

### Before you read

Discuss these questions.

- 1 Does your country have a national airline? Does it have special privileges, like a subsidy or special airport facilities?
- 2 Do you travel by air frequently? What was the reason for your latest flight? Could you choose between several different airlines for the same trip?
- 3 Should all airlines be allowed to compete on fare prices, as other industries do?
- 4 Do you agree with free trade and competition, or is there a good reason to regulate some markets?

### Reading tasks

#### A Understanding main points

Mark these statements T (true) or F (false) according to the information in the text on the opposite page. Find the part of the text that gives the correct information.

- 1 The European Commission is in Brussels. *T*
- 2 An alliance is the same as a merger.
- 3 Washington and Brussels are holding discussions at the moment on an open skies policy.
- 4 *Open skies policy* means any airline can fly anywhere.
- 5 BA and American Airlines agree how much the fares should be on each other's flights.

#### B Understanding details

Answer these questions.

- 1 Which organisation is taking eight European countries to court?
- 2 Find the exact words that say what aspect of the law has been broken.
- 3 Why does the EU object to agreements between an individual European country and the US?
- 4 What does BA hope to do with American Airlines?
- 5 What does the Competition Commissioner do in the European Commission?
- 6 When does BA intend to conclude a code-sharing deal with American Airlines?

# Brussels files suit over bilateral aviation deals

By Michael Smith in Brussels

The European Commission is taking eight European countries to the European Court of Justice over their bilateral aviation deals with the US. The EU's executive said yesterday that the deals distorted the EU air market to the detriment<sup>1</sup> of European carriers.

Disclosure of the move coincided with confirmation by British Airways (BA) that it was scaling back plans for a full alliance with American Airlines because of regulatory difficulties. BA is also pressing the British government to reach an agreement with the US for a gradual liberalisation of the US air market. Talks between Brussels and Washington on a full open skies policy broke down last month.

The European Commission's decision to file suit against the UK, Austria, Belgium, Denmark, Finland, Germany, Luxembourg and Sweden follows a long campaign to win the approval of EU member states for seeking an EU-

wide deal with the US. 'There need be no roll-back,' the Commission said. 'These individual agreements can be written into a wider deal.'

The European Transport Commissioner said member states created serious competition distortions by unilaterally granting US carriers rights while ensuring exclusivity for their own carriers. EU rules were rendered ineffective<sup>2</sup> by the deals, he said. The Commission warned member states four years ago that bilateral deals with the US would be illegal and would jeopardise<sup>3</sup> the creation of an EU-wide deal with Washington.

Most of the bilateral agreements have been signed since then. However, the Commission held off taking legal action after winning approval from member states for starting 'open sky' talks. It re-activated legal proceedings after EU countries last spring rejected its request for widening the scope of the talks to include market access and traffic rights –

the rights to fly to and inside another country's territory – and will not negotiate a deal unless the terms are widened.

In London, BA said it was still committed to getting a full deal with American Airlines in the long run. 'We want an alliance with American because the customer now thinks and travels globally,' it said. 'But the terms put forward by the European Competition Commissioner are not acceptable to us commercially.'

The Competition Commissioner has demanded that BA and American should give up 267 weekly slots free of charge at London's Heathrow and Gatwick airports. In the transition period towards full liberalisation, BA plans to conclude a code-sharing agreement with American. This would allow them to sell seats on each other's flights, but they would not set fares jointly.

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- 1 disadvantage
- 2 made useless
- 3 put at risk

## C How the text is organised

What do these underlined words refer to in the text?

- 1 disclosure of the move (line 9) *taking eight European countries to court*
- 2 it was scaling back plans (line 11)
- 3 These individual agreements (line 31)
- 4 their own carriers (line 39)
- 5 It re-activated legal proceedings (line 54)
- 6 its request for widening the scope (line 56)

### Legal brief

The purpose of the EU is to form a common market between members that is unrestricted by tariff barriers. In 1986, a Single Market Act proposed the removal of all trade barriers and tariffs by 1992. The European Commission works on behalf of the EU to make routine decisions and to propose new laws that will apply to all members. The Commissioner responsible for transport policy has disciplined eight EU member states for trying to make private deals with the US, rather than cooperating in the Common Aviation Policy.

## Vocabulary tasks

### A Understanding expressions

Choose the best explanation for each of these words and phrases from the text.

- |  |   |
|--|---|
| <b>1</b> disclosure (line 9)               | <b>4</b> roll-back (line 30)                        |
| <b>a)</b> telling the public               | <b>a)</b> delay                                     |
| <b>b)</b> keeping a secret                 | <b>b)</b> going back on present deals               |
| <b>c)</b> ending a meeting                 | <b>c)</b> limiting the agreements                   |
| <b>2</b> regulatory difficulties (line 13) | <b>5</b> ensuring exclusivity (line 38)             |
| <b>a)</b> problems with the authorities    | <b>a)</b> paying insurance                          |
| <b>b)</b> rivalry between competitors      | <b>b)</b> offering deals to several parties         |
| <b>c)</b> financial disputes               | <b>c)</b> guaranteeing a deal with only one partner |
| <b>3</b> gradual liberalisation (line 17)  | <b>6</b> transition period (line 78)                |
| <b>a)</b> rapid change of policy           | <b>a)</b> time of no change                         |
| <b>b)</b> refusal to change policy         | <b>b)</b> in the middle of change                   |
| <b>c)</b> slow relaxation of policy        | <b>c)</b> after change has finished                 |

### B Definitions

Match these terms with their definitions.

- |   |   |
|---|---|
| <b>1</b> bilateral (line 4)             | <b>a)</b> go to court                   |
| <b>2</b> distort (line 6)               | <b>b)</b> two sides                     |
| <b>3</b> detriment (line 8)             | <b>c)</b> extend the limits             |
| <b>4</b> file suit (line 23)            | <b>d)</b> negative effect               |
| <b>5</b> unilateral (line 37)           | <b>e)</b> made useless                  |
| <b>6</b> rendered ineffective (line 40) | <b>f)</b> changed, in a bad way         |
| <b>7</b> held off (line 51)             | <b>g)</b> waited to act                 |
| <b>8</b> widen the scope (line 56)      | <b>h)</b> done by one person or company |

### C Competition words

Use an appropriate word or phrase from the box to complete each sentence.

monopoly	competition	regulation	regulated	deregulated
free trade	unfair competition	protectionism		

- 1 Tobacco can only be sold at state shops in Spain: it is a *monopoly*.....
- 2 When two or more companies want to sell their goods to the same customers, they are in ..... with each other.
- 3 It is ..... when the rules of business do not apply equally to all participants.
- 4 When the European Commission issues rules about how firms do business, the market is said to be .....
- 5 When those rules are removed and the market is free, the market is said to be .....
- 6 ..... is the concept of doing international business with no barriers or restrictions.
- 7 If one country tries to keep out foreign competitors so that national industries will be safe, it is called .....
- 8 The concept of ..... is that of ordering and controlling how business is conducted.

### Over to you

- 1 Are there any protected industries in your country? Why do you think these industries are protected? Are there any advantages in keeping out competitors? Make a list of points for and against the regulation of competition.
- 2 You have decided to start a sports shoe retail business. Are you going to sell locally-made shoes or import them from other countries at a lower price? Think of some legal factors you should consider when entering the market: for example, are there import taxes on foreign goods? What government protection for local industry is there?