

Arab Air Carriers Organization
Comments on

**Consultation Paper on possible revision of Regulation 2299/89 on a code of
conduct for computerised reservation systems**

On a general level:

Q1. 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 general a revision of the code of conduct might be undertaken in the light of the markets developments while taking into consideration the issues that are described and addressed in the below questions, which are major issues that would ensure a level playing field amongst the different players.

Q2. Given the described market developments, has the risk of market foreclosure not reduced and are general competition rules (Article 82 of the Treaty in particular) not a sufficient remedy/deterrent against these risks?

Even with the market developments, the general competition rules are not sufficient to bring remedy to the risks of market foreclosure, as the Code of Conduct addresses the issues of neutrality, display, ownership issues that the competition rules might not cater for in specific.

On a more specific level:

Q3. 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)?

The market is ready and needs a greater pricing freedom, as there is no need for price consolidation.

Q4. 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 ownership and control of structures of the CRS providers has changed dramatically throughout the years, however still Amadeus has airlines' ownership in it, and the future might hold another cycle of change of ownership, hence we need to maintain as regulators specific obligations related to the ownership of the GDSs, while some changes could be added to other types of ownership that might open the market for a different type of control managed only on the basis of shareholding and shares pricing that maybe against the consumer benefit and service offering.

Q5. 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? Is specific transparency requirements needed for CRS providers that is not publicly listed on a stock exchange?

In general, airlines' ownership in CRSs defeats competition rules and open the way to indirect manipulation of the market offerings, hence it is best for the industry to be against that, however if that was not the case in a new revised code, the previous comments on specific obligations to be part of the code of conduct are a must.

Q6. 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?

Of course the provisions to make MIDTs available for group purchasing are very vital to keep the access to competitive information available for small and medium sized airlines.

If those tapes continue to be sold in the market, we think that it is only fair to allow greater access to such information to all airlines regardless of their size.

We would suggest that smaller groups could purchase these tapes jointly under the following criteria:

- a- Fully merged airlines.
- b- Airlines with an aggregate number of international passengers of less than 25 million per annum provided that the total number of the airlines to form a group does not exceed six airlines.
- c- An airline with more than 6 million passengers per annum cannot join a group to buy MIDTs.
- d- Airlines members of a group need to apply common processing rules that are identical to all individual airlines members of the group.

The above criteria would enable smaller carriers with less purchasing power to have access to the tapes that large airlines' competitors have access too.

Q7. Should travel agents' identity no longer be revealed in the MIDT?

The identity of the travel agents should be listed as it is the main information that the airlines are in need for, in order to identify marketing and sales diversions or expansion and follow up on their sales accordingly.

Q8. Is 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 favor 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 spite of the market changes and alternative distribution channels, it is primal to all carriers, mainly the smaller airlines that are not party to alliances and consortiums, hence with a lesser market reach and territorial coverage, to have the unbiased display of information and neutrality being major factors to keep equal competitive chances for all airlines, with a more transparent display to the consumer.

Mostly small and medium sized airlines will be harmed from any removal of rules barring bias display, and they will be at a disadvantage vis a vis big airlines.

Q9. Would greater pricing freedom with regard to booking fees allow more rail services to be offered on the CRS displays? Do we need additional measures to promote the sale of rail tickets via CRSs?

The inclusion of rail services is a plus to the consumer and adds benefits to the airlines offering joint services with rail service providers, where available, for better domestic and regional reach, with additional competitive edge to rail services offering.