ANNUAL PROCEEDINGS OF THE

FORDHAM CORPORATE LAW INSTITUTE

EC AND U.S. COMPETITION LAW AND POLICY

This volume contains articles based upon lectures delivered in condensed form, followed by panel discussions, during the Eighteenth Annual Fordham Corporate Law Institute on EC and U.S. Competition Law and Policy in New York City on October 24 and 25, 1991.

Editor Barry Hawk

Fordham Corporate Law Institute

1992

TABLE OF CONTENTS

Forev	word	. iii
	Chapter 1	
	EFFECTIVELY ENFORCING COMPETITION LAWS: SOME ASPECTS OF THE U.S. EXPERIENCE	
	by	
	Janet D. Steiger	
I. II.	Introduction	1
III.	Economies	4
	A. EC Member States.	
	B. Federal Systems of Enforcement.	
	C. Regional Office Systems	
	D. Private Actions	. 13
	E. Conclusion	. 15
IV.	The U.S. Experience A. Networks of Local Offices of The National	. 15
	Competition Agencies"	16
	B. Cooperation Between Central Government	
	and Regional Government Competition Agencies	19
	C. Cooperation Between Central Government	_
	Competition Agencies	21
	D. International Cooperation	
	E. Private Antitrust Enforcement.	
V.	Conclusion.	
	Chapter 2	
	INTERNATIONAL ANTITRUST POLICY— A JUSTICE DEPARTMENT PERSPECTIVE	
	by	
	James F. Rill	
		29
		. 29

ANTITRUST, COMPETITIVENESS, AND NATIONAL ECONOMIC POLICY IN THE EMERGING WORLD ECONOMY: A COMMERCE DEPARTMENT PERSPECTIVE

by

Wendell	L.	Willkie,	II
Alder	F.	Abbott	

	Alden F. Abbott	
I.	Introduction	
II.	Antitrust and Competitiveness	
III.	Government Regulations and Subsidies	
	A. Common Agricultural Policy	
	B. Airbus Program.	
	C. EC Television Broadcast Directive.	.54
	D. Extending Competition Policy To State	
T 7	Controlled Monopolies.	
IV.	General Conclusions and Recommendations.	57
	Chapter 4	
	WHAT IS A FREE MARKET? COMPETITION LAW IN MARKET ECONOMIES	
	by	
	Abbott B. Lipsky, Jr.	
		61
	Chapter 5	
IN	TERNATIONAL COMPETITION POLICY IN A DIVERS WORLD: CAN ONE SIZE FIT ALL?	E
	by	
	Diane P. Wood	
I.	Introduction	71
II.	The Competition Principle In A Global Setting	.73
III.	The Details: Consensus and Divergence	.76
	A. Consensus.	.76
	B. Divergences: What Threatens Consumer	
	Welfare?	78

TABLE OF CONTENTS	VI
1	TABLE OF CONTENTS

IV.	C. Divergences: Different Policy Goals	
	Chapter 6	
	INTERNATIONAL ANTITRUST POLICY	
	by	
	A. Paul Victor Alden F. Abbott Abbott B. Lipsky James F. Rill Janet D. Steiger Diane P. Wood	
Panel	Discussion	.87
	Chapter 7	
В	BI-ANNUAL REVIEW OF EEC COMPETITION CASES 1989—1991	
	by	
	Michel Waelbroeck	
I.	Introduction	I11
II.	Agreements And Concerted Practices	.113
	A. The Notion of "Agreement"	
	B. The Cumulative Effects Doctrine	
III.	Dominant Positions	
	A. The Akzo Case.	.115
	1. Relation Between Dominant Position	116
	and Abuse	
	3. Dominant Position	
	B. The Tetra Pak—I Case	
IV.	Public Undertakings.	
	A. The First Telecom Directive Case.	
	B. The Macrotron Case	
	C. The ERT Case	
V.	Application of Competition Rules By The Commission	.126

