

EUROPEAN COURT OF JUSTICE DECIDES AIR FARES COME UNDER COMPETITION RULES

The European Economic Community's highest court held in a decision released on April 30 that member states should not approve or enforce air fares that "were the result of an agreement, a decision by an association of undertakings or a concerted practice contrary to Article 85" of the Treaty of Rome. The case involved a French travel agency, which the Court found to have the right to sell airline tickets at prices lower than those authorized by the French government. A French court had referred the case to the European Court of Justice.

The full effects of the decision are unlikely to emerge for some time. There may well be other clarifying legal actions as some airlines seek to challenge member state authority and as the Commission of the European Communities moves to assert more influence over civil aviation. European air fares are among the highest in the world, and the U.K. and Holland have been campaigning for reductions.

PUBLICATIONS RECEIVED

James P. Cairns, Economics in Court: The Consumers Glass Case, Canadian Business Law Journal, 1986, Vol. 11, No. 1.

R. Jack Roberts and Christopher Hewat, Pre-Merger Notification in Canada, Canadian Business Law Journal, 1986, Vol. 11, No. 1. This article discusses the merger pre-notification provisions of former Bill C-29, the competition law reform package that was introduced by the previous government in April, 1984. However, many of their comments are germane to the Bill that has just been enacted.

S. Globerman and W.T. Stanbury, Changing the Telephone Pricing Structure: Allocative, Distributional And Political Considerations, Canadian Public Policy, Vol. XXII, No. 1, March, 1986. Considers some of the issues in so called rate rebalancing. Favours the introduction of local measured service as a means of shielding many households from the cost shock.

Walter Block, Ed., Reaction: The New Combines Investigation Act, The Fraser Institute, Vancouver, 1986. This volume consists of an introduction by Walter Block of the Institute and ten papers. The contributors are William A. MacDonald, J. William Rowley, C.J. Michael Flavell, L. Philippe de Grandre, Donald E. Armstrong, Colin Irving, Steven Globerman, Gabrielle and Reuven Brenner, James C.W. Ahiaapor, Donald N. Thompson, Donald J. Lecraw and Edwin G. West. Walter Block's position is essentially that Bill C-91 is better than its predecessors only because it is weaker. While that viewpoint clearly influenced the Institute's selection of contributors, many of the papers are well worth reading. For example, Donald Lecraw's paper on Industry Structure and Competition Policy provides a thoughtful survey of the approaches of the present

and previous bills to industrial structure from the perspective of current trends in economic theory and recent empirical findings.

John R. Baldwin and Paul K. Gorecki, Mergers and Merger Policy In The Canadian Manufacturing Sector: 1971-1979, Economic Council of Canada, Discussion Paper No. 197, March, 1986. This paper analyses mergers in Canadian manufacturing industries, using much more detailed data than were previously available. Statistics Canada has made it possible for all commonly-owned establishments in any four-digit industry to be grouped into a so-called unconsolidated enterprise, and for all commonly-owned establishments within the manufacturing sector as a whole to be grouped into a so-called consolidated enterprise. By way of example, Foods and Beverages are a two-digit industry, while flour mills are a four-digit industry. The data and their analysis by the authors will provide a rich source of new information for students of the Canadian merger movement. The following are among the many findings:

- the number of horizontal mergers within four-digit industries as a percentage of the total number of mergers fell from 43 percent in 1971-73 to about 30 percent in 1979.
- Entry into industries by acquisition accounted for about the same share of value of shipments as entry by plant creation, while horizontal mergers were a much smaller factor.
- There is some indication that the merger process reallocated resources from smaller to larger firms.
- Entry by merger is positively correlated with entry barriers, which "suggests it performs a valuable function of permitting new entrants where the traditional literature has claimed competition may not be intense". Horizontal mergers are associated with rationalization, which "suggests efficiency gains from these mergers may be important".

The authors suggest, modestly enough, that their paper permits a better understanding of the merger process without exclusively supporting either those for or against merger law reforms. They themselves are not strong advocates of change. They believe that their evidence emphasizes the need to be extremely selective in devising a merger policy, and they add that "this is a necessary but not a sufficient condition for policy intervention".

Office of Fair Trading, Anti-Competitive Practices: A Guide To The Provisions of the Competition Act, 1980, London, 1986 (available free from Office of Fair Trading, Field House, Bream's Buildings, London EC4, 1PR, Eng.). This is a completely revised guide, along with case histories, to the 1980 legislation on anti-competitive practices.

Donald G. McFetridge, Research Coordinator, Canadian Industry In Transition, University of Toronto Press, Toronto, 1986. This is one of seven volumes of

background papers on industrial structure for the Royal Commission on the Economic Union and Development Prospects for Canada. It contains the following studies:

The Economics of Industrial Structure: An Overview, by D.G. McFetridge.

The Evolution of the Canadian Industrial Structure: An International Perspective, by Michael F. Charette, Robert P. Henry and Barry Kaufmann

The Extent and Evolution of Competition in the Canadian Economy, by R.S. Khemani

Rationalization and Specialization in Canadian Manufacturing, by Donald J. Daly

Canada-U.S. Productivity Differences in the Manufacturing Sector: 1970-79, by J.R. Baldwin and P.K. Gorecki with J. McVey

Mixed Enterprises in Canada, by E. Craig Elford and W.T. Stanbury

Specialization and Foreign Investment in Canada, by Paul M. Bishop and Harold Crookell

These papers provide a valuable store of new information about the state of Canadian industry, particularly about its levels of efficiency and competitiveness and the sources of its weaknesses.

Joseph E. Stiglitz and G. Frank Mathewson (Editors), New Developments In The Analysis of Market Structure, The MIT Press, Cambridge, Mass., 1986. Presents the proceedings of the International Economic Association Round Table Conference on New Developments in the Analysis of Market Structures held in Ottawa in May, 1982. The contributors include some of the world's leading economists in the field, and the volume amounts to a survey of significant developments in the last decade in the theory and analysis of how markets function.

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