

**The Liberalization of State  
Monopolies in the European  
Union and Beyond**

*Kluwer*

**23**

**EUROPEAN MONOGRAPHS**

*Edited by*  
**Damien Geradin**

EUROPEAN MONOGRAPHS

# **The Liberalization of State Monopolies in the European Union and Beyond**

Editor:

Damien Geradin



THE HAGUE - LONDON - BOSTON

*Published by Kluwer Law International*  
P.O. Box 85889  
2508 CN The Hague, The Netherlands

*Sold and distributed in the USA and Canada by*  
Kluwer Law International  
675 Massachusetts Avenue  
Cambridge, MA 02139, USA

*Sold and distributed in all other countries by*  
Kluwer Law International  
Distribution Centre  
P.O. Box 322  
3300 AH Dordrecht, The Netherlands

**A C.I.P. Catalogue record for this book is available from the Library of Congress**

*Cover design:* Bert Arts

*Printed on acid-free paper*

ISBN: 90-411-1264-2

© 2000 Kluwer Law International

Kluwer Law International incorporates the publishing programmes of Graham & Trotman Ltd, Kluwer Law and Taxation Publishers and Martinus Nijhoff Publishers.

This publication is protected by international copyright law.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher.

Printed and bound in Great Britain by Antony Rowe Limited.

**The Liberalization of State Monopolies in the  
European Union and Beyond**

## EUROPEAN MONOGRAPHS

*Editor-in-Chief Prof. Dr. K.J.M. Mortelmans*

1. Lammy Betten (ed.), *The Future of European Social Policy* (second and revised edition, 1991).
2. J.M.E. Loman, K.J.M. Mortelmans, H.H.G. Post, J.S. Watson, *Culture and Community Law: Before and after Maastricht* (1992).
3. Prof. Dr. J.A.E. Vervaele, *Fraud Against the Community: The Need for European Fraud Legislation* (1992).
4. P. Raworth, *The Legislative Process in the European Community* (1993).
5. J. Stuyck, *Financial and Monetary Integration in the European Economic Community* (1993).
6. J.H.V. Stuyck, A.J. Vossestein (eds.), *State Entrepreneurship, National Monopolies and European Community Law* (1993).
7. J. Stuyck, A. Looijestijn-Clearie (eds.), *The European Economic Area EC-EFTA* (1994).
8. R.B. Bouterse, *Competition and Integration—What Goals Count?* (1994).
9. R. Barents, *The Agricultural Law of the EC* (1994).
10. Nicholas Emiliou, *The Principle of Proportionality in European Law: A Comparative Study* (1996).
11. Eivind Smith, *National Parliaments as Cornerstones of European Integration* (1996).
12. Jan H. Jans, *European Environmental Law* (1996).
13. Siofra O'Leary, *The Evolving Concept of Community Citizenship* (1996).
14. Laurence Gormley (ed.), *Current and Future Perspectives on EC Competition Law* (1997).
15. Simone White, *Protection of the Financial Interests of the European Communities: The Fight against Fraud and Corruption* (1998).
16. Morten P. Broberg, *The European Commission's Jurisdiction to Scrutinise Mergers* (1998).
17. Doris Hildebrand, *The Role of Economic Analysis in the EC Competition Rules* (1998).
18. Christof R.A. Swaak, *European Community Law and the Automobile Industry* (1999).
19. Dorte Dahlgaard Dingel, *Public Procurement: A Harmonization of the National Judicial Review of the Application of European Community Law* (1999).
20. J.A.E. Vervaele (ed.), *Compliance and Enforcement of European Community Law* (1999).
21. Martin Trybus, *European Defence Procurement Law: International and National Procurement Systems as Models for a Liberalised Defence Procurement Market in Europe* (1999).
22. Damien Geradin, *The Liberalization of State Monopolies in the European Union and Beyond* (2000).

## Foreword

The present volume reproduces the reports and comments, often revised and updated, which were presented at the Conference on “Competition, Liberalization and State Monopolies” held in Liège in November 1998. In addition, it contains several contributions written in the wake and as a result of the conference. This conference was organized by the *Institut d’Etudes Juridiques Européennes* (IEJE) Fernand Dehousse of the University of Liège in the framework of the *Pôle d’Attraction Interuniversitaire* (PAI) No 36 (European Integration Law) granted by the Belgian Prime Minister’s office to the University of Liège and the University of Ghent (1990–96), now joined by the University of Brussels (1997–2001). The Institut is pleased to acknowledge the generous financial support of the Belgian National Foundation for Scientific Research and the Belgian French Community.

