

Review of Regulation 80/2009 Code of Conduct for CRSs

ERA welcomes the revision of the Computerised Reservations Systems (CRSs) Code of Conduct (Reg. 80/2009) to support fair and transparent competition to allow all European airlines to compete on equal grounds, most particularly relevant during and after the times of COVID-19 where consolidation of the airline sector has been further accelerated.

ERA organisation and objectives

ERA (European Regions Airline Association) is a trade association representing the European aviation industry. Our membership includes over 60 European airlines and around 150 associate members who jointly cover the entire spectrum of the aviation sector – airlines, airports, manufacturers and suppliers.

Small to medium-sized airlines operating regional routes provide unparalleled value and must be viewed differently to larger airlines for a variety of reasons. They provide vital direct connectivity from secondary to secondary destinations or linking regional airports to main hubs, as alternative modes of transport to flying does not often equate to public transport such as trains, but more likely the use of cars. Further to this, for many parts of Europe, such as remote islands or sparsely populated areas (Greece, Ireland, Malta, Canary Islands, Scotland, Scandinavia and many more) there is no viable alternative to flying.

ERA carries out a number of lobbying initiatives representing the interests of its members and sits in a number of forums and discussion groups with other industry associations on aviation related regulatory issues.

State of play in the air ticket distribution market

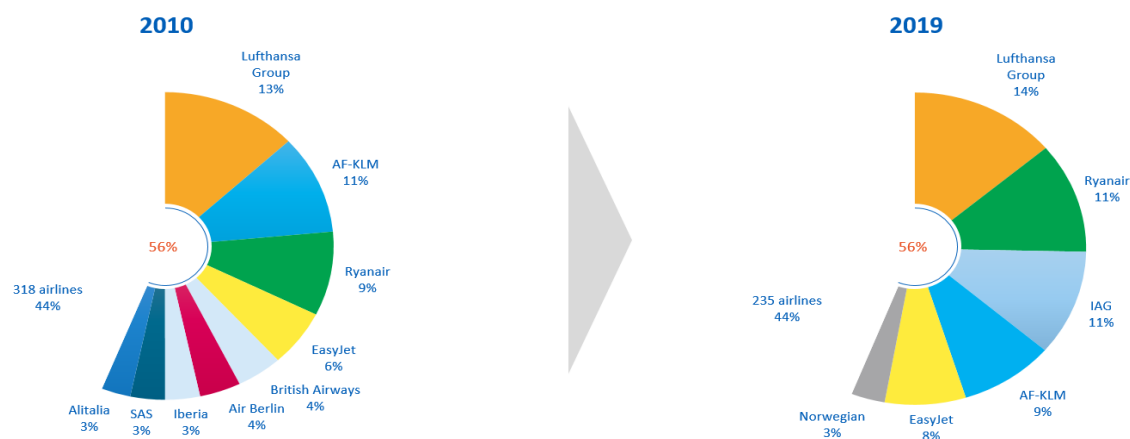
ERA members are faced with several serious challenges in the distribution of their products that require the attention and action from the regulatory bodies in the EU.

Consolidation has meant large airlines fly more than 50% of European traffic

The aviation market in the EU is going through a process of **consolidation** that is expected to continue as large airline groups grow in size and gain market power through the acquisition or absorption of assets of bankrupted air carriers, as has occurred over recent years. We estimate that five air carriers currently account for 53% of the total European air traffic, an amount that has grown by 10 percentage point over the last 9 years.¹ Large airline groups are driving market consolidation in Europe, as it provides them with additional market leverage to compete and exploit their economies of scale. It is very challenging for ERA member airlines, due to their size, (niche) business model and market share, to effectively compete in a market which is predominantly controlled by large airlines.

¹ A comparative study of market consolidation in Europe based on OAG data, 2019

Total seat capacity in EEA in 2010 and 2019:



Six airline groups control 56% of the European aviation market

The COVID-19 pandemic will accelerate this consolidation trend. Larger carriers, already dominant on their markets, have received massive financial support. It is therefore likely that such state aid will lead to market distortions, with potentially smaller airlines being forced out of markets by larger and wealthier airlines and the airlines receiving significant state support able to artificially compete against airlines not receiving such support. The risk of airline bankruptcies remains very high throughout the coming months and possibly years, leading to further reduction in consumer choice. In such a context, it is more important than ever to enable competition between all airlines, independent of their size or public support.

The importance of independent distribution channels

ERA members and SME airlines continue to benefit from the neutral display and transparency rules established in the CRS Code of Conduct in the EU and various other legislations, thus enabling them to compete on the merits of their offer and services. However, this distribution channel has significantly shrunk over the years. In addition to this, certain dominant airline groups have developed strategies to drive travellers away from neutral indirect distribution channels through discriminatory initiatives such as surcharging on CRS tickets, withdrawal of content or establishing marketing and advertising restrictions. These initiatives may lead to distorting competition since they reduce the relevance and value provided by neutral channels to small carriers to compete fairly and to consumer to compare transparently.

At the same time, Google and other digital travel service providers continue to expand in the travel distribution value chain using a biased and onerous advertising model. As the neutral distribution channel loses share and relevance, the need to acquire traffic through other, more expensive channels, such as metasearch players and Google, increases and seriously erodes the competitive position for independent or smaller players with regard to other larger groups with greater resources.

In summary, the capacity for many ERA members to compete in this context is challenged by their limits in market drivers vs certain larger groups: less negotiation power, limited economies of scale, lower brand recognition and limited capacity to sell directly.

The review of the Regulation 80/2009 CRS Code of Conduct represents a unique opportunity for DG MOVE to ensure that **fair competition and consumer choice continues to be protected in the airline distribution marketplace.**



ERA Position

1. ERA is in favour of an **updated CRS Code of Conduct** regulation that reflects the new **competition environment** of the **airline distribution ticket market**. A revised Code of Conduct is a critical instrument for the Commission to ensure the aviation market remains competitive and to protect the Single European Aviation Market, thus providing all airlines regardless of their size with the opportunity to compete on the merits of their offer and services.
2. ERA fully supports the principles around which the airline distribution market has grown: **level playing field, fair competition and transparency**. These need to continue to be protected. We call on the Commission to **establish clear rules and obligations for all market players** to correct market failures resulting from advantageous competitive position, ensure fair competition and transparency in the air travel market, the neutral display obligation has to be balanced with commitments on airlines to enable access to essential air fare content. Neutral display is a tool to ensure effective competition between carriers and consumer choice.
3. In order to ensure a **level playing field**, similar rules and obligations must be applied to all competing B2B players in the airline distribution ticket market, including GDSs, gatekeepers/metasearches with B2B activities, distribution platforms of airline alliances and groups, aggregators, or anyone else who works as an intermediary between airlines and sales agents.
4. **Airlines are free to determine their distribution channels and the relevant technology**. The distribution of the airline content via intermediaries to customers must be provided on a transparent and fair basis.
5. **All distribution players pricing must be fair and transparent and competition amongst all distribution players is encouraged** to the benefit of smaller airlines who do not enjoy the economies of scale or commercial capabilities of certain larger groups.
6. **Distribution players must not discriminate to work with airlines due to their smaller size/commercial capabilities**.

