Table of Contents

Preface xii Acknowledgements xx List of Abbreviations xxix Chapter 1 Introduction: Preparing for a New Era in International Aviation I Replacing a Flawed Regulatory System II The 'Chicago System' and a Proposal for its Reform A An Overview of The Global Air Transport Industry: Passenger/Cargo Services B A Synoptic View of the 'Chicago System' C Open Skies: Seeking Flexibility within the Chicago System III A Summary of Core Principles for a Second Stage Plurilateral Treaty Chapter 2 Prelude to Change: A Synthesis of Transatlantic
Acknowledgements List of Abbreviations Chapter 1 Introduction: Preparing for a New Era in International Aviation I Replacing a Flawed Regulatory System II The 'Chicago System' and a Proposal for its Reform A An Overview of The Global Air Transport Industry: Passenger/Cargo Services B A Synoptic View of the 'Chicago System' C Open Skies: Seeking Flexibility within the Chicago System III A Summary of Core Principles for a Second Stage Plurilateral Treaty Chapter 2
Chapter 1 Introduction: Preparing for a New Era in International Aviation I Replacing a Flawed Regulatory System II The 'Chicago System' and a Proposal for its Reform A An Overview of The Global Air Transport Industry: Passenger/Cargo Services B A Synoptic View of the 'Chicago System' C Open Skies: Seeking Flexibility within the Chicago System III A Summary of Core Principles for a Second Stage Plurilateral Treaty Chapter 2
Chapter 1 Introduction: Preparing for a New Era in International Aviation I Replacing a Flawed Regulatory System II The 'Chicago System' and a Proposal for its Reform A An Overview of The Global Air Transport Industry: Passenger/Cargo Services B A Synoptic View of the 'Chicago System' C Open Skies: Seeking Flexibility within the Chicago System III A Summary of Core Principles for a Second Stage Plurilateral Treaty Chapter 2
Introduction: Preparing for a New Era in International Aviation I Replacing a Flawed Regulatory System II The 'Chicago System' and a Proposal for its Reform A An Overview of The Global Air Transport Industry: Passenger/Cargo Services B A Synoptic View of the 'Chicago System' C Open Skies: Seeking Flexibility within the Chicago System III A Summary of Core Principles for a Second Stage Plurilateral Treaty Chapter 2
I REPLACING A FLAWED REGULATORY SYSTEM II THE 'CHICAGO SYSTEM' AND A PROPOSAL FOR ITS REFORM A An Overview of The Global Air Transport Industry: Passenger/Cargo Services B A Synoptic View of the 'Chicago System' C Open Skies: Seeking Flexibility within the Chicago System III A SUMMARY OF CORE PRINCIPLES FOR A SECOND STAGE PLURILATERAL TREATY Chapter 2
II The 'Chicago System' and a Proposal for its Reform A An Overview of The Global Air Transport Industry: Passenger/Cargo Services B A Synoptic View of the 'Chicago System' C Open Skies: Seeking Flexibility within the Chicago System III A SUMMARY OF CORE PRINCIPLES FOR A SECOND STAGE PLURILATERAL TREATY Chapter 2
A An Overview of The Global Air Transport Industry: Passenger/Cargo Services B A Synoptic View of the 'Chicago System' C Open Skies: Seeking Flexibility within the Chicago System 12 III A SUMMARY OF CORE PRINCIPLES FOR A SECOND STAGE PLURILATERAL TREATY 13 Chapter 2
Passenger/Cargo Services B A Synoptic View of the 'Chicago System' C Open Skies: Seeking Flexibility within the Chicago System III A SUMMARY OF CORE PRINCIPLES FOR A SECOND STAGE PLURILATERAL TREATY Chapter 2
B A Synoptic View of the 'Chicago System' C Open Skies: Seeking Flexibility within the Chicago System III A SUMMARY OF CORE PRINCIPLES FOR A SECOND STAGE PLURILATERAL TREATY Chapter 2
C Open Skies: Seeking Flexibility within the Chicago System 12 III A SUMMARY OF CORE PRINCIPLES FOR A SECOND STAGE PLURILATERAL TREATY 17 Chapter 2
Chicago System 12 A Summary of Core Principles for a Second Stage Plurilateral Treaty 17 Chapter 2
III A SUMMARY OF CORE PRINCIPLES FOR A SECOND STAGE PLURILATERAL TREATY Chapter 2
Plurilateral Treaty 17 Chapter 2
Chapter 2
And the state of t
Prolude to Change: A Synthesis of Transatlantic
Aviation Relations 1993-2008 23
I Introduction: An Epistemic Community Rises 23
II RETHINKING BILATERALISM: THE OPEN SKIES DECADE 1993-2003 25
A Beyond Bilateralism: The Baliles Airline Commission B A Bridge to Multilateralism: The Strategic Implications
of U.S. Open Skies