Special thanks are due to Mr. Benjamin Matagne, research assistant at the IEJE, who played a central role in the organization of the above conference and in the production of this volume. Thanks also to Veronica Lockyer, trainee solicitor, who corrected the english of several papers, and to Fabienne Julémont, secretary of the IEJE, who did some very useful wordprocessing work.

**Damien Geradin**

*May 1999*

# Introduction

For many years, major sectors of European industry, such as telecommunications, postal services, energy and transport, were dominated by state monopolies, i.e. companies that were given exclusive rights by Member States to provide certain goods or services. The existence of such monopolies was traditionally justified by different reasons. First, because of the presence of large economies of scale, some industries were considered to be “natural monopolies”. In such sectors, competition was said to be inefficient. The creation of state monopolies was also considered to be the only viable way to achieve some “public service” objectives, such as consumer equality. Through cross-subsidies between profitable and non-profitable services, a monopoly could maintain a uniform tariff throughout the territory. Finally, it was felt that some sectors of strategic importance had to be trusted to a single company preferably controlled by the State.

In the 1980s, many started to challenge the “classic” reasons given for creating or maintaining the existence of monopolies. Technological progress, combined with new economic thinking, reduced the relevance of the concept of “natural monopoly”. In fact, contrary to traditional wisdom, only some limited segments of the regulated industries (i.e., infrastructures that can not be duplicated) were real “natural monopolies”. By contrast, other segments (i.e., the provision of services) could successfully be open to competition. It was also suggested that the financing of public services through cross-subsidies was a particularly inefficient strategy. Other, more efficient and less anti-competitive means, were available to ensure such financing. Finally, the unsatisfactory performance of monopolies was taken as evidence that these were not necessarily operating in the best interests of consumers.

In addition to this shift in perception, the political and economic climate of the second part of the 1980s was favorable to the progressive elimination of state monopolies. Some Member States, such as the United Kingdom, had experimented with significant regulatory reforms. Major utilities, such as British Telecommunications, had been successfully privatised and their markets had been opened to competition. This resulted in falling prices and increased innovation. The emergence of a global marketplace also put pressure on some utility customers, such as large industrial users, to seek cheaper inputs, including cheaper telecommunications, energy and transport services than those monopolies were prepared or able to deliver.

Perceiving the importance of these changes, the Commission decided in the mid-1980s to initiate a major programme of liberalization. Several instruments were used to carry out this programme, such as Article 86 and 95 (ex-Article 90 and 100A) directives and Article 86 (ex-Article 90) decisions. Competition rules, and in particular Article 82 (ex-Article 86), played a major role in supplementing liberalization legislation.

Ten years down the road, it is fair to say that liberalization has been a success. Several sectors are now fully liberalized and substantial progress has been

## INTRODUCTION

accomplished in others. This strategy of liberalization has already produced some tangible results for consumers. In the area of air transport, for instance, prices have fallen, while supply has increased. This strategy of liberalization has also dynamized the liberalized sectors and stimulated major corporate restructurings.

It would be wrong, however, to think that Europe is the only part of the world where liberalization efforts have been pursued. In the United States, for instance, major regulatory reforms have been undertaken in the energy, air and rail transport sectors and, more recently, in telecommunications. These reforms have been a source of inspiration for other nations, and many EU liberalization measures contain elements of reform already experimented with in the United States. Liberalization is also progressing at the international level under the auspices of the World Trade Organization (WTO). In February 1997, sixty-nine countries adopted an agreement on basic telecommunications services, the implementation of which is expected to boost global trade in telecommunications services in the years to come.

In light of the above developments, the objective of this book is to take a closer look at the complex challenges raised by the liberalization of state monopolies. It attempts to cover both legal and economic issues and contains a comparative dimension.

The first Article in this book is the speech delivered by Commissioner Van Miert at the Conference "Competition, Liberalization and State Monopolies" held in Liège on 5–6 November 1998.<sup>1</sup> This speech illustrates the fundamental role played by the Commission competition directorate in the liberalization process undertaken in the European Union. As Commissioner Van Miert shows through a series of examples in the areas of telecommunications and air transport, the removal of exclusive rights through liberalization directives does not necessarily yield a competitive market. Other obstacles remain, such as the existence of bottlenecks or predatory practices by incumbents, which will often be overcome through the application of competition rules. State measures, such as illegal subsidies, may also impede competition on the newly liberalized markets.

