



April 27, 2007

European Commission  
Directorate-General for Energy and Transport  
Office DM24 5/98  
B-1049 Brussels  
Belgium

*VIA EMAIL to:* TREN-CONSULTATION-CRS@ec.europa.eu

Dear Ladies and Gentleman:

This letter contains the comments of Worldspan regarding the Consultation Paper on the possible revision of Regulation 2299/89 on a Code of Conduct for computerized reservation systems.

First of all, Worldspan applauds the Commission's renewed efforts to review the existing CRS regulations and its goals of minimizing or eliminating unnecessary regulatory constraints and promoting market-based competition in the travel distribution industry. In general, Worldspan has long believed that market-based competition, operating within the framework of competition law, will lead to the most efficient marketplace for travel suppliers, CRSs, agencies, businesses and consumers. With the additional backdrop of the open skies agreement in the aviation industry, it is timely, appropriate and consistent to now take quick action in the CRS arena.

However, as the Commission has noted, given the history of the CRS industry when the vast majority of airline bookings were made through CRSs that were owned by airlines, a specific regulatory framework was required to protect market efficiency rather than relying on the generally applicable provisions of competition law. These factors were not unique to the EU, and the same pattern evolved historically in the United States, Canada and elsewhere.

It has been well established that as long as an airline owns any interest in a CRS, there is a risk, and historical precedent, of abuse in the marketplace, to the detriment of competition, agencies, businesses, and consumers. Even a small ownership stake in a CRS by an airline creates incentives to distort airline and CRS competition. Indeed, total deregulation in the United States did not take place until the final remaining domestic CRS with any airline ownership was sold to non-airline owners. Even with full deregulation in the United States, the US Department of Transportation has actively defended its continued jurisdiction over the CRSs and, therefore, any move toward

reintegration of airline ownership into the CRSs remains subject to regulatory oversight.

**Worldspan advocates the current elimination of most of the existing Code of Conduct rules, retaining only rules sufficient to protect the marketplace when an airline owns an interest in a CRS.**

As the Commission has noted in its Consultation Paper, the travel distribution marketplace has changed quickly and significantly over the last several years and will continue to change, particularly as a result of the Internet and the resulting on-line travel distribution and transparency. When the Code of Conduct was first introduced, the vast majority of airline bookings were made through CRSs owned by airlines. Today the industry has and continues to see highly dynamic changes:

- the rapid rise in airline.com direct website bookings,
- a large number of low-cost carriers who distribute their products directly without participation in any CRS,
- on-line fares and pricing tools that search the Internet for the best fares for consumers and then automatically connect them directly to the airline site for booking,
- CRS alternatives and new entrants in the marketplace, and
- direct connects between key agencies and businesses to the airline systems.

These ongoing changes have left the CRSs with a far smaller and no longer controlling piece of the marketplace.

These changes require greater flexibility for CRSs, airlines, and travel agencies to meet the needs of the marketplace. In this era of technological and commercial innovation, "one size fits all" does not fit the travel distribution marketplace. The current regulations limit the flexibility of all constituents to reach solutions to meet their needs.

With the industry changes, negotiating power has shifted significantly to the airlines and away from the CRSs. Exercising their bargaining leverage, the airlines have threatened to or have withheld content from CRSs and imposed or threatened to impose surcharges on CRS segments to get lower distribution costs. For commercial reasons, the CRSs have had little choice but to make concessions to the airlines' demands in order to maintain commercial levels of content to keep their products viable. After a long history of steady price increases, we see today falling prices or avoidance of the CRSs all together. The dynamics of the travel distribution business have indeed changed dramatically.

As a result, we believe that the marketplace is now best served by a largely deregulated environment where the marketplace dynamics can promote free and balanced competition in the industry. The elimination of airline pricing regulations in the code will promote more competition to address the individual business needs of each airline

rather than requiring the same price for the same service. More flexible service offerings to travel distributors and the elimination of travel agency regulations will allow more competitive negotiations and operations for the airlines and agencies alike, all to the ultimate benefit of both businesses and consumers. Deregulation in the United States has successfully brought these pro-competitive benefits to the US airline distribution marketplace, as evidenced by the new airline-CRS agreements negotiated and announced in 2006 and the ensuing marketplace changes.

**What must be retained and for how long?**

Worldspan believes that the following provisions of the Code of Conduct must be retained and applied to an airline that owns any interest in a CRS:

- mandatory participation in all other competing CRSs (only at commercially reasonable rates as determined by what the competing CRS charges to other similar airlines or what the owned CRS charges other airlines),
- equal access to data and functionality (Article 3a),
- the CRSs obligations to such airline to provide non-discriminatory processing (Article 4a), and
- the parent carrier rules (Article 8).

Worldspan believes that the ultimate goal should be to have as few regulatory requirements as possible on any industry, and only then for so long as needed. Since Worldspan is advocating the retention of only limited portions of the Code of Conduct relating to regulations when an airline owns any interest in a CRS, rather than requiring the Commission to commence future proceedings, Worldspan believes that these regulations should automatically sunset when no airline owns any interest in a CRS. The Commission should however retain jurisdiction over the industry in the event future airline ownership interests were established or future marketplace dynamics warrant.

Worldspan again applauds the Commission's efforts to review the existing CRS regulations and its goal of minimizing or eliminating unnecessary regulatory constraints. We believe that in order to preserve and foster a competitive marketplace, the Commission must act upon this intent and simplify and streamline the Code of Conduct as outlined herein as soon as possible. Given the changes that the Commission has noted and as described herein, a failure by the Commission to act now and address these issues will only act to further distort the marketplace.

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We appreciate this opportunity to comment on the Commission's Consultation Paper and to participate in the stakeholders meeting. Please do not hesitate to contact me if we can provide any further information that may be useful to you as you consider this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey C. Smith", written over a printed name and title.

Jeffrey C. Smith  
General Counsel

cc: Mia Wouters, Esq.