

European Commission
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Statements concerning the consultation paper on the possible revision of Regulation 2299/89 on a Code of Conduct for computerised reservation systems

In view of a possible revision of the Code of Conduct, the Commission has invited all stakeholders to give comments to the Consultation Paper on the possible revision of Regulation 2299/89 on a Code of Conduct for computerized reservations systems.

Please find enclosed the response from some Members of Paragon Europe, the European alliance of business travel associations representing about 6,000 business travel buyers and suppliers. The Partnership strives to create a powerful central voice for the European business travel community.

QUESTIONS TO STAKEHOLDERS in view of a possible revision of the Code of Conduct

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?

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?

On a more specific level:

Q3. Would the air transport distribution market - including small and mediumsized 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)?

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?

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 a stock exchange?

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?

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

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?

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?

ANSWERS

ITM – Institute of Travel Management representing UK and Ireland

Q1.

The code of conduct should be revised on a number of levels, rather than abolished, for just the two following reasons

- 1.) A locally dominant carrier, such as BA in the UK, could force the closure of a market to any given CRS by removing inventory or using its dominance to gain a lower CRS fee than its competitors. This doesn't happen directly at present although we understand the "Opt in" mechanism effectively creates the same result.
- 2.) If we refer to sections 79 & 80 we are advised that travel agents should not be manipulating inventory and yet they receive "override" payments from airlines for driving market share over other carriers. Surely the two are at odds.

Q2.

Where one or more carriers are highly dominant in a market, for example, BA in the UK, then general competition rules are not enough.

If rules relating to a.) the manipulation of consumer purchasing activity, such as frequent flyer schemes, or b.) open skies agreements, are reviewed to create a truly free market then perhaps general competition rules might suffice.

On a more specific level.

Q3.

Greater pricing freedom is likely to lead to great fragmentation – however, the pain in the short term might lead to longer term benefits for the consumer IF the whole pricing model is adjusted to ensure greater transparency.

Q4.

With the changes in the ownership structure of Amadeus it could be argued that these control structures should be reviewed, although see below.

Q5.

Some restrictions on the control of distribution channels would be beneficial to all.

Q6.

If ownership of channels is further removed or some element of restriction on control if ownership is maintained then we cannot see why market share data need be provided as a matter of course. Perhaps this information could form part of a new revenue opportunity for CRSs to replace lost revenues from airlines through CRS fees, thereby protecting the consumer from increased charges?

Q7.

Any changes to the MIDT to make the system of airline overrides difficult to maintain should be encouraged. You refer to the reduction in income across the TMC sector but a recent straw poll across members of the Guild of Travel management Companies suggests that more than 90% of them are earning more than they were 5 years ago.

Q8.

We believe that the present system does not facilitate a neutral choice when airport taxes, APD and other additional charges are added as in many cases these additional charges are added at different times in the display depending on carrier – especially US v UK carriers, and can vary by airline for the same charge types.

Q9.

Any discriminatory pricing applied to the rail sector should apply to the low cost airline sector too, if it is based on the transaction value. Market forces are driving CRSs to include rail services and the recent rise of environmental activities with corporations will further drive this. Perhaps a model of discriminatory pricing across the board might be a better model as it allows all carrier types to present high and low value inventory

Additional note: The flow of monies in the business travel distribution system is presently unfavourable to the consumer simply from a point of transparency. The airlines pay the CRSs, the CRS charges the TMC per sector, the TMC charges the consumer and receives monies from the suppliers and the CRS. This clearly demonstrates that all parties are attempting to manipulate the point of sale activity. Any review of existing policies which improve this situation would be welcomed by the consumer.



IBTA – Iberian Business Travel Association

Q1.

The emergence of new channels (internet) and the withdrawal of the GDS shareholding companies has made it necessary to review the Code of Conduct.

From our point of view, free access to flight information would need to be guaranteed (for both GDS operators and internet users) and, based on this, additional services in accordance with the negotiated fees.

Q2.

We believe that if free access to flight information is guaranteed, it will lead to new competitors emerging.

Q3.

The existence of fees guaranteeing non-exclusion for new participants will ensure greater competition at the present time. We do not believe that this is an appropriate time to do away with them.

Q4.

At the moment we do not consider it appropriate to do away with them, because a change in regulations could lead to the airline companies losing interest in acquiring the GDS.

Q5.

To ensure transparency we need to know who the owners of the GDS are.

Q6.

The fact that airlines can offer the information puts them in an advantageous market position. If this information continues to be provided it should be public, i.e. companies will also have access in a manner that allows them to negotiate their tariffs with knowledge of the real positioning of each airline in the required pairs of cities.

Q7.

The same as the above. If the information is available it must also be available to the companies.

Q8.

No answer.

Q9.

We do not believe that freedom of prices will attract railways. It will be necessary to promote their access to the GDS.

FBTA – Finnish Business Travel Association

Q1. Mandatory CRS participation rule for parent airlines and full content globally needed.

Q2. Global fares available without national boundaries.; local prices available and sold at any destination abroad.

Q3. 'The flow of payments in the travel distribution market' (page 5/Consultaion Paper)

-> too complicated, has to be simplified, payments only for used services, e.g. subscription fee applicable, but transaction fees per segment needs to be lifted.

-> or subscription fee paid by airlines, hotels, rail and car rental companies and transaction fee paid directly by corporate client or consumer; then the client knows what they are charged and what for and the partners are not overloaded with several layers and unfair payments.

Q4.

No answer.

Q5.

No answer.

Q6.

No answer.

Q7.

No answer.

Q8.

No answer.

Q9. Greater pricing freedom should apply to enable the rail/hotel/car services to be offered on the CRS displays. Again with full content.

VDR – The Business Travel Association of Germany

Memorandum concerning competition rules for Computer Reservation Systems (CRSs)

VDR – The Business Travel Association of Germany is committed to the opportunities of innovation. By its statute, VDR supports the idea of competition in a market environment. Thus, deregulated and open structures should be normality, regulations should be the exception.

There had been good reasons to implement rules for Computer Reservation Systems (CRSs). And VDR acknowledges the important and fruitful role of CRSs for business travel: They bundle information about the vast supply and deliver additional value.


The existing CRS rules are complex, confusing and outdated. Developments in recent years, such as the emergence of low cost carriers, the price reaction of trunk carriers and the revolution of the Internet connected with a deep decline of communication costs, have brought significant changes. In light of the productivity advantages of the Internet, "Full Content" seems no longer attainable in a CRS world burdened by growing cost considerations.

What travel managers want is quite clear: The best choice of flights at any time for as little cost as possible regardless in which country the booking is made and which CRS is being utilized. In today's globalized world access to all fares and all inventory in all systems should be made available through all CRSs.

Under no circumstances airlines should be given access to MIDT which contain market share information. The data must remain under the control of the party who creates the data at the very beginning. Therefore the data belong definitely to the corporations who are the original data source.

Since VDR has a broad membership including airlines, CRSs and TMCs, different interests can be identified. VDR's position, which is the perspective of travel managers, is not meant to overrule any individual comments to the Consultation Paper put forward by supplier members.

Yours sincerely
VDR – The Business Travel Association of Germany



Michael Kimberger
President VDR
On behalf of the European Paragon Partner Associations

Austrian Business Travel Association – (ABTA)
The French Business Travel Association – (AFCV)
Danish Business Travel association – (DBTA)
Finnish Business Travel Association – (FBTA)
Iberian Business Travel association – (IBTA)
Institute of Travel Management – (ITM)
Netherlands Association of Travel Management – (NATM)
Swedish Business Travel Association – (SBTA)
The Business Travel Association of Germany – (VDR)