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Background to the evaluation of the EU CRS Code of Conduct

**Introduction to the CRS Code of Conduct**

Computer Reservation Systems (CRS) were originally developed by the airlines to provide a single interface for travel agents to access and book air travel for their customers.

Originally controlled by the airlines, their ownership structure gave the carriers an incentive to engage in display bias in favour of their own content. The CRS Code of Conduct of 1989 (Regulation 2299/89) was originally intended to impose obligations on the CRS providers to prevent parent carriers benefiting from preferential treatment in the operations of the CRS, to the detriment of consumers. Taking into account the changes in the market, the Code was amended a number of times and replaced in 2009 with the adoption of Regulation 80/2009.

Today, the Code aims to (i) ensure market efficiency and (ii) the protection of consumer interests. These translate into the following rules:

Ensure a level playing field for all participating carriers as to the access to and the use of CRS services by prohibiting CRS from:

Discriminating participating carriers in the display of data;

Discriminating participating carriers in the provision and loading of data;

Attaching unfair and/or unjustified conditions to any contract with participating carriers;

Restricting participating carriers from using other CRSs.

Prevent distortion of competition between CRS by parent carriers.

Ensure equal treatment of airlines in the MIDT market and prevent abuse of MIDT data

CRSs may make available marketing, booking and sales data, provided these are offered on a non-discriminatory basis to all participating carriers and do not identify the customer.

Increase transparency on travel options

CRS are obliged to display the data provided by participating carriers in a neutral, comprehensive and non-discriminatory manner

Consistent application of data protection rules across the EU

Promotion of rail transport and inter-modal transport

**Evaluation of the CRS Code of Conduct**

In 2012, the Commission has carried out a mid-term evaluation of the Regulation 80/2009 to assess whether the Regulation is achieving the objectives. The [report](https://ec.europa.eu/transport/sites/transport/files/modes/air/studies/doc/internal_market/crs_fitness_check_report_final.pdf) establishes that while stakeholders (airlines, CRSs, agents, technology providers) agree that the Regulation is necessary, a number of changes are required. There is less agreement among stakeholders on which rules should be amended.

For agents, the report highlights that the CRSs continue to be the best solution for travel bookings, by offering a centralised connection to virtually all airlines, while facilitating agents’ front and back office operations and promoting the efficiency of business customers’ travel policies.

Agents viewed the Code as useful and necessary, but suggested a number of changes, notably:

The neutrality of meta-search engines and airline’s direct connect portals should be addressed;

Airlines full content should be provided to all CRSs at no additional cost compared to content made available in direct distribution;

Ancillary services should be published and available in the CRSs with all necessary information and conditions;

Discrimination of access in CRSs to fares and booking classes and any other content based on the country where the subscriber (travel agent) is established should be prohibited.

MIDT rules are not effective, as airlines link the commission payment with the agent acceptance to be identified in MIDT data and it is unclear how an agent can decline or withdraw approval for identification.

Today, the Commission has mandated a consultant to carry out an ex-post evaluation of the Regulation 80/2009. The evaluation aims to assess the relevance and effectiveness of the Code on Conduct in face of the market changes that have happened since the amendments to the Code enacted in 2009. Among the more relevant changes are the general technological developments (e.g. metasearch engines) and developments in the distribution of airlines tickets (such as the increase in airlines' sales to consumers on their own web sites). To this end, the consultant has launched an online survey for all the stakeholders, including travel agents – see [online survey](https://ec.europa.eu/eusurvey/runner/802009_survey_travel_agents). Agents are invited to complete the survey before 7 August 2018.

Based on the evaluation, the Commission will assess whether the Code of Conduct is still fit for purpose or else, whether the Regulation should be amended or appealed.

**Market relevance**

Today, Amadeus, Sabre, and Travelport provide the industry with a very good overview of schedules, pricing and conditions for the routes and city pairs, where airlines compete with each other. Although new distribution models are introduced, such as metasearch engines, OTAs and direct distribution, a very big portion of the ticket sales and market place takes place in the infrastructure of the CRSs.

The CRS are the only source, where airline fares (provided by airlines through ATPCO, SITA etc.), schedules (provided by e.g. OAG) and seat availability (provided by the airlines) are made available to agents, OTAs or the end consumer, to give a full picture of all city-pairs. This supports a healthy competition between airlines and guarantees competitive prices for the consumers.

By way of an example, a customer wants to fly from Frankfurt to Hong Kong. There are two direct flights operated by Cathay Pacific and Lufthansa, but there are numerous transfer connections on KLM, British Airways, Air France, Emirates, Aeroflot, Thai International, Qatar Airways, Air India, Singapore Airlines and lots more. To provide transparency and display all possibilities to the end consumer, it needs a very powerful quick and reliant system to assure that customers are able to see all these different possibilities with all schedules and prices. This is at the moment only guaranteed through a CRS, and the Code of Conduct provides rules, that will display these flights in a neutral and unbiased manner.

But the **airline distribution landscape is changing fundamentally**. Airlines, desiring to use alternative distribution mechanisms, have been pushing their direct sales. They are developing Direct Connect connections, which they have encouraged travel agents to use, sometimes in replacement of and others in parallel to CRSs.

Airlines are progressively implementing the IATA New Distribution Capability (NDC), a set of technology standards, to give airlines the ability to distribute all their content through third parties. NDC is meant to help airlines expand their distribution channels, enable them to regain control of the offer (inventory) and support product differentiation (not just selling a seat and a fare, but all ancillaries that generate revenue).

But all these are still in their infancy stages. Some airlines offer direct connect reservation facilities, but which do not provide all required functionalities for travel agents and enable them to sell all airline products. Some airlines have integrated NDC, while others are still assessing how to integrate the standard and adapt their distribution strategy. Other airlines have not done anything yet. After more than 6 years of development, the NDC uptake has been slow and fragmented. And the standard is not yet finished, being continuously updated.

The majority of agents are not ready for NDC distribution. It requires massive investments in NDC interface adaptation and costly IT integration to access the different content sources and integration with agents’ mid- and back-office systems. CRS are working on integrated NDC solutions for agents, but they are not yet available. It will take time until there is a competitive market for technology providers, who will integrate all the new channels into the fragmented mid- and back office systems of agents.

So **the distribution market is in a transitory phase**. This transition phase will be exploited by large airlines to argue, that the consumer can always access the airline products directly from their website. It is very obvious, that this will lead to less transparency on available routes and fares and hinder comparison-shopping to the detriment of the consumers.

There is a difference between a marketing platform, like a metasearch engine, in which only commercials, a very complicated betting system is in place, and a professional unbiased source of information like the CRS with all other functionalities like rebooking, ticketing, payment and an interface to the agents’ back offices is in place.

The industry works very hard at integrating direct connect, the NDC standard, but it is very cost intensive and slow. **To make a transition possible, without losing competition on the market, it is important to retain the CRSs and the rules underpinning a competitive distribution market.**

The questionnaire provided by the consultant to assess the need for a code of conduct is thus very important for the travel industry to insure access to neutral and unbiased information from different sources and to insure that for the coming years travel agents can provide consumers with all information required to make an informed decision when buying an airline ticket.

When answering the survey, please always **keep in mind the impact for the consumers**, as this is ultimately the objective of the CRS Code of Conduct.