	A. Rights of Undertakings in Commission
	Investigations
	B. Appealable Acts
VI.	Application By National Courts
VII.	Industrial Property Rights
	A. The Hag II Case
	B. The RTE, BBC and ITP Cases
	Chapter 8
	THE ENFORCEMENT OF COMPETITION POLICY
IN	THE EUROPEAN COMMUNITY: A MATURE SYSTEM
	by
	Jonathon Faull
I.	Introduction
II.	Procedure
III.	Jurisdiction
IV.	Rule of Reason
V.	Article 86
VI.	Member States' Obligations
VII.	Special Sectors
VIII.	Fines
IX.	International Dimension
X.	Mergers
XI.	Conclusion
	Chapter 9
	THE SHERIFF NEEDS A POSSE
	by
	J.E. Ferry
I. II.	Dumping and Subsidies
III.	State Aids
IV.	Other Control Over Member States
V.	Damages
VI.	Remedies in National Courts

TABLE OF CONTENTS	IX

VII. VIII.	Reform of Article 169 Proceedings			
	Chapter 10			
	EEC COMPETITION LAW AND POLICY			
	by			
	William T. Lifland Bastiaan van der Esch John Ferry Jonathon Faull Professor Michel Waelbroeck			
Panel	Discussion			
	Chapter 11			
LEG	LEGAL MONOPOLIES IN THE CASE-LAW OF THE COURT OF JUSTICE OF THE EUROPEAN COMMUNITIES			
	by			
	Giuliano Marenco			
I.	Introduction			
II.	Monopolies Established According To National Law . 198			
III. IV.	Legality of National Monopolies Under the Treaty 199			
1 V . V .	Article 86			
v .	A. A Legal Monopoly May Not Discriminate against Imported Products as Compared to National Products			
VI. VII.	and Which Discriminated against Imports. 207 C. In Another Set of Cases a Discrimination against Imported Products or Imported Services Was Built into the Exclusive Right Itself. 208 The Combination of Article 90 and Article 86. 215 Conclusion 219			

THE PRINCIPLES OF INTERPRETATION APPLIED BY THE COURT OF JUSTICE OF THE EUROPEAN COMMUNITIES AND THEIR RELEVANCE FOR THE SCOPE

OF THE EEC COMPETITION RULES

by

Bastiaan	van	der	Esch
----------	-----	-----	------

I.	Introduction	223
II.	The Useful Effect Principle as the Main Expression	
	of the Teleological Method of Interpretation	.225
	A. Recent Examples of the Useful Effect Principle	226
	B. Other Forms of Teleological Methods	
	of Interpretation	. 228
III.	The Relevance of The General Principles	
	of Interpretation Used By The Court For	
	The Application Of The EEC Competition Rules	234
	A. The Delimitis Case and Foreclosure of Markets	
	Through Bundles of Exclusive Distribution	
	Contracts	. 236
	B. Foreclosure of Markets by Legal Monopolies	238
	C. Balance Comprehensiveness in Three Other	
	Recent Leading Cases: Hag II, AKZO,	
	and the Dutch Media Legislation.	. 249
	1. HAG II	249
	2. AKZO Chemie BV	. 250
	3. Dutch Media Legislation Cases	25
IV.	Conclusion	252
	A. Post Scriptum	. 253
	Chapter 13	
	PUBLIC ENTERPRISES UNDER EEC LAW:	
	THE LAME DUCKS OF THE NINETIES?	
	by	
	Piet Jan Slot	
I.	Introduction	255

TABLE OF CONTENTS XI

II.	A Summary Of The Present Position Of Public Enterprises And Undertakings Entrusted With
	The Operation of Services Of General Economic
	Interest Under The. Treaty
	and Maintain Public Enterprises?
	B. To What Extent does the Treaty Allow Public
	Enterprises to Create and/or Maintain
	a Dominant Position and/or to Exercise
	Exclusive or Special Rights?
	C. The Interest of the Community
	D. The Procedural Aspects of the Application
	of Article 90(2) •
III.	An Appraisal
	G1
	Chapter 14
	LEGAL MONOPOLIES UNDER THE EEC TREATY
	by
	Jean Russotto
	Bastiaan van der Esch
	Giuliano Marenco
	Aurelio Pappalardo
Panel	Discussion
	Chapter 15
AIR	TRANSPORT IN THE EEC—COMMUNITY ANTITRUST LAW ASPECTS
	by
	John Temple Lang
I.	Introduction
II.	Air Transport Measures In The Community 290
	A. The Community's First Air Transport Measures . 290
	B. The Community's Second Air Transport
	Measures
III.	Current Community Antitrust Issues
	In Air Transport

