nature of air transport, the regulation contains certain provisions designed to allow for flexibility and avoid cumbersome administrative procedures. In contrast to Regulation No. 1017/68, for example, Article 5 provides that undertakings themselves should be primarily responsible for ensuring that their agreements, decisions or concerted practices comply with the competition rules. There is no compulsory obligation to notify them to the Commission. If undertakings wish to notify them to the Commission, Article 5(3) provides, for the sake of simplicity, that the lapse of a certain period of time can be taken to mean that an exemption has been granted.

It is in the same spirit that Article 9 of the proposal for a regulation rightly provides that any Member State may request that the Council be convened to examine with the Commission any question of principle concerning the common transport policy which the Member State considers to be involved in a particular case on which the Commission is due to take a decision.

OPINION OF THE LEGAL AFFAIRS COMMITTEE

Draftsman: Mr JANSSEN van RAAJ

On 18 March 1982 the Legal Affairs Committee appointed Mr JANSSEN van RAAJ draftsman.

It considered the draft opinion at its meeting of 18 and 19 May 1982 and adopted it unanimously with two abstentions.

The following took part in the vote: Mr Luster, acting chairman; Mr Turner and Mr Chambeiron, vice-chairmen; Mr Janssen van Raay, draftsman; Mr Dalziel, Mr d'Angelosante, Mrs Ewing (deputizing for Mr Vie), Mr Gontikas, Mr Poniridis, Mr Prout, Mr Sieglerschmidt and Mr Tyrrell.

I. Introduction

1. The current structure of the air transport sector - domination of the market by a small number of large companies, many of which are partially or even wholly government-owned¹ - is well known, and is attracting a considerable amount of public attention at present, not least because of the recent collapse of an apparently successful private British operator.

A particular feature of this market, the extent of government influence in areas such as fares (especially on scheduled services), capacities and route allocation, contributes in large measure to a marked absence of competition between airlines and distinguishes air transport from the other main transport sector where the Commission does not yet have the necessary powers for effective supervision, namely maritime transport.² The Commission's present investigative powers (under Article 89 and, possibly, Article 213) are manifestly inadequate and hence the introduction of a proposal for a Council regulation to grant the requisite powers as regards air transport is most welcome.

2. As far as the application of the rules of Community law regarding competition to air transport is concerned, the situation is tolerably clear. Article 85(1) outlaws any practices which have "as their object or effect the prevention, restriction or distortion of competition within the common market", while Article 86 declares any abuse of a dominant position within a given market to be prohibited, provided the agreement or practice is capable of affecting trade between Member States. Regulation 17/62 lays down the procedure to be followed by the Commission in implementing these Treaty provisions; Regulation 141/62 specifically excludes the transport sector from the scope of Regulation 17, while Regulation 1017/68 provides for the implementation of the Treaty rules on competition to transport by rail, road and inland waterway.

3. It had been assumed in most quarters that the Treaty rules in general were not applicable to air and maritime transport until such times as the Council should so decide: this was indeed the case as regards the application of the common transport policy to air and maritime transport (Article 84(2)). However the Court of Justice came to the opposite conclusion by holding, albeit obiter, in its judgment of 4 April 1974 (Case 167/73, Commission v French Republic, 1974 ECR 359 -371) that

"Whilst ... sea and air transport ... [may be] excluded from the ... common transport policy, it remains, on the same basis as the other modes of transport, subject to the general rules of the Treaty."

¹Commission Memorandum on Air Transport, Bulletin of the European Communities, Supplement 5/79, Annex II-2.

²See Doc. 1-722/81, Commission Proposal for a Council Regulation on competition in the maritime transport sector.

In condemning the Belgian Government for failure to comply with a Commission decision that it was in breach of Article 92 (Case 156/77, 12 October 1977, 1978 ECR p.1881), the Court reaffirmed the applicability of competition rules - here section 3 of the Title "Rules on Competition", Aids granted by States - to the transport sector, in this case railway transport.

4. Two considerations in particular may be identified as prompting the submission of this proposal at this time. In the explanatory memorandum which accompanies the proposal, the Commission adverts to the danger of jurisprudence in this field developing differently in different Member States, giving rise to a non-uniform application of Community law; the European Parliament has repeatedly expressed its support for the objective of the uniform application of this "new legal order", most recently in its resolution of 10 October 1981 following Mr Sieglerschmidt's report on behalf of the Legal Affairs Committee (Doc. 1-414/81).

5. Secondly, the Council has already recognised that a further set of legal provisions regarding competition is a matter of some priority¹, and it is perhaps important to remember that the present proposal is merely the first of a series of measures designed to ensure the full implementation of the EEC Treaty as regards air transport, an area once thought to be immune from its scope.

