Air transport services: Code of Conduct for computerised reservation systems

2007/0243(COD) - 15/11/2007 - Document attached to the procedure

This Commission impact assessment concerns the revision of the Code of Conduct for computerised reservation systems (CRSs).

The report states that Computerised Reservation Systems (CRSs) provide subscribers with instantaneous information about the availability of air transport services and the fares for such services. They permit travel agents, whether brick-and-mortar or on-line, to make immediate confirmed reservations on behalf of the consumer. There are currently four major CRS providers active on the European market: Amadeus, Sabre, Galileo and Worldspan (the two latter are currently merging).

The Code of Conduct for Computerised Reservation Systems was first established in 1989 with the adoption of Regulation 2299/89. At that time, the vast majority of airline bookings were made through CRSs. For air travel, consumers could practically only rely on one single information and distribution channel, the one constituted by CRSs and travel agents. In addition, most CRSs were owned and controlled by airlines. This combination of facts created particular risks of competitive abuse for which general competition rules were not sufficient and for which specific *ad hoc* rules in the form of a Code of Conduct were necessary. Given the complex and multi-national character of the CRS services and its support for the single aviation market, regulation on EU level has a value-added in this sector.

Changes in CRS technology and economics are gradually eroding the key features of the competitive landscape for which the Code of Conduct was designed. First, many airlines have divested their CRS ownership. Three of the four CRSs (Galileo, Worldspan and Sabre) no longer have any airline ownership, and three airlines only hold a minority share in Amadeus. Second, thanks to the development of alternative distribution channels, such as the airlines' Internet websites or their call centres, consumers have nowadays access to a multiplicity of information and booking channels for air transport services. About 40% of all airline tickets in the EU are booked via alternative channels and about 60% via travel agents and CRSs.

The Code of Conduct is increasingly ill-adapted to the changed market conditions and is creating economic inefficiencies: the Code's provisions increase the cost of CRS services (they represent on average about EUR 10 per return ticket) and restrict the CRSs' flexibility to adapt their services to the specific needs of the airlines and the travel agents. Most importantly, the Code’s non-discrimination requirement for booking fees stifles price competition, and the prohibition for airlines to differentiate content between CRSs significantly restricts their negotiating freedom. The ensuing lack of competition leads to higher CRS booking fees and creates a system of economic rents in favour of CRSs and travel agents, at the expense of airlines and their passengers.

Higher than necessary booking fees incite airlines to distribute an increasing share of their tickets via alternative distribution channels such as their own Internet websites, which are less costly and technically more flexible. Many low-cost airlines do not use the services of the CRSs at all and hence are not offered by many travel agents. Furthermore, as CRS markets in other parts of the world have been deregulated, it is necessary to ensure that airlines and CRS providers from within and outside the EU compete on a level-playing field.

The public consultation has shown that most stakeholders are in favour of revising the Code of Conduct to adapt it to the present day conditions, but to keep key provisions ensuring the provision of neutral information to subscribers and safeguards against potential abuses in the presence of close links between air carriers and CRS providers.

This report, in the form of an impact assessment, highlights **two options for revision** - partial and full deregulation. The first option – partial deregulation – has been further sub-divided in three sub-options that differ with regard to the safeguard measures in case of close links between airlines and CRSs. All the options aim to increase the scope for competition in the CRS market.