	Α.	The Relevant Market In Air Transport Cases	299
	B.	The Relevant Geographical Markets	300
	C.	Relevant Geographical Market: Airline Mergers	
		and Joint Ventures.	.303
	D.	Geographical Markets In The Future	.305
	E.	The Relevant Service Market In Air Transport	306
	F.	Multilateral Agreements.	_308
	G.	Interlining.	309
	H.	Multilateral Agreements: Slot Allocation	
		At Airports	.312
	I.	Bilateral Restrictive Agreements—Joint	
		Operations.	314
	J.	Framework Cooperation Agreements Between	
		Airlines	315
	K.	Recent Joint Venture Cases	316
		 An Air Transport Joint Venture Case— 	
		DHL	316
		2. A Complex Joint Venture Case on Computer	
		Reservation Systems (CRS)—The Amadeus	
		Sabre Agreement	317
IV.	The	e Distinction Between "Concentrative" Mergers	
	and	"Cooperative" Joint Ventures in Air Transport—	
	The	e Legal Principles	. 323
	A.	The Merger Regulation	324
	B.	Commission's Notice	326
	C.	Factors Used To Determine The Applicability	
		of The Merger Regulation.	330
	D.	Consequences of the Distinction between	
		"Concentrative" and "Cooperative Agreements"	331
	E.	Towards A Community Merger Policy For Air	
		Transport	. 335
	F.	The Approach to Individual Cases.	
		1. Benefits	
		2. Competition	
		3. Improving The Cost/Benefit Ratio.	
		4. Typical Types of Cases.	
		a. Restructuring involving only airlines	
		with little market power	340

	b. Restructuring between an airline	
	with substantial market power	
	and an airline with little market power	
	operating in different markets	.340
	c. Restructuring involving an airline	
	with substantial market power	
	and an airline without such power	
	competing in the same market	341
	d. Restructuring involving two airlines,	
	both having substantial market power	342
G.	Merger Policy and Right of Establishment	342
H.	Merger Policy during gradual Liberalization	.343
I.	Mergers In The Community Air Transport	
	Sector—Individual Cases	.345
	1. British Airways—British Caledonia	345
	2. Air France—Air Inter—UTA	.346
	3. Lufthansa—Interflug	.348
	4. British Airways—KLM—Sabena.	.349
	5. KLM—Transvia	349
J.	Article 86: Abuses of Dominant Positions	350
K.	Tiouses in the tim transport sector	
	1. Refusal To Grant Access To a CRS	353
	2. Refusal to Interline—An Exclusionary	
	Abuse	.354
	3. Predatory Air Fares and Other Practices	356
	of Cross-Subsidization	359
	5. Joint Dominant Positions	360
	6. Joint Dominance and the Merger	
	Regulation	. 364
Me	ember State Action And Air Transport	365
A.	Recent Cases.	366
	1. Bundesanstalt fur Arbeit	366
	2. Spanish Courier Service	368
B.	Legal Aspects of Undertakings In Competition	
	Cases	.368
C.	Legal Consequences Of Breach	
	Of An Undertaking	. 373
	H. I. J. K.	with substantial market power and an airline with little market power operating in different markets. c. Restructuring involving an airline with substantial market power and an airline without such power competing in the same market. d. Restructuring involving two airlines, both having substantial market power. G. Merger Policy and Right of Establishment. H. Merger Policy during gradual Liberalization. I. Mergers In The Community Air Transport Sector—Individual Cases. 1. British Airways—British Caledonia. 2. Air France—Air Inter—UTA. 3. Lufthansa—Interflug. 4. British Airways—KLM—Sabena. 5. KLM—Transvia. J. Article 86: Abuses of Dominant Positions. K. Abuses In The Air Transport Sector. 1. Refusal To Grant Access To a CRS. 2. Refusal to Interline—An Exclusionary Abuse. 3. Predatory Air Fares and Other Practices. 4. Unfairly High Fares And The Question of Cross-Subsidization. 5. Joint Dominant Positions. 6. Joint Dominance and the Merger Regulation. Member State Action And Air Transport A. Recent Cases. 1. Bundesanstalt fur Arbeit 2. Spanish Courier Service. B. Legal Aspects of Undertakings In Competition Cases. C. Legal Consequences Of Breach

