



ASSOCIATION OF
CORPORATE TRAVEL
EXECUTIVES

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**The Association of Corporate Travel Executives Presentation at May 2, 2007
Hearing on Computerized Reservations Systems (CRS) code of ethics**

The Director Mr. Chairman... Ladies and Gentlemen of this Commission... And Esteemed Colleagues...

My name is Peter J. Sijbers and I am speaking to you today as a business travel management executive, as a business traveler myself, and as a representative of the Association of Corporate Travel Executives (ACTE), a not for profit global education association. I am joined by Joanne Lloyd, the Regional Director for ACTE.

From my perspective as a Global Commodity Manager for a major European manufacturer, I am responsible for the return on my company's business travel investment. My interests are their interests in reaching an equitable long-term approach to the Computerized Reservations Systems (CRS) code of ethics issue.

As a business traveler, I know it is essential to preserve the business integrity of the current CRS system, while providing the consumer with the advantages of competition and market liberalization.

And as a member of the Board of Directors of ACTE, I also understand the position of the airlines, and their respective governments, who have invested heavily in developing the CRS, and would like to exploit their investment to the full extend.

This is an historic occasion. These hearings are moving this issue into uncharted waters, in which this committee will be recognized for reconciling critical consumer interests



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with the economic realities faced by airlines and their respective national governments. I am confident in the eventual outcome of this dialogue, but must advise you I do not think the solutions will come easily nor quickly. I believe this will be the first in a series of essential dialogues in which all concerned parties will play a role in determining the ultimate solution. It is with this understanding that I offer the benefit of my expertise and that of my association.

There will be a lot of discussion today regarding the necessity for the airlines to divest themselves of CRS ownership. This is the evolutionary model chosen by the carriers in the United States. It will likely be said that this is the first step toward real long-term resolution of the issue. That maybe true. However the EMEA market significantly differs from the US market, in terms of:

- The nature of the traffic flows --which are predominantly “international” in nature here
- The more “monopolistic” position of carriers in their respective home-markets
- The competitiveness of the EMEA market -- not only between legacy carriers but also “no frills carriers” as well
- The governmental ownership (or partial ownership) of some airlines
- The CRS “impact” with regard to distribution and “market-protection” is more significant in the EMEA region

No government and no airline management team is going to willingly risk the devices that safeguard lucrative business. Not in one move, and certainly not in the first move. Furthermore, it is unreasonable to expect that carriers with a substantial investment in one particular CRS wouldn't use that investment to press a marketing advantage. Yet in speaking as a travel management professional, I shouldn't have to subscribe to multiple CRS systems, nor be limited to one “best” choice for access to airline inventory. The issue is further complicated by unrealistic expectations of market shifts. There has been the expectation that the Internet would surpass the CRS as a means for leveling the playing field.

It's nowhere close to happening.

The CRS is an integral tool in cost management and back-office functionality for business travel managers. The Internet has yet to be developed in this direction, and is nowhere near replacing or even partially replacing CRS functionality. Furthermore Internet adoption and penetration hasn't matured to the US level.

The CRS function has extended far beyond the reservations process. The concept of corporate social responsibility has been extended over recent years to include data privacy rules and regulations -- plus the ability to “track” employees in emergency



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situations. These functions have become an integrated part of corporate travel management, and these functions are predominantly supported by CRS functionality.

The advice I would offer this committee today is to define the worst case scenarios for corporate consumers and for the airlines, and to try and determine a middle-high ground. The worst case scenario for corporations and for business travelers would be a motion for deregulation that would allow carriers to exploit their double-dominance of home markets and reservations systems, resulting in an inventory jigsaw puzzle. For the airlines, the worst case scenario would be to be limited or prohibited to maximize their CRS investment to the full advantage. I regret that each party is going to tell you that they absolutely cannot exist without capitulation by the other side.

Personally, I believe the carrier that endorses complete equity in a CRS system is the one that manifests the greatest confidence in its own levels of service and pricing. A policy of this nature may lose some revenue and traffic volume initially, but would undoubtedly make it up in the long term. We are in a business, based on relationships that deliver service for value. Price should never be the ultimate factor. Yet this situation may be a long time in coming.

I therefore suggest that all segments of this industry help the Commission achieve progress in the form of better regulation by dramatically reducing the number of rules in the CRS Code of Conduct -- while retaining the 4-6 core rules that guarantee choice and fairness for corporate travel managers, travel agencies and consumers alike. The even higher ground is to advocate a "sunset clause" that would allow the rules to "sunset" or retire and/or become effective the moment that major airlines no longer own a major CRS operating in Europe.

The ultimate result may be deregulation with rules. But this will require as great deal more dialogue and innovative thinking. It will also be essential to think of the big picture, and how other elements like a new Open Skies agreement is likely to impact the market and CRS code regulation NO 323/1999. All of these aspects need to be taken into account.

All of this can only be accomplished through a dialogue that leads to consensus. The Association of Corporate Travel Executives is willing to place its resources as a sounding board and an industry survey tool at the disposal of this committee.

I'd like to thank the Commission for presenting me, and the Association of Corporate Travel Executives, with this opportunity to speak today, and to offer our recommendations. ACTE represents the business travel interests of major manufacturers,



the energy industry, the world's financial community, academia, government, agriculture, and every aspect of commercial travel in 50 countries.

The Association of Corporate Travel Executives was founded in 1988 as the education and research resource for the global business travel industry. In the 18 years since its founding, ACTE has conducted hundreds of forums and conferences around the world, for nearly a quarter of a million participants, saving their companies billions of euros. Our studies, surveys, and position statements are regarded as industry standards. At any give time, there are hundreds of thousands of business travelers from ACTE companies in the air. The actions of this Commission will be instrumental to keeping that level of travel possible.

Thank you.

Association of Corporate Travel Executives