



**COMMENTS OF
THE ASSOCIATION OF ASIA PACIFIC AIRLINES (“AAPA”)
ON
THE COMMISSION’S CONSULTATION PAPER ON
THE POSSIBLE REVISION OF REGULATION 2299/89 ON A CODE OF CONDUCT
FOR COMPUTERISED RESERVATION SYSTEMS**

27 APRIL 2007

I. THE ASSOCIATION OF ASIA PACIFIC AIRLINES

The Association of Asia Pacific Airlines (“AAPA”) is the trade association representing the major scheduled international air carriers based in the Asia Pacific region. As many of its members operate international flights to and from the EU, AAPA takes a keen interest in the development of EU legislation that applies to its members.

AAPA submits views of its member airlines on the Commission’s consultation paper published earlier this year by answering the questions the Commission posed to industry stakeholders in Section 9 of the consultation paper.

II. COMMENTS

1. In the light of the described market developments, is there still a need for the sector-specific competition rules imposed by the Code of Conduct? Or should the Code of Conduct be revised or abolished?

In the AAPA filing submitted to the U.S. Department of Transportation in March 2003, comments to the European Commission in February 2003, and submission to Transport Canada in October 2003, AAPA agreed with the authorities that CRS rules should still be maintained to protect consumers and promote healthy competition among CRSs because the industry remained dominated by four major CRS vendors that wield substantial market power over airlines.

Although there seems to be an increasing number of alternative channels for distribution, the CRSs are still not only the main distribution avenue of airlines' products, but are also the source of booking engines behind many other airline and agency websites. Meanwhile the CRS industry itself has been consolidating into an even small number of major players, with the recent acquisition of Worldspan by Galileo.

We believe the current CRS market still requires the sector-specific competition rules to guarantee fair competition but add that some of the rules should be revised to better cater to the current market situation.

2. Given the described market developments, has the risk of market foreclosure not reduced and are general competition rules not a sufficient remedy/deterrent against these risks?

The risk of market foreclosure in the EU CRS market has reduced in comparison with the past because of growing competition between distribution channels, but the risk still exists. We believe general competition rules are not sufficient to deter this risk and that the CRS market still requires sector-specific competition rules in some areas.

3. Would the air transport distribution market - including small and medium-sized companies involved in the market - be ready for the introduction of greater pricing freedom (such as through the removal of the rules of non-discriminatory fees given in article 10)?

AAPA believes that "non-discriminatory fees" should be removed as a requirement from the Code of Conduct, as it restricts airlines' ability to negotiate freely with the system providers. Evidence following CRS deregulation in the US market indicates that the price competition can result in meaningful cost reductions. A more market-driven CRS pricing scheme could improve cost effectiveness whilst meeting passenger demand for competitively priced air travel.

4. Given the changes in the market and in the ownership and control structures of the CRS providers, are the specific obligations imposed on parent carriers still needed? Or should these obligations be reviewed or lifted?

The evolving market environment has resulted in reduced levels of airline ownership of CRSs. Accordingly, the requirements obliging parent carriers to participate in each and every CRS at the same level of service may no longer be necessary.

Termed “parity provisions”, such obligations disable a carrier from selecting its CRS participation level on the basis of cost and quality of service provided by the system providers and, like the parent carrier obligation, foreclose carriers from exercising countervailing bargaining power, which exists in a normal competitive environment.

5. Should airlines remain free to invest in CRS providers and control them or should there be rules that restrict the possibility for airlines or other sectors to control CRSs? Are specific transparency requirements needed for CRS providers that are not publicly listed on a stock exchange?

AAPA believes the focus should be on ensuring that CRSs operate in a competitive business environment rather than regulating their ownership. CRSs should be subjected to the same regulatory standards, regardless of whether they are publicly or privately owned.

6. Are the provisions given by article 6 of the Code of Conduct to make the data from Marketing Information Data Tapes (MIDT) available to groups of airlines and subscribers still pertinent in the present market context?

MIDTs play a vital and effective role in flight schedule planning and distribution planning for carriers of all sizes. AAPA has previously supported the need for MIDTs to be made available to groups of airlines because the price to acquire the data was very high and only available directly from the CRSs. However, airlines can now purchase similar marketing data products from other entities resulting in more competitive pricing. Provided such competition amongst data providers is not jeopardised, we believe the provisions of Article 6 could be relaxed.

7. Should travel agents' identity no longer be revealed in the MIDT?

The effectiveness of the use of MIDT data in analysing the distribution efficiency of existing routes and evaluating potential new routes is certainly enhanced by the identification of the major agency channels.

Given the fact MIDT information is now more widely available at more competitive prices, we believe the inclusion of travel agency identities significantly adds to the usefulness of such data to users including both airlines and agencies.

8. Are the Code of Conduct's detailed prescriptions with regard to the principal display of a CRS still pertinent in the present market context? Are they still required to ensure a neutral choice? Or can they be simplified or removed? In case stakeholders favour a simplification or removal of these prescriptions, could they – where possible - quantify the reduction in administrative costs that such a regulatory change would induce?

In AAPA's opinion, there are still merits in requiring CRSs to use objective and unbiased criteria in producing principal availability displays. Today, more end users are utilising system capabilities to customise availability displays according to their own preferences. AAPA also sees merits in simplifying Annex I of the CRS Code of Conduct, which we feel is overly prescriptive in its present form.

III. CONCLUSIONS

AAPA supports the Commission's objective of reviewing the current Regulations in the light of more recent experience and ongoing economic and technical developments in the global market for travel distribution services.



There is evidence that some aspects of the current Regulations are unduly prescriptive. This may be a hindrance to market based competition and innovation, and should therefore be reviewed. AAPA will support any changes that will enhance the development of a more competitive market for travel distribution services.

Respectfully submitted
by

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