The rest of the book, which contains the other papers presented at the Liège conference, is divided into three parts. Taking a sectoral approach, Part I of the book comprises a set of papers discussing the liberalization measures adopted by the Community in the areas of telecommunications,<sup>2</sup> postal services,<sup>3</sup> energy,<sup>4</sup> air<sup>5</sup> and rail transport.<sup>6</sup> These papers make a number of important points.

---

1. See K. van Miert, "Liberalization of the Economy in the European Union: The Game is not (Yet) Over", reproduced below.

2. See Pierre Larouche, "Telecommunications Services".

3. See Vincenzo Visco Comandini, "Postal Services", and the comments by Raoul Stewardson.

4. See Piet Jan Slot, "Energy (Natural Gas and Electricity)".

5. See Ben Van Houtte, "Air Transport", and the comments by Alan Ryan.

6. See André Meyer, "Rail Transport", and the comments by Guillaume Normand.



First, the opening to competition has been much faster in some sectors than in others. In the area of telecommunications and air transport, less than ten years were sufficient for a complete liberalization. Due to greater resistance on the part of the Member States, progress has, however, been much slower in the area of energy (electricity and natural gas) and postal services, though the recent adoption of very significant pieces of legislation will contribute to a progressive opening of these sectors to competition. Despite several attempts by the Commission, rail transport remains the only sector in which almost no competition has been introduced so far.

But whatever the level of liberalization achieved, difficult challenges remain. A first challenge is the proper transposition and implementation of the liberalization directives by the Member States. Some directives, particularly in the area of rail transport, have been poorly implemented by some Member States, with resulting delays in the liberalization process. A second challenge is the necessary adaptation of the existing regulatory framework to new circumstances. Most liberalized sectors are technology-driven and, thus, evolving fast. For instance, convergence between telecommunications, broadcasting and computing will certainly have an impact on EU telecommunications legislation.

Part II deals with a series of horizontal issues, i.e. issues which are common to all sectors that have been or are being liberalized. In addition to a general overview of cross-sectoral issues,<sup>7</sup> two issues receive particular attention in this second part. The first is the impact of liberalization on consumer protection.<sup>8</sup> Getting a better deal for the consumer was one of the main reasons for liberalization. In practice, it remains to be seen, however, whether all consumers will benefit from liberalization or if benefits have been concentrated on large industrial users. The pursuit of consumer goals also involves delicate trade-offs between objectives (price vs. quality, for instance) and instruments (regulation vs. taxation).

The second issue discussed in this second part is the creation of strategic alliances between operators.<sup>9</sup> Such alliances are created for a host of reasons, including the creation of synergies between companies and/or the offering of more-technically advanced products and services. In many ways, they will be beneficial for the consumers. The creation of strategic alliances may, however, defeat the purpose of liberalization in that it may raise barriers to entry, thereby affecting emerging competition. It is therefore essential to study how the Commission addresses these threats, for instance by imposing conditions on alliance members.

Part III is devoted to the liberalization efforts undertaken in the United States and at the international level in the framework of the WTO.

7. See Damien Geradin, "The Opening to Competition of State Monopolies: An Overview of the Main Issues of the Liberalization Process".

8. See Francis Mc Gowan, "State Monopoly Liberalization and the Consumer".

9. See Jean-François Bellis, "Liberalization and the Creation of Strategic Alliances".

## INTRODUCTION

As already noted, the US experience is of great interest to Europeans.<sup>10</sup> Deregulation of air transport in the 1970s offered a clear illustration of the benefits of increasing competition in traditionally tightly regulated sectors. It also points to some drawbacks that should be avoided by European policy-makers. For instance, after an initial phase of strong competition between existing carriers and new entrants, the air transport market has consolidated through a wave of mergers and acquisitions. Though such a wave of mergers is less likely in Europe, it shows once again the importance of the tight application of competition rules in freshly liberalized sectors.

