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Competition DG

Director-General

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COMP/D2/HBM-MS/ir D1718Michael W. Reynolds
Acting Assistant Secretary for Aviation and
International AffairsU.S. Department of Transportation
400 7th Street, S.W.
Washington, D.C. 20590**Subject: IATA tariff conferences**

Dear Mr Reynolds,

Thank you for your letter of 18 September 2006 regarding the application of EU competition law and U.S. antitrust law to the tariff coordination activities of the International Air Transport Association (IATA).

I have read closely the show-cause order that was issued by the Department of Transportation on 5 July in this matter. I understand that this order directs interested persons to show cause why the Department should not disapprove IATA's Provisions for the Conduct of the IATA Traffic Conferences insofar as that agreement authorizes U.S. and foreign carriers to discuss and agree upon passenger fares, cargo rates and associated conditions of service between the United States and the European Community (together with Iceland, Norway, Switzerland, and Liechtenstein) and between the United States and Australia, either directly through tariff conferences or indirectly through related means of information sharing. The Department hopes to issue a final order by the end of 2006.

I discussed with Mrs Neelie Kroes, European Commissioner in charge of Competition, the possibility that the Block Exemption for tariff coordination on routes between the United States and the European Community be granted until 30 June 2007, instead of 30 June 2008. She agrees that regulatory convergence would be beneficial for the European Community and its Member States, the United States and the interested stakeholders. She decided to consult Member States in the Advisory Committee on bringing forward the expiration date of the Block Exemption for tariff coordination on routes between the United States and the European

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Community to 30 June 2007. On 20 July, the Advisory Committee was convened and a large majority of Member States supported this proposal of the Commission.

I note that, if the Commission adopts the above Regulation and if the Department of Transportation determines after reviewing the responses to its order that it should make its own tentative decision final and there is no basis for choosing a different effective date, then the Department would seek to make its final order effective on the same day as the expiration date of the block exemption Regulation for EU-US routes.

In the light of the opinion of the Advisory Committee, Mrs Kroes intends to propose shortly the above draft Regulation to the College of Commissioners in view of the adoption of the new Block Exemption Regulation.

Yours sincerely,



Philip LOWE

- For the Director-General

E. PAULIS

- Acting Deputy Director-General