	C	The EC Responds to Open Skies: An Incomplete First	2.4
	Б	'Mandate'	34
	D	Webs of Influence: International Organizations and Academic Commentators	40
		1 Webs of Influence I: International Nongovernmental	40
			40
		Organizations 2 Webs of Influence II: International Governmental	40
		Organizations	43
		3 Webs of Influence III: Academic Commentators	46
	Е	Glimmerings of Multilateralism: Some Tentative U.S.	40
	L	Initiatives	52
Ш	Éiv	ING A NEW HORIZON FOR OPEN SKIES: U.S./EC AVIATION	52
111		ATIONS AFTER 2003	55
	A		33
	А	Court Destabilizes the Nationality Rule	57
	В	Managing the Fallout: The Commission Secures	37
	Ь	A Second (Double) Mandate	61
IV	Torr	E Trajectory of U.S./EC Air Services Negotiations	01
IV		33-2007	67
		Toward a U.S./EC Agreement I: Political Stalemate	67
	В	Toward a U.S./EC Agreement II: Fontical Statemate Toward a U.S./EC Agreement II: Breaking the	07
	Ь	Impasse	71
V	ΔΝ	Executive Briefing on the 2007 U.S./EC Air Transport	/ 1
*		REEMENT	78
	A		79
	В	The Second Stage Agenda and Timetable	82
	D	1 The Second Stage Timetable	83
		2 A Threat of EU Member State Unilateralism	84
		3 The Second Stage Agenda: Toward an OAA?	85
Vl	Cor	NCLUSION: VISIONARIES, PRAGMATISTS, AND THE SHAPING OF	0.5
		OST-CHICAGO GLOBAL AVIATION ORDER	93
	23. 4	our emendo debbne minnon okoek	,,,
Chap	ter :	3	
		Sovereignty: The Ontology of the Chicago	
		International Air Transport Regulation	97
۱		RODUCTION: THE CONCEPTUAL FRAMEWORK OF THE	
	Сні	CAGO SYSTEM	97
IJ	Air	SPACE SOVEREIGNTY	99
Ш	Ат	THE HEART OF THE CHICAGO SYSTEM: THE FREEDOMS OF	
	THE	AIR AND BILATERALISM	103
	Α	The Nine Freedoms	103
	В	Trading the Freedoms: The Rise of Bilateralism	109
		1 Ex Post Facto Flexibility: The Moderate	
		Liberalism of Bermuda I	111
		2 Treaty-Based Rigidity: Bermuda II	116



Table	of C	Contents	XXI
(V	Тыв	VENERABLE DOCTRINE OF CABOTAGE	119
. •		A Principle of Exclusion	119
	В	Cabotage in a Multilateral Airspace Environment	122
		Pooling Airspaces in the EC: Can Cabotage	123
		Be Traded Away?	126
		2 Cabotage and U.S. International Aviation Policy a The Legal Foundations of U.S. Cabotage	126
		27.6 6 1 5	128
. ,	C	b The Durability of U.S. Cabotage Restrictions VEREIGNTY AND CITIZENSHIP PURITY: THE NATIONALITY RULE	133
V		The Substantial Ownership/Effective Control Dyad	133
	A	Proscribing Multinational Airlines: The Nationality	100
	В	Rule in Domestic Law	135
		. C. O. II. I. M. J. D. L. and the	100
		Unmaking of a U.S. Government Rulemaking	138
		The state of the s	100
		a Airline Citizenship: Law and Policy in the United States	138
		b DHL/ASTAR and Virgin America: Citizenship	
		as a Competitive Weapon	143
		i DHL/ASTAR	144
		ii Virgin America	150
		c The DOT's Noble Failure: The 2005/06	
		Rulemaking	155
	C	A Future Without the Nationality Rule?	162
	C	1 Alliances: From Code-Sharing to Contract	162
		2 Reforming the Nationality Rule in Domestic Law	164
		3 Liberalizing the U.S. Domestic Rules on Ownership	
		and Control	167
	D	Conclusion: The Superior Norm of Nationality	171
VI		rishizing Sovereignty: The Public Stake in Air Transport	172
VI	A		172
	В	The Retreat of the State: The Age of Deregulation	178
	D	1 New Models of Airline Regulation in the	
		United States and EC	178
		2 Airline Privatization in the EU	184
VII	Тн	E REGULATORY REFLEX: COMPUTER RESERVATIONS SYSTEMS	
A 11		AIRPORT ACCESS	188
	A	CRS: From Regulation to Deregulation in 20 Years	189
	В	The Competitive Quandaries of Airport Access	194
VIII		E LATE-MODEL CHICAGO SYSTEM: STRATEGIC ALLIANCES AND	
* ***		DE-SHARING	198
	A	Entrepreneurial Circumventions of the Nationality Rule	198
	В	Global Marketing Alliances	198
	2	1 Strategies for Alliance-Building	198
		2 KLM/Northwest and Its Progeny: The Immunity	
		Artifice	203