The WTO agreement on basic telecommunications services offers interesting practical and theoretical perspectives.<sup>11</sup> This agreement will force some countries to open their telecommunications market, thereby creating new opportunities for European companies. From a theoretical standpoint this agreement is also very interesting. Together with the TRIPs, it is one of the “new” generation of WTO agreements which represent a form of “positive integration”. Contrary to the “old” generation of agreements, which exclusively comprized liberalization measures (i.e., the removal of obstacles), the telecommunications agreement comprizes positive requirements, such as the obligation for major carriers to offer interconnection on non-discriminatory terms. These positive requirements echo the regulatory approach chosen by the European Community in its ONP framework. One should not forget of course that WTO rules, and in particular the GATT and the GATS, may also apply to sectors other than telecommunications and it is likely that in the future these rules will be increasingly used to open markets that remain subject to tight regulatory controls.<sup>12</sup>

A last word concerning the presentation of the book. Initially, each topic was supposed to be dealt with in a main report, followed by short comments. However, in some instances, comments became papers in their own right, whereas papers were produced after the conference. This explains why the intended structure could not be adhered to throughout the volume and only emerges occasionally.

**Damien Geradin**

---

10. See Alfred Aman, “Deregulation in the United States: Transition to the Promised Land, A New Regulatory Paradigm? Or Back to the Future?”.

11. See Petros Mavroidis and Damien Neven, “The WTO Agreement on Telecommunications: It’s Never Too Late”, and the comments by Pierre Larouche.

12. See David Luff, “Multilateral Trade Issues and Liberalization: Current and Future Perspectives”.

# Table of Contents

Foreword *vii*

Introduction *ix*

The Liberalization of the Economy of the European Union:  
The Game is not (yet) Over

*Karel van Miert 1*

## I. SECTORAL ANALYSIS OF THE LIBERALIZATION POLICY OF THE EUROPEAN UNION

Telecommunications

*Pierre Larouche 15*

Energy (Electricity and Natural Gas)

*Piet Jan Slot 49*

Air Transport

*Ben Van Houtte 67*

Comments

*Alan Ryan 99*

Rail Transport

*André Meyer 103*

Comments

*Guillaume Normand 129*

Postal Services

*Vicenzo Visco Comandini 135*

Comments

*Raoul Stewardson 173*

## TABLE OF CONTENTS

### II. CONSEQUENCES OF THE LIBERALIZATION POLICY OF THE EUROPEAN UNION

#### The Opening of State Monopolies to Competition: Main Issues of the Liberalization Process

*Damien Geradin* 181

#### State Monopoly Liberalization and the Consumer

*Francis McGowan* 207

#### Comments

*Robin Simpson* 229

#### Liberalization and the Creation of Strategic Alliances

*Jean-François Bellis* 233

### III. THE LIBERALIZATION POLICY OF THE EUROPEAN UNION IN A COMPARATIVE AND INTERNATIONAL PERSPECTIVE

#### Deregulation in the United States: Transition to the Promised Land, a New Regulatory Paradigm, or Back to the Future?

*Alfred C. Aman, Jr.* 263

#### The WTO Agreement on Telecommunications: It's Never Too Late

*Petros Mavroidis and Damien J. Neven* 307

#### Comments

*Pierre Larouche* 319

#### Multilateral Trade Issues and Liberalization: Current and Future Perspectives

*David Luff* 331

List of Contributors 359

Index 361

# **Liberalization of the Economy of the European Union: The Game is not (yet) Over**

*Karel van Miert*

## **A. INTRODUCTION**

The end of 1998 is undoubtedly a good point in time to talk about liberalization within the European Union, and indeed a largely successful liberalization. As you know (increasingly I hope from your personal experience), from 1 January 1998 such an important sector as telecommunications was open to full competition in the majority of Member States. And the rest will join the club before the end of the century.

As of today, of those sectors traditionally characterized by State intervention, and very often State ownership, full liberalization is a fact in air transport (first) and telecommunications (second). In other sectors such as electricity, gas, postal services and railways the European Commission and the other institutions are continuing to work on a programme of liberalization that is already producing positive results for users.

During this conference, experts will present you with the state of the play in the different sectors and will extract pertinent conclusions. For my part, in this introductory speech I will concentrate on two topics: First, I will briefly recall why this liberalization effort was undertaken, and, second, I will pass on my experience in respect of the competition concerns arising once full liberalization is achieved. This does not at all mean that competition law is not applied in other sectors not fully liberalized yet. On the contrary, as I will develop later, competition law has acted as a “can opener” in prompting liberalization in many sectors.

As regards the second part, it is logical that I concentrate in those sectors where the “playing field” has already been created: Air transport and telecommunications. Our task in those sectors is now about “levelling” that playing field. That task is not easy either. Often it can prove even as difficult as liberalization itself.

