

JOINT STATEMENT

EP RESOLUTION on the treatment by the European Commission of possible infringements to Regulation on a Code of Conduct for Computerised Reservation Systems

Brussels, 8 January 2019

ETTSA, the European Technology and Travel Services Association and **ECTAA**, the Group of national travel agents' and tour operators' associations within the EU, strongly encourage the Conference of Presidents, including the President of the EP, the Honourable Antonio Tajani, as well as the Chair of the TRAN Committee, Ms. Karima Delli, to **vote on the resolution concerning** the European Commission's treatment of **possible infringements to Regulation (EC) No 80/2009, the Code of Conduct for Computerised Reservation Systems (CRSs)**, at the **January 2019 Plenary Session**.

Regulation 80/2009 on CRSs ensures neutrality and transparency of information in the distribution of air tickets and allows consumers to properly compare and make well-informed choices regarding travel options available to them. It is aimed at preventing biased airline ticketing distribution and other anticompetitive practices by large airlines and has helped make air travel more accessible for consumers through better service, better prices, more choice and more competition.

The Parliament has played a central role in defending European consumers and passenger rights. It is crucial that it continues to prioritize consumer protection and safeguards fair competition. The adoption of the resolution would send a strong signal to the Commission that it should be doing more to enforce its existing rules and that it must ensure that the upcoming revision of the Code of Conduct will take steps to improve, protect and support transparency, neutrality, consumer choice and the ability to compare, and protect and enhance competition in the airline distribution market place.

The Parliament's support is needed now more than ever because the benefits of neutrality and transparency are increasingly under threat. As a result of the consolidation of airlines and the emergence of the three large airline groups in Europe, recent years have seen airlines introduce discriminatory measures against indirect distribution channels such as surcharges and other disincentives¹ on tickets booked through indirect distribution (cf. annex). Such measures have been mainly driven by the desire of certain airlines to control air travel distribution, by forcing consumers to book through direct channels controlled by the airlines, where no comparison with

¹ i.e. the Lufthansa Group systematically leverages its dominance in the German and other national markets by refusing to supply its cheapest fare classes through GDSs, meaning the majority of travel agencies cannot share them with consumers.

competitors is available. As an example, consumers using independent distribution channels have already paid more than one billion euros in surcharges to LH and the amount continues to grow every day with surcharges now also implemented by the other two major European airline groups, IAG and Air France / KLM.

These initiatives have the effect of consolidating the dominance of large airline groups, especially in their home markets and other major hubs. They also limit the ability of smaller carriers to compete with major carriers on the merits of their respective offers and on a level playing field – for example, major carriers often have more established brands and larger advertising budgets. These initiatives also damage travel agents, including online travel agents, whose ability to offer ‘like for like’ comparisons of options to consumers is undermined. The ultimate by-product of all these practices is that the consumer, and tourism across the EU more generally, loses out.

Concerns about these practices have been raised to the EC numerous times, yet there has been an absence of any meaningful intervention. The EC’s (DG MOVE) lack of action in response to the formal complaint filed by ETTSA as well as ECTAA in 2015 regarding the breach of the Code of Conduct by Lufthansa has led to the proliferation of additional forms of discriminatory practices by large airline groups. As a result, in December, ETTSA and VIR (Verband Internet Reisertrieb), the German association representing the digital travel industry, filed a further joint complaint before DG COMP for abuse of dominance by the Lufthansa Group concerning new discriminatory and exclusionary practices against independent distributors of airline tickets, including global distribution systems (GDSs) and their travel agency users.

It’s clear that the Commission’s inaction is detrimental to competition and innovation in the air transport industry. We, therefore, call on the EP, before the end of its mandate, to ensure that the principles of transparency, neutral access to information for consumers, and a level playing field for all distribution channels, are efficiently safeguarded through the enforcement of its existing legislation and in future legislation. As such, we call on the European Parliament to continue to pressure the European Commission to ensure these principles are adhered to, by including a vote on the resolution concerning the European Commission’s treatment of possible infringements to Regulation (EC) No 80/2009 in the January 2019 Plenary Session.

Annex
List of surcharges and disincentives for bookings made through GDS channels

- (a) From 1 September 2015, the airlines of the Lufthansa Group (Lufthansa, Swiss, Austrian and Brussels Airlines) apply a surcharge of 16 Euros on tickets purchased through a GDS channel (the “Distribution Cost Charge”).