	D.	Fines When Undertakings Are Infringed	
	E.	Types of Undertakings.	
		1. Undertakings as Amendments to Notifications	376
		2. Undertakings as Facts Which Were Basic	
		to the Commission's Position	.376
		3. Undertakings as Equivalent to Conditions	377
		4. Undertakings as a Basis For Later Interim	
		Measures	380
		5. Undertakings Instead Of Interim Measures	380
		6. Undertakings Breach of which Clearly Does	
		Not Involve A, Breach of Substantive	
		Competition Law	380
		7. Arbitration In The Operation of	
		Undertakings	. 381
	F.	Procedural Aspects Of Undertakings	.381
	G.	Breach By One Of Several Companies	
		Of An Undertaking.	383
	H.	Undertakings Intended To Reduce Fines	.383
	I.	Legal Aspects of "Administrative Letters" In Air	
		Transport and Other Competition Cases	.383
	J.	Negotiating Undertakings With The	
		Commission	. 388
VI.	EC	Antitrust Law And Non-Member States—	
	The	e Immediate Future	389
	A.	New Treaty Arrangements With Non-EC	
		Member States.	391
	В.	New EC Arrangements For Air Transport	
		With Non-EC Member States	392
		Chapter 16	
T	не е	CC COMPETITION RULES AND AIRPORT ACCES	S
		by	
		John Balfour	
I.	Int	roduction	397
II	The	e Present System	399

III.	Th	e Competition Rules—Which Regime?	401
	A.	Regulation 141	
	В.	Transport	403
	C.	Conclusion	405
IV.	Art	icle 85	405
	A.	Agreement, Decision or Concerted Practice	405
	B.	Prevention, Restriction or Distortion	
		of Competition	408
	C.	Conclusion	410
V.	Blo	ck Exemption From Article 85(1).	. 410
	A.	The Block Exemption	410
	В.	Grandfather Rights	412
VI.	Art	icle 86	. 414
	A.	The Product Market	. 414
	В.	The Geographical Market	416
	C.	Dominant Position	417
	D.	Abuse Generally.	417
	E.	Refusal to Supply	418
	F.	Discrimination	420
	G.	Conclusions ".	421
VII.	Ext	ternal Aspects.	421
	A.	Investigations	422
	B.	Block Exemption	423
	C.	Article 86	424
VIII.	Co	nclusions	424
		Chapter 17	

AIR TRANSPORT IN THE EEC

by

Guy J. Pevtchin John M. Balfour Professor Piet Jan Slot John Temple Lang

Panel	Discussion.																		4	2	7

TRENDS AND DEVELOPMENTS IN EUROPEAN ANTITRUST LAWS

by

Dr. Kurt Stockmann

I.	Intr	oduc	tion	441
	A.	Tre	nds and Developments.	441
	B.	EC	Member States	442
	C.	EFI	TA Countries v	445
	D.	East	t European Countries	447
II.	Eur	opea	n Community Countries	448
	A.	EC	Founding Countries	448
		1.	Belgium	448
		2.	France	449
		3.	Germany	450
		4.	Italy	453
		5.	Luxembourg	455
		6.	Netherlands	456
	В.	Oth	er EC Member States	457
		1.	Denmark	457
		2.	Greece	458
		3.	Ireland	459
		4.	Portugal	460
		5.	Spain	461
		6.	United Kingdom	462
III.	EF.	ΓΑ (Countries	465
		1.	Austria	. 465
		2.	Finland	. 465
		3.	Iceland	. 466
		4.	Norway	. 467
		5.	Sweden	467
		6.	Switzerland	468
IV.	Eas	t Eu	ropean Countries	469
		1.	Czechoslovakia	469
		2.	Estonia	470
		3.	Hungary	471
		4.	Poland.	473