## **B. WHY LIBERALIZATION?**

Why did the European Commission engage in such an ambitious liberalization program? In fact, it can be said that liberalization in the European Union has mainly been an unavoidable consequence of the establishment of the internal market. It is obvious that a market based on competition and free circulation of goods, services, people and capital is at odds with systems based on national monopolies. Our liberalization policy was therefore conceived as an indispensable instrument for the establishment of the internal market.

As a general rule, the goals of the liberalization policy pursued by the European Commission were twofold: on the one hand, bringing benefits to consumers, in particular better quality and variety of products and services and reduced prices, and, on the other hand, promoting economic integration within the internal market and hence competitiveness and employment.

Regarding employment, for incumbent companies, the introduction of competition in a previously closed sector means re-structuring their activities in search of higher flexibility and productivity and lower costs. It is undeniable that such a move, has in the short term, a negative cost in terms of employment by the incumbent. However, such losses are more than compensated by new job-opportunities arising from new competitors entering the liberalized markets. Furthermore, through the offering of better services at cheaper prices, the overall competitive position in the world of the entire economy is improved, which has positive consequences for employment.

The persuasive process, started by the Commission, leading to the acceptance by Member States of the necessity of liberalization has never been clear of difficulties. There has always been resistance, even if the balance of forces for and against liberalization has been very different across sectors. In general terms, liberalization has been more readily accepted in the air transport and telecommunications sectors than in energy or postal services. It is even true to say that the final shape and reach of liberalization in each of the sectors affected has been influenced by the strength of the resistance. Thus, the fierce opposition showed by many, but ultimately voiced by Member States, in the energy and postal sectors has, without any doubt, played an important role in reducing the scope of liberalization and in delaying the introduction of competition in these sectors.

In this often hostile context, one of the most important initial tasks undertaken by the European Commission was convincing Member States that its aim was not to attack the concept of services of general interest. In fact, it was clear that non-economic activities of general interest (such as compulsory education and social security) or matters of vital national interest (such as security, justice or diplomacy) were unaffected by the process. Only services of general economic interest were aimed at by liberalization.

The role of the European Commission in the whole process has just been to ensure a delicate balance between public service and single market. Such a balance between services of economic interest and market integration and competition is deeply rooted in the Treaty itself. The Treaty is based on the assumption that in general free competition is the best way to satisfy consumer needs. However, the Treaty also recognizes that this mechanism also has its limits. Thus the potential effects might not always extend to the entire population. It is our opinion that in cases where the market mechanism would fail to provide a satisfactory solution from the social point of view, new regulation could be required. I think for instance of safety in air travel or in the provision of universal service in telecommunications, as the most evident examples.

### C. AIR TRANSPORT

No more than 12 years ago, Governments of Member States controlled, unilaterally or bilaterally, all aspects of their respective national markets for air transport. As a consequence, EU air transport was characterized by the existence of virtual national monopolies (the so-called “flag companies”), market sharing agreements and very high tariffs.

As you know, liberalization in the European Union has finally been implemented through three successive packages, adopted in 1987, 1990 and 1992, of directives and regulations. As a result, and with the liberalization of “cabotage” in April 1997, full liberalization has been achieved in the air transport sector within the European Union.

The piecemeal approach adopted in the European Union towards full liberalization was largely a result of the strong resistance by airlines (and hence Member States) during the 70’s to the Commission intervening in the sector. This cautious approach was very different from the one adopted in the US, where full liberalization was achieved in just one go.

Some important consequences of full liberalization are already clearly visible. There has been a steady increase in supply of air transport; in many cases due to the entry of either “low-fares-no-frills” scheduled intra-community flights companies or regional airlines. In the bigger Member States, whereas several years ago there were no alternatives to using the flag carrier, some important routes are now served by up to three companies. Tariffs have also fallen, at least in those routes where effective competition exists. Tariffs and quality of in-flight services are being used by airlines to compete for passengers.

The scene after liberalization is not without concerns, however. I am not talking, fortunately, of safety but of several problems that are having or could have a negative effect on the further development of the market: The congestion of European air space and, in particular, the congestion at the largest airports within the Community is limiting the possibilities offered to new comers to the market. Take-off and landing slots are becoming a crucial scarce resource to enter the market. Also, after an initial boom of new entrants, and as happened in the US, there is a clear trend to concentration and in particular a boom of wide-reaching alliances between airlines within the Community with other airlines from outside the Community, mainly in the US. These alliances are increasingly achieving a global reach as airlines from other parts of the world, mainly Asia, are joining in.