	C	Code-Sharing as 'Pseudo-Cabotage'	208
		I A Code-Share Taxonomy	208
		2 Does Code-Sharing Violate Cabotage?	213
		3 Code-Sharing: A Costly Compromise for U.S.	
		International Aviation Policy – and for the	
		Airline Industry	214
		4 Code-Shares and the Consumer	220
IX	Mı	ULTILATERALISM AND REGIONALISM IN THE CHICAGO SYSTEM	223
X		E CHICAGO SYSTEM ON THE CUSP OF REFORM	231
Cha	pter	4	
Mod	el Ju	risdiction I: The United States	235
Airli	ne D	eregulation Within and Beyond a Unitary Airspace	
1	Int	RODUCTION	235
H	Тн	e Legal and Historical Background	239
	Α		239
	В	The Regulatory Era: The Kitty Hawk Irony	240
		I CAB Route Authority: The 'Grandfather' Syndrome	242
		2 CAB Rate Authority: The 'Pullman' Effect	244
		3 CAB Antitrust Authority: Regulatory Omnipotence	246
	C	Deregulation: The Intellectual Premises	248
	D	Deregulation: A Political Act of Will	251
		I CAB Route Deregulation: The Fruits of Dormancy	255
		2 CAB Fare Deregulation: Zones of Flexibility	258
		3 CAB Antitrust Deregulation: The Longest Sunset	259
		4 A Regulatory Vestige: The Essential Air Service	
		Program	263
	Е	Scrambling the System: Alfred Kahn's Regulated	
		Deregulation	264
Ш	Ex	PORTING DEREGULATION: PROBING THE LIMITS OF BILATERALISM	268
	Α	The Emergence of an Open Skies International	
		Aviation Policy	268
	В	The IATCA: An Ambivalent Challenge to Bilateralism	272
		I The IATCA's 'Soft Law' Approach to the Chicago	
		System	274
		2 Protecting U.S. Carriers: The IATCA's 'Hard Law'	
		Approach	275
	C	The IATCA and the Chicago System: Enduring Regulation	279
		1 International Designation: Public Franchises and Private	
		Profits	279
		2 International Fares: Zonalism and Unilateralism	283
		3 International Antitrust Regulation: Wielding the Wand	
		of Immunity	285



Table	of	Contents	xxiii
		a Avoiding the Sunset	285
		b Two Case Studies in Alliance Approval and Antitrust Immunity: The Force of Bilateral 'Specificity'	287
		TI C C C	201
		c Immunity Proceedings: The Conflict of Competition and Aviation Policy	293
		d The SkyTeam Proceedings: Slouching Toward	
		Regulatory Incoherence	297
		e Mixing Competition Policy and Politics: The	
		Instability of Immunity Jurisprudence	301
	D		
		U.S. International Aviation Strategy	302
		1 Open Skies and Retrenchment: U.S. Bilateral Relations	202
		1978-92	302
		2 U.S./Europe: A Continuing Story of Aeropolitical Discord	305
		3 Resisting Open Skies: The U.S./Asia/Oceania Market	309
		4 The U.S. Response: Aerodiplomacy Trumps Retaliation	312
		and Denunciation 5 A Reconceptualization of Open Skies – Some	312
		5 A Reconceptualization of Open Skies – Some Preliminary Thoughts	318
		a IATCA and the 2007 U.S./EC Air Transport Agreement	322
		b The Risks of More Bilateralism	325
IV	Α	CRITIQUE OF U.S. FEDERAL AIRLINE DEREGULATION	326
. ,	A	Lessons from the U.S. Experience	326
	В	Securing Competition in a Deregulated Airline Industry	327
		1 The Structural Unpredictability of U.S. Deregulation	327
		2 An Enduring Business Model: Complex, Costly	
		Hub-and-Spoke Networks	331
		3 CRS: Adjusting to a Post-Regulatory Environment	335
		4 Loyalty Programs and Slot/Gate Scarcity: Enduring	2.40
		Non-Price Entry Barriers	340
		5 The Death and Life of A Merger Policy for the U.S.	247
		Airline Industry	347
		a Mergers in the Reagan Era: Laissez-Faire under	348
		CAB/DOT Review	340
		b After 1989: Stronger Surveillance by the Antitrust	352
		6 Finding the Proper Regulatory Tempo: A Case Study	332
		of the 1998 Predatory Pricing Guidelines	357
		a The DOT Enters a Jurisprudential Minefield	357
		b The Rational Side of Predation	362
		c The DOT Abandons Regulatory a Priorism	365
	C		
		Transition	368
		1 The Lessons of the September 11, 2001 'Stabilization'	
		Package	368



