



Consultation on the possible revision of regulation 2299/89 on a code of conduct for computerised reservation systems

Response of the Air Transport Users Council (AUC)

The AUC recognises that there are many different interests in the possible revision of Regulation 2299/89 on a Code of Conduct for computerised reservations systems. But the AUC's responses to the questions in the Department for Transport consultation paper where it considers there to be a consumer interest are as follows;

{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?}

{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 the risks?}

The principal consumer interest in Regulation 2299/89 is that passengers are offered all available flight options ranked according to their requirements. The Regulation stipulates that the display on a CRS must be neutral and unbiased between the products offered by different airlines. This helps to ensure that consumers, who book tickets through travel agents that use CRSs, are offered options which are most suitable to them in terms of timings and prices.

The AUC acknowledges that market conditions in the distribution of airline tickets have changed significantly since the Regulation came into force. Alternative distribution channels for the selling of airline tickets have developed. In particular the internet has facilitated the increased direct selling of tickets by airlines to passengers. As a result, a smaller proportion of passengers now book tickets through CRS systems than when the Code was last amended in 1999. And the proportion of passengers is likely to decrease further as more passengers switch from using travel agencies with CRSs to booking direct with airlines.

But the key consumer benefit of the Code of a neutral and unbiased display continues to benefit millions of passengers who opt to book through travel agents (both brick and mortar and online), which use CRSs. The Code envisages that passengers booking with a travel agent will be offered a full range of routes, airlines and fares. They therefore should be in a position to make purchases which best suit their requirements.

The AUC considers that market conditions do not appear to have changed sufficiently for sector-specific legislation to be rescinded, with future consumer protection being provided by general competition rules. The Code's objectives remain in the consumer interest. It therefore should be retained. The Commission might consider, however, revisiting the question of deregulation, to take account of in the light of further economic developments, in approximately two years. This would be in line with the time scale set under Article 23 for possible revision of the Code to take account of economic developments in the relevant market.

{Q4 Given the changes in the market and in the ownership and control structures of the CRS providers, are the specific obligations imposed upon parent carriers still needed? Or should these obligations be reviewed or lifted?}

{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? Are specific transparency requirements needed for CRS providers that are not publicly listed on the stock exchange?}

The AUC considers that the Mandatory Participation Rule (MPR) should not be removed from the Code. Without the obligations on parent carriers under the MPR, there may well be a scenario where a parent airline would not allow competing CRS companies' access to its flights. This could be a disadvantage to the other CRS companies, their subscribers (i.e. travel agents) and consumers. Moreover, the MPR avoids the need for rules that restrict airlines or other sectors' freedom to invest in CRS providers.

Q8 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?

The Code's detailed prescriptions with regard to the principal display do not guarantee that travel agents pass on information contained in the CRS to their customers even if the information on a CRS screen is displayed in a neutral and unbiased way. Travel agents' decisions on which airlines' tickets to offer to passengers might be influenced by remuneration arrangements with individual airlines or even by agency staff's personal preference. Neither do they make passengers aware of the increasing number of potentially better deals not shown on the CRS, such as with no-frills airlines or through an airline website. However the Code at least

provides a regulation that is specific to the problem, against which an agent might be held to account.

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