#### 1. Competition concerns after liberalization

The above concerns are largely competition issues. We at the European Commission are actually dealing with them in several cases. This allows me to enter into the description of the main competition issues we are facing in the sector: alliances, access to airports, ground handling liberalization and State aids.

Before doing so, however, I would like to say a few words on the application of competition law to the sector in general. Up until the adoption of the first liberalization package, the Commission had to rely on its residual powers under Article 85 (ex-Article 89) of the Treaty, which did not permit effective enforcement of the competition rules.

Nevertheless, the limitations resulting from Article 85 did not mean that the Commission, as competition authority, adopted a passive role in respect of the sector. On the contrary, it is widely agreed that the adoption by the Council of the first package was to a large extent prompted by action by the Commission pursuant to Article 85 of the Treaty following confirmation in 1986 by the Court of Justice in the *Nouvelles Frontières* case that competition rules applied to the air transport sector.

In any event, to solve this limitation, the first package included Council Regulation 3975/87 that established the procedure to be followed for implementing the rules of competition in air transport and Council Regulation 3976/87 that empowered the Commission to grant block exemptions in the sector.

#### a) Alliances between airlines

The time when every Member State had its own publicly owned national flag company is largely gone. Without the protection of the State, and facing new competition from more efficient new entrants, flag airlines are forced to react. The reaction of national airlines has been to restructure in order to remain competitive. An important component of that restructuring has been the entering into alliances with other airlines to extend geographical coverage and increase frequencies. As I indicated above, more and more often such alliances also involve partners from other parts of the world.

The position of the Commission, acting as competition authority, in those cases has been balanced: we are open to accept alliances, provided that restrictions of competition resulting from them do not go beyond what is required to get the benefits expected from them. Thus, in those cases already dealt with, the positive position of the Commission has been made dependent on the acceptance by airlines of a series of conditions in terms of slot allocation, frequency reduction, interlining, co-ordination of frequent flier programmes, and so on, intended to facilitate access by new entrants on a competitive footing to the destinations which could otherwise be monopolized by alliance-partners.

As an example, the Commission adopted, last July, its preliminary position in respect of two of the four alliances against which proceedings under Article 85 of the EC Treaty were opened in July 1996 (British Airways–BA/American Airlines–AA, Lufthansa–LH- and SAS/United Airlines–UA-). It expects to adopt its preliminary position on the other two alliances (KLM/Northwest and Sabena/Austrian Airlines/Swissair/Delta) before the end of the year.



The provisional position of the Commission in respect of the first two was positive. However, the Commission imposed important conditions on reduction in frequencies on certain very important hub-to-hub routes, where the combined position was particularly strong, and on the release of slots at important airports (London in the BA/AA alliance, Frankfurt and Copenhagen in the LH/SAS/UA alliance). Additional conditions referred to frequent flyer programmes, computerized reservation system displays, relations with travel agencies and corporate customers and interlining.

In its assessment, the Commission considered that, without the proposed conditions, alliances would not be acceptable under the competition rules, in particular Article 81 (ex-Article 85) and (in the BA/AA case) also Article 82 (ex-Article 86).

Our enforcement of the competition rules in respect of international alliances with partners from third countries has been somewhat hampered by the lack of direct enforcement powers. As indicated above, the Commission is still limited to the use of the residual powers it has under Article 85 (ex-Article 89) to apply competition rules to such alliances. That limitation has hardly had any effect in practice, however, because our co-operation with the competition authorities of the Member States has been rather good. Such alliances require also co-operation with competition and regulatory authorities in third countries. There, our experience is a bit more mixed. International co-operation is of course a very rich and extremely important topic in this globalizing world. The European Commission is very active on that front both at its multilateral and bilateral levels. However, explaining that activity with a meaningful level of detail will clearly go beyond the scope of my presentation of today.

#### b) Access to airports

The Commission has a duty to ensure that despite the real problems of congestion in many important European airports, new entrants (in particular those from other Member States) have useful access on non-discriminatory terms to these airports. This is all the more important because, on the one hand, expanding capacity at major airports (for instance by adding additional runways or new passenger terminals) requires very high and time consuming investments and, on the other hand, because of the traditional very close links between former flag airlines and the main airports in Member States. In 1996 we had a first case concerning discrimination on landing fees at Brussels airport in favour of Sabena. We are currently dealing with similar cases in other important Member States, in which we are following the same approach.

#### c) Ground handling

This is an area where liberalization has been lagging behind. In fact, the sector was only opened up with the adoption by the Council of Directive 96/97 on the