TABLE OF CONTENTS XV11

	5. Russia	
V.	Conclusions	477
	Chapter 19	
	THE NEW ITALIAN ANTITRUST LAW	
	by	
	Franco Romani	
I.	The Structure of the Law	479
II.	Implementation of the Law	484
	Chapter 20	
M	ERGER CONTROL IN FRANCE: LAST DEVELOPMENT	S
	by	
	Jean Patrice de la Laurencie	
I.	Introduction	487
II.	Precondition to the Applicability of Merger Control	489
	A. Is The Transaction a Merger?	489
	B. Are The Thresholds Attained?	491
	1. The Market Shares Threshold	492
	2. The Turnover Threshold	493
	3. Negative Effect on Competition	
III.	The Exercise of Merger Control: The Essential Role	
	of Political Power	494
	A. Initiating the Control Procedure	
	1. Control at the Initiative of Undertakings:	
	Notification is Optional	495
	2. Control at the Initiative of the	
	Administration: The Authorities Themselves	
	may Activate the Procedure	496
	B. The Intervention of the Competition Council	
	to Assess the Transaction	497
	The Competition Assessment	
	2. The Economic Assessment of the Merger	
	3. The Conclusions of the Council	
	C The Government Decision	

	 Decision-Making Authority is not Dependent on the Opinion of the Council. Power of Informal Dissuasion. 	
	Chapter 21	
DI	EVELOPMENTS IN UNITED KINGDOM COMPETITION LAW AND IN ITS RELATIONSHIP WITH EC LAW	N
	by	
	John Swift QC Rupert Anderson	
I.	Introduction	
II.	The Regulatory Regime in the United Kingdom	
	A. The Fair Trading Act 1973.	
	1. Monopolies	
	2. Mergers	
	3. Other Provisions of the Fair Trading Act	
	B. The Restrictive Trade Practices Act of 1976.	
	C. The Competition Act 1980	
	D. Other Legislative Provisions	513
III.	The Maintenance of Effective Conditions	
	of Competition in the UK Generally	514
	A. Continuing Emphasis on Securing Wherever	
	Practicable That There Are Effective Conditions	
	of Competition for the Benefit of Consumers	514
	B. Political Concern as to Distortion of Those	
	Conditions by Participation by State-Controlled	
	Enterprises	
	C. MMC Response to Issue of State Ownership	516
	D. MMC as Auditor of Scale Monopoly	
	and Complex Monopoly.	
	E. Structural and Behavioral Remedies in Beer	
	F. No Need for Further Intervention in Petrol	.520
	G. Prohibition of Non-Discrimination Clauses	
	in Credit Card Agreements and of Other	
	Restrictive Practices.	
IV.	Regulation of Former State Monopolies	
	A. Telecommunications	. 521
	D C	

TABLE	OF CONTENTS	XIX
V. VI.	C. Airports. D. Electricity. E. Water. Developments in the Relationship Between UK Domestic Law and EC Law in the Resolution of Problems Arising Under Competition Law. Time For Agreement On Respective Roles.	.524 .524 .525
	Chapter 22	
	EC MEMBER STATE ANTITRUST LAW	
	by	
	Professor Jacques Steenbergen Jean-Patrice de La Laurencie Professor Franco Romani Kurt Stockmann John Swift, QC	
Panel	Discussion	533
	Chapter 23	
	JOINT VENTURES UNDER EC LAW	
	by D. W. I.	
	Barry E. Hawk	
I.	Introduction	557
	A. The General Problem: Joint Ventures Have	r
	Structural and Behavioral Aspects	.557
	B. Two Obstacles to a Coherent EEC Analysis	
	of Joint Ventures	
II.	Joint Ventures That Escape Article 85	561
	Joint Venture	
	B. Joint Ventures Under the Merger Regulation	
	 The Merger Regulation's Definition. The Guidelines' Approach to Concentrative/ 	563
	Cooperative Joint Ventures	563
	3. Separable and Ancillary Restrictions.	