II. Observations on the proposed regulation

6. The Commission is at pains to point out that the regulation proposed is procedural in character and, at best, a first step. While approval of a gradualist approach by the Commission in its rôle as guardian of the Treaties is only to be accorded after careful reflection, the special characteristics of this area of activity lead inevitably to the necessity for caution, at least in an initial period. Nevertheless a few remarks on the proposed regulation merit attention.

7. Legal basis

The Commission has, quite rightly, chosen Article 87 as the legal basis for the regulation proposed. It is worth noting that the first paragraph of Article 87(1) lays down that the vote of the Council shall be unanimous if the implementing measures are taken within three years of the entry into force of the Treaty (i.e. before 1 January 1961); but that after this period, according to the second paragraph of Article 87(1), the vote shall be by a qualified majority. This lessening of the voting requirement constitutes the only difference between the first and second paragraphs of Article 87(1) and is

¹Commission Memorandum on Air Transport, Bulletin of the European Communities, Supplement 5/79, Annex I.

hence of some legal significance, otherwise one or other of these two paragraphs would be redundant, a proposition which cannot be assumed.

8. In this perspective, it is incumbent upon the Council to take cognizance of the particularities of the Treaty provision upon which the proposed measure is based: this requirement would be satisfied if the President of the Council were to put the proposal to a vote, after a suitable period of time during which the search for unanimity has not achieved its object, the duration of such period to be determined by the President in his discretion.

9. In view of the importance of this point, the Legal Affairs Committee would request the Committee on Economic and Monetary Affairs to incorporate in the motion for a resolution which it adopts, a recital to read as follows:

"The European Parliament approves the legal basis chosen for the proposed measure and calls upon the Council, and particularly on its President-in-Office, to ensure that the particular provision is accorded its full and proper legal significance, by adopting the proposal by a qualified majority where unanimity has not been achieved after a suitable interval, the duration of which is to be determined by the President."

10. Scope of the Regulation

According to Article 1(2), the regulation is proposed to "apply only to international air transport from or to one or more Community airports". This appears to be a rather narrower criterion than "agreements ... [whose] object or effect [is] the prevention, restriction or distortion of competition within the common market" or abuses which "may affect trade between Member States", and may not be consistent with a series of decisions of the Court of Justice of the European Communities which hold that both Article 85 (see e.g. Brasserie de Haecht (1967) ECR 407) and Article 86 (see e.g. "Suikerunie" (1975) ECR p.1663), can apply to agreements between undertakings within a Member State and abuses of a dominant position within one Member State or even within part of one Member State.

11. In the air transport sector excluding international air transport, therefore, individuals may take their complaints of anticompetitive practices before the national jurisdictions, which are bound to give Articles 85(1) and 86 the direct effect the Court of Justice has recognised for them (BRT - Sabam Case 127/73, [1974] ECR p.62; Sacchi Case 155/73, [1974] ECR p.430). The Commission of the European Communities should evaluate the danger of a divergence of interpretation of these provisions and act accordingly, especially in view of the automatic nullity of prohibited agreements under Article 85(2).

Article 2 of the proposed regulation lists a number of types of agreement, "the object or effect of which is to apply technical improvements or to achieve technical cooperation", to which the "prohibition laid down in Article 85(1) of the Treaty shall not apply". From its wording, this appears to be a declaration of inapplicability such as is provided for in Article 85(3) of the EEC Treaty, in which case the following three conditions would apply:

- a) consumers must be allowed a fair share of the benefit resulting from the agreement.
- b) the agreement, decision or practice must not impose on undertakings restrictions not indispensable to the attainment of the objective of such agreement etc.
- c) the agreements etc must not afford the undertakings concerned the possibility of eliminating competition in respect of a substantial part of the products in question.

13. No reference is however made either to these conditions or to Article 85(3): an alternative interpretation - that Article 2 is a declaration of the Commission's view that the listed agreements do not have an appreciable effect on competition or on trade between Member States - must therefore be considered. According to this latter interpretation such agreements do not fall within the scope of Article 85(1) in the first place, and hence do not require the application of the supervision mechanism which the proposed regulation would install. It is to be strongly regretted that neither the wording of the article ("exemption", "the prohibition of Article 85(1) shall not apply") nor the explanatory memorandum ("the basic provisions of the Regulation simply ... exclude certain technical agreements") clarify this problem of interpretation.

14. Entry into force

As noted above (paragraph 3) the competition rules of the EEC Treaty including Articles 85 and 86 have applied to the air transport sector since the Treaty entered into force on 1 January 1958 though, of course, the Commission's powers of supervision have heretofore been limited. It is thus somewhat disconcerting to read in Article 22 that "Article 86 of the Treaty shall enter into force on the day following the publication of this Regulation" and that the "prohibition in Article 85(1) of the Treaty shall apply" from a date yet to be fixed.

