

Travel Groups Transmit Results of Customer Referendum on Reservation System Rules

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Consumer choice in air and rail travel at risk

Europe's business travel industry today transmitted the results of a Customer Referendum to European Commission Vice-President Jacques Barrot concerning revisions to the "Code of Conduct," rules that govern the computerized reservations system (CRS) industry in Europe. The Referendum is signed by International Airline Passengers' Association, Advantage Focus Partnership, Belgium Association of Travel Management, Business Travel Coalition, Finnish Business Travel Association, Institute of Travel Management, Scottish Passenger Agents' Association and Travel Management Alliance. These organizations represent thousands of corporations and millions of customers of the air and rail transportation system in Europe.

The Code has protected consumers against well-documented, anti-competitive behavior in the airline and travel distribution marketplaces when airlines own even a small percentage of a CRS. The Code currently applies to airlines that are considered "Parent Carriers" by virtue of either an ownership stake in or effective control of a CRS. History has proven that even a small percentage of airline ownership in a CRS provides an irresistible economic incentive for abuse. These abuses include privileging the "family-owned" CRS with exclusive and timely-loaded airfare content, practices that eliminate healthy CRS competition and solidify dangerous airline-owner dominance. Airline ownership of CRSs provides further incentives to undermine comparison shopping between air and rail travel options. Without applicable rules, consumers throughout Europe would be denied access to all choices and end up paying higher prices for travel.

As evidenced by numerous Commission communications, and its indifference to the repeated urging of a vast assemblage of concerned industry stakeholders for timely clarification, the Commission appears intent on redefining what constitutes a Parent Carrier and rendering the ownership test obsolete. This market-distorting development would turn the regulatory clock back 20 years before the Code was in effect and unsuspecting consumers paid supra premium prices for air travel, when for example, airfare offerings were manipulated by CRS owning airlines to hide competitors' lower prices. Scores of millions of European consumers and hundreds of thousands of small and medium size enterprises who use smaller travel agencies are particularly vulnerable. (See analysis at <http://tinyurl.com/2jaewc>)

The Customer Referendum, first introduced during a Customer Hearing in Brussels on 20 September 2007, resulted in a call for (1) a threshold of a 5% ownership stake by an airline in a CRS for the purpose of establishing the status of Parent Carrier, (2) confirmation by the Commission that Air France, Iberia and Lufthansa are presently Parent Carriers of Amadeus, and (3) affirmation that the status of Air France, Iberia and Lufthansa as Parent Carriers of Amadeus shall be subjected to written and oral industry consultation prior to any proposed change. The Referendum follows.

EU CRS Customer Referendum

WHEREAS, airline ownership of Computer Reservation Systems is the *raison d'être* for adopting and maintaining a CRS Code of Conduct, and

WHEREAS, the undersigned travel industry associations have firmly committed themselves to achieving reasonable reform of the existing EC CRS Code of Conduct, while maintaining in force those core protections that effectively protect consumers from abusive conduct that has historically and inevitably resulted from even small levels of airline ownership of CRSs, and

WHEREAS, serious and ongoing concerns remain that the European Commission is improperly and unilaterally undermining airline "ownership" as an independent means of conferring "parent carrier" status under the Code, and

WHEREAS, the European Commission's reinterpretation of "parent carrier" criteria would dramatically break with long-settled precedent, contravene industry expectations and ignore the plain language of the Code without properly submitting the change to industry participants for consultation, and

WHEREAS, CRS airline ownership continues to present a real world problem the Code must address in that Amadeus, Europe's largest CRS, continues to be over 46% owned by Air France, Iberia and Lufthansa -- major European airlines that have both the means and the incentive to abuse this ownership position in both the aviation and the distribution markets in the absence of core protections,

THEREFORE, BE IT RESOLVED THAT:

1. The revised Code of Conduct shall contain a recital that shall unambiguously state, "Whereas, air carriers which own or effectively control a CRS system, alone or jointly, can derive unfair advantages in the marketplace from such a position." The revised Code of Conduct shall include a definition of "parent carrier" that will include an airline ownership threshold of five percent (5%) of the equity, held directly or indirectly, in a CRS company, and

2. The European Commission shall confirm in writing that Air France, Iberia and Lufthansa are presently "parent carriers" of Amadeus under the CRS Code of Conduct, and

3. The status of Air France, Iberia and Lufthansa as parent carriers of Amadeus shall be subjected to written and oral industry consultation prior to any proposed change, in addition, such consultation shall consider all inappropriate influencing factors throughout the distribution chain, and

4. The European Commission in any revised Code of Conduct shall retain the following core protections: mandatory participation and the bans against commission tying, display bias, and functionality discrimination, and

5. All rules other than the core protections shall be eliminated from the revised CRS Code of Conduct, however, the prerequisite for this elimination are the Commission's enactment of Resolutions 1, 2, 3 and 4 above.

We the undersigned commit ourselves to this Referendum and urge the European Commission to enact them and thereby seize this historic opportunity to achieve Better Regulation in travel distribution.

International Airline Passengers' Association- <http://www.iapa.com/index.cfm/travel/home.welcome>

Advantage Focus Partnership -

<http://www.sunwaystravel.co.uk/focus-partnership.asp>

Belgium Association of Travel Management - <http://www.batm.be/>

Business Travel Coalition - <http://businesstravelcoalition.com/>

Finnish Business Travel Association - <http://www.fbta.net/>

Institute of Travel Management - <http://www.itm.org.uk/>

Scottish Passenger Agents' Association - <http://www.spaa.org/>

Travel Management Alliance - <http://www.tmallc.com/new/>

Web site:

<http://www.btcweb.biz>

<http://tinyurl.com/2jaewc>

<http://www.iapa.com/index.cfm/travel/home.welcome>

<http://www.sunwaystravel.co.uk/focus-partnership.asp>

<http://www.batm.be>

<http://businesstravelcoalition.com>

<http://www.fbta.net>

<http://www.itm.org.uk>

<http://www.spaa.org>

<http://www.tmallc.com/new>

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