	4. Commission Decisions 567
III.	Application of Article 85(1) To Cooperative Joint
	Ventures
	A. Introduction
	B. Application of Article 85(1) to Joint Venture
	Formation
	C. Application of Article 85(1) to Particular
	Provisions
IV.	Exemptions of Cooperative Joint Ventures Under
	Article 85(3)
V.	Conclusions
	Chapter 24
JOI	NT VENTURES AND ANTITRUST WITH PARTICULAR
	EMPHASIS ON THE DEVELOPMENT OF GERMAN
	ANTITRUST THEORY AND PRACTICE
	by
	Oliver Axster
	Chapter 25
	JOINT VENTURES UNDER EEC LAW
	$\mathbf{b}\mathbf{y}$
	Professor Roger J. Goebel
	Oliver Axster
	Jonathon Faull
	Professor Barry E. Hawk
Panel	Discussion
	Chapter 26
FIDC	T YEAR OF ENFORCEMENT UNDER THE EEC MERGER
FIRS	REGULATION: A COMMISSION VIEW
	$\mathbf{b}\mathbf{y}$
	Dietrich Kleemann
I	Introduction

$\times \times I$	
/\/\	

II.	Scope of Application of the Merger Regulation	.625
	A. Concentration	.626
	1. Control	.626
	2. Concentrative and Cooperative Joint	
	Ventures	.630
	B. Calculation of the Thresholds	.634
	1. Undertakings Concerned	634
	2. Calculation of Turnover of a Group	
	of Companies	636
III.	Substantive Appraisals of Concentrations	
	A. Relevant Market	
	1. Relevant Product Market	
	2. Relevant Geographic Market	
	B. Dominant Position	
	1. Relevant Product Market	
	C. Significant Impediment of Effective	
	Competition	645
IV.	Conclusion	
	Chapter 27	
	-	
TH	IE FIRST YEAR OF ENFORCEMENT UNDER THE EE MERGER REGULATION—A PRIVATE VIEW	C
	by	
	Michael J. Reynolds	
I.	Introduction	649
	A. Setting up the Mergers Task Force	.650
	B. Meeting the Deadlines	651
II.	The Concentration/Joint Venture Conundrum	
III.	Community Dimension—Operation	
	of the Thresholds	663
IV.	Territorial Scope	666
V.	The Notification Process	
VI.	Appraisal Criteria	
	A. Relevant Product and Geographical Market	
	B. Compatibility with the Common Market	
VII.	Relationship Between Commission and Member States .	
VIII.	Conclusion	
	Appendix	

MERGER CONTROL IN THE EEC—TOWARDS A EUROPEAN MERGER JURISPRUDENCE

by

Eleanor M. Fox

I.	Introduction	709
II.	Background: From Formation of the Community	
	to Adoption of the Merger Regulation:	711
III.	The Merger Regulation—The Substantive Standard	
	A. Industrial Policy	716
	B. The Oligopoly Problem	718
	C. The Meaning of "Competition" and "Impeding	
	Effective Competition"	718
IV.	Observations Regarding The Merger Decisions	719
V.	Four Case Studies	720
	A. AlcatellTelettra	720
	1. The Geographic Market	721
	2. Effect on the Spanish Market	
	3. Critique	722
	4. Alternative Analysis	724
•	B. Aerospatiale/MBB	. 727
	1. Critique	729
	C. Renault/Volvo	
	1. Critique	733
	D. Aerospatiale-Alenia/De Havilland	734
	1. Critique	
VI.	Towards a Distinctive European Merger Law	
	A. Dominance	. 741
	B. Oligopolistic Dominance	
	C. Market Definition	
	D. Measurement of Concentration	
	E. The Proscribed Effect	
VII	Conclusion	7.40

TABLE OF CONTENTS XX111

Chapter 29

THE FIRST YEAR OF ENFORCEMENT UNDER THE EEC MERGER REGULATION—A VIEW FROM THE TRENCHES

by

		Angus K. Maciver	
I.	Intr	roduction	751
II.		ification Procedure	
	A.	Pre-Filing Maneuvers.	
	В.	Form CO	
	C.		
		Regulation	757
	D.	Initiation of Proceedings	
	E.	Suspension of Concentrations.	
III.	Dec	cision Process.	
	A.	Structural Modifications	
	B.	Advisory Committee	
	C.	Commission Acting as a Collegial Body.	
IV.	One	e Stop Merger Control	
V.		nclusions	
		Chapter 30	
TI	ie fi	IRST YEAR OF ENFORCEMENT UNDER THE E MERGER REGULATION	EEC
		$\mathbf{b}\mathbf{y}$	
		James T. Halverson	
		Professor Eleanor Fox	
		Dietrich Kleemann	
		Angus Maciver	
		Michael Reynolds	