		a The First Approach of Reregulation:				
		The September 11, 2001 'Stabilization' Package	369			
		b Lessons of the Stabilization Act	373			
		2 2008: The Reregulation Debate Redux	374			
	D	U.S. Airline Deregulation: An Unfinished Experiment	378			
Cha	pter	5				
		urisdiction II: The European Community	381			
		iment in Multilateral Airline	70.70			
	ralize					
I	InI	RODUCTION: AN OVERVIEW OF THE EU AIR TRANSPORT INDUSTRY	381			
11		E SUPRANATIONAL LEGAL AND POLICY FOUNDATIONS OF EC AIRLINE				
		REGULATION	386			
	A	General Principles of the Community Legal Order	386			
	В	The Community Institutions and EC Air Transport				
		Liberalization	388			
		The Council of the European Union	388			
		2 The European Commission	389			
		3 The European Parliament	391			
		4 The European Court of Justice	393			
	C	The Legislative Foundations of the Single Aviation Market:				
		A 'Package' Deal	401			
	D	The EC Treaty's Competition Code: Still Leading from				
		the Center	410			
		1 The Primary and Secondary Sources of EC				
		Competition Law	411			
		a Regulating Private Action: Articles 81 and 82,				
		Regulation 1 of 2003	411			
		b Applying Competition Law to the Airlines	416			
		c Merger Control in the EC	418			
		d Regulating Public Action: State Aids	422			
	E	Toward Multilateralism: The EC's External Aviation				
		Relations	424			
		The Open Skies Rulings and the External Competence				
		of the EC	424			
		2 A Synthesis of the Community's External				
		Competence	432			
111		Appraisal of Multilateral Airline Deregulation in the EC:				
	Gυ	GUIDEPOSTS FOR THE ERA BEYOND OPEN SKIES				
	Α	The Demonstration Effect of the European Experiment	434			
	В	Reprising the U.S. Experience: Protecting Competition in a				
		Deregulated Era	435			
		l Europe's FTC: The Shifting Role of the European				
		Commission	435			



	2	Two Case Studies in Supranational Trusteeship:			
	-	The Article 82 'Dominance' Factor	438		
		a An Early Example: British Midland v. Aer Lingus	439		
		b Focusing on the Competitive Structure: The Travel			
		Agency Incentives Case	443		
	3	Airline Mergers and Alliances: A New Commission			
	_	Activism	450		
		a Europe's Airline Culture: Cooperation Trumps			
		Merger	450		
		b Case Studies in the Commission's Scrutiny of			
		Transatlantic Alliances	453		
		i The Nebulous World of Transnational EU Mergers:			
		Air France-KLM	456		
		ii A Case Study in Community Merger Policy:			
		The easyJet Challenge to Air France-KLM	459		
		c Conclusion: When the Mergers Come	466		
C	Re	gulatory Challenges of Multilateral Airline			
	Li	beralization 1: Issues Common to the U.S.			
		perience	469		
	1	Computer Reservations Systems in Europe	469		
	2	The Infrastructure Challenge	473		
	3	Passenger Rights: Overexuberant Regulation?	477		
		Regulatory Challenges of Multilateral Airline			
	Li	beralization II: Issues Beyond the U.S. Experience	482		
	1	Building the Community's External Aviation Policy I:			
		The Chicago Bilateral System After the ECJ Open			
		Skies Rulings	482		
	2	Building the Community's External Aviation Policy II:			
		More Verticality and a European Common Aviation			
		Area	488		
	3	A Concluding Note on the Community's External			
		Aviation Policy	492		
E	A	Conceptual Conflict: The Community Licensing System			
	an	d the Right of Establishment	492		
F		pping into the Well of Public Subsidy: The Battle			
	A	gainst 'State Aids'	495		
	1	Two Flag Carriers Under Scrutiny: Olympic and			
		Alitalia	497		
	2	A New State Aids Challenge: Airport Subsidies	502		
	3	Should State Aids Be a Transitional Phenomenon?	506		
G		onclusion: Some Counterpoints to the EC Deregulation			
	E	periment	507		
	1	Two General Counterpoints	509		
		a The Commission's 'Industrial Policy'	509		
		b A Partial Deregulation of the 'Aviation' Industry	510		