15. A possible explanation of this otherwise mystifying error is to be found in Regulation 1017/68 which provides, at Article 30, that while the regulation shall enter into force on 1 July 1968, Article 8 thereof (prohibition of abuse of a dominant position in the transport market covered) shall enter into force

on the day following publication of the Regulation, which publication took place on 23 July 1968. The Legal Affairs Committee cannot condone the apparent practice of the Commission of the European Communities in slavishly following earlier legislation, however hallowed it may be, without regard to the requirements of logic and consistency in a legislative text: this is especially regrettable where, as the last sentence of the same Article provides, the measure proposed is to be

"binding in its entirety and directly applicable in all Member States."

16. This practice appears to have led to anomalies in certain language versions of the proposed regulation. Thus the English version¹ is entitled "Proposal for a Council Regulation (EEC) applying Articles 85 and 86 ... to air transport"; the same term is used in Article 1(1). This was the terminology employed in the English translation of Regulation 1017/68 which, however appropriate at the time, is no longer tenable in the light of the subsequent jurisprudence of the Court of Justice.

¹The English version of this proposal is marked by a number of other incomprehensible errors. Thus Article 18(3) talks of a "negative clearance pursuant to Article 85(3) of the Treaty", whereas the term underlined is normally taken to refer to the certification by the Commission that "on the basis of the facts in its possession, there are no grounds under Article 85(1) or Article 86 of the Treaty for action on its part in respect of an agreement, decision or practice" (Article 2, Regulation 17, J.O. 1962, page 204: OJ 1959-1962, page 87). Equally, Article 14(2)(a) of the proposed regulation allows the Commission to impose large fines on undertakings who "infringe Article 85(1) or Article 86 of the Treaty, or do not comply with an obligation imposed under Article 8(1) of this Regulation"; yet one looks in vain for any obligation on undertakings imposed by virtue of Article 8(1); the phrase underlined does not appear in other language versions of the proposal. This lack of care in the preparation of one language version of the present proposal is especially regrettable given the number and size of primarily English-speaking airline companies (3 out of 10 main EEC scheduled airlines, 6 out of 16 main EEC non-scheduled airlines: Commission Memorandum on Air Transport, Bulletin of the European Communities, 5/79, Annexes II-3 and II-4, 1977 figures).

OPINION OF THE COMMITTEE ON TRANSPORT

Draftsman: Mr J. MOORHOUSE

In October 1981 the Committee on Transport appointed Mr James MOORHOUSE draftsman.

The committee considered the subject of the draft opinion at its meeting of 27 November 1981 and the draft opinion at its meeting of 29 January 1982. At its meeting of 26 February 1982 it adopted the draft opinion by 11 votes to 1.

The following took part in the vote: Mr Seefeld, chairman; Mr Moorhouse, draftsman of the opinion), Mr. Janssen van Raay (deputizing for Mr. Baudis), Mr. Buttafuoco, Mr. Gabert, Mr. Turner (deputizing for Lord Harmar-Nicholls), Mr. K.-H. Hoffmann, Mr. Key, Mr. Klinkenborg, Mr. Marshall, Mr. M. Martin and Mr. Vandewiele.

The Committee on Transport's request for greater competition in air transport has been endorsed by the European Parliament. In its resolutions of 17 October 1980 (OJ No. C 29L, 10.11.1980), the European Parliament rightly took the view that measures should be taken towards an effective intensification of competition in air transport; this would be to the benefit of air passengers, the productivity and competitiveness of airlines and the Community as a whole.

The Committee on Transport wishes, however, to draw attention to the extremely complex nature of air transport and its intricate international structure and therefore favours reforms which will not jeopardize the basic framework.

The Committee on Transport warns that an increase in competition must not take place at the expense of the airline staff nor lead to any deterioration in the quality of services.

Given the complexity of the subject of the regulation, the Committee on Transport deems it necessary to give the airlines sufficient time to make the necessary adjustment and counsels against a policy of liberalization along American lines.

The Committee on Transport takes the view that this welcome increase in competition in air transport should be seen as part of a more comprehensive policy on air transport which still has to be decided; in this context the committee recommends that the gradual introduction of price competition in air transport should be accompanied by a reduction in all forms of public financing for airlines.

Given the similar problems which exist in other transport sectors, the Committee on Transport considers it necessary to examine whether the exceptions provided for in Regulation 1017/68 and in the Commission draft on the detailed rules for the application of Articles 85 and 86 of the Treaty establishing the EEC to maritime transport (working Document 1-722/81) should not also apply in the field of scheduled air services.

The Committee on Transport notes with disquiet that the Council of Transport Ministers at its meeting of 15 December 1981 failed to agree on the draft regulation on interregional air services. Failure to agree on this comparatively modest measure must inevitably throw doubt on the goodwill and resolve of Ministers to make any real progress towards a rational reform of air transport.