		2 Three Specific Counterpoints	511
		a The Anomaly of Public Service Obligation (PSO) Routes	511
		b A Doomed Suggestion: Fare Reregulation	513
		c A Cautionary Tale of External Relations	515
Cha	oter	6	
Cond	clusi	ion: A Proposal for a Second Stage U.S./EC Air	
Tran	spo	rt Agreement	517
l	In	TRODUCTION: THE CHANGE IMPERATIVE	517
11	TH	E IMPERATIVES OF LIBERALIZATION AND GLOBALIZATION	518
	Α	The Global Regulatory Backdrop to Airline Deregulation	518
	В	A Constitutional Symmetry: U.S./EC Airline Deregulation	521
Ш	T⊦	RE FOUNDATIONS OF A NEW PLURILATERAL AIRSPACE	522
	Α	Introduction: The Narrowness of Open Skies	522
	В	Visualizing a Multilateral Air Transport Regime	524
	C	GATS Gradualism: A Search for the Highest Common	
		Denominator	526
		1 Introduction	526
		2 Applying the GATS Framework Principles to Global Air	
		Transport	528
		a The GATS Trade Principles	530
		b Most-Favored-Nation	530
		c National Treatment	534
		d Market Access	535
		3 A Critique of the GATS Approach to Multilateralism	535
	n	4 Conclusion: Politics and the GATS	540
	D	A Plurilateral Reconceptualization of the U.S./EC Second	
	С	Stage Negotiations	542
	E	Some Guiding Principles for the Negotiators	544
		Principle 1: The End of Managed Trade Principle 2: The End of Cabotage and Chicago's	546
		2 Principle 2: The End of Cabotage and Chicago's Contrivance of 'Freedoms'	5.40
			547
		 Principle 3: A New Doctrine of 'Regulatory' Nationality Principle 4: An End to Pricing Controls 	548
		5 Principle 5: A 'Deep Integration' Program of Regulatory	550
		Convergence	551
		a Convergence in Air Transport Competition Law and	551
		Policy	553
		i Introduction: Globalizing Trends in Competition	333
		Law Enforcement	553
		ii A Proposal for Competition Surveillance of the	333
		Airlines	559
		(a) Shaping a Common Body of Competition Law	560
		(b) A Rule of Abstention for Competition	200
		Enforcement Agencies	561
		iii Conclusion	562



Table	of Con	tents	xxvii
		b The End of Operating Aid for Failing Carriers c Resetting the Tempo of Regulation: Abstention and	562
		Convergence	564
		i A Code for Airport Constraints	566
		ii Labor Rights in a Plurilateral Setting	567
	6	Principle 6: A Mandatory Supranational Dispute	
	O	Settlement/Appellate Mechanism	570
		a Introduction	570
		b A Sector-Specific Supranational Tribunal	572
		D: 0	5
		c Advancing to Private Supranational Dispute Settlement	576
			3,0
			578
		A Constitutional Possibility?	580
	7	e Conclusion Disciple 7: Adopting the EC 'Community Designation	300
	7	Principle 7: Adopting the EC 'Community Designation	
		Clause' for Countries outside the Second Stage	581
		Plurilateral Cyclustics of Augustics	301
IV		ID OPEN SKIES: THE POLITICAL CHALLENGE OF AUTHENTIC	583
	LIBERA	ALIZATION	363
App	endix I		
Depa	artment	of Transportation Statement of United States	=00
Inte	rnationa	al Air Transportation Policy May 3, 1995	589
App	endix II		(01
Mod	el U.S.	Open Skies Agreement	601
A nn	endix II	п	
		C Air Transport Agreement	615
			659
Tabl	les of C	ases and Administrative Proceedings	039
Sele	ct Biblio	ography	669
		-	70 =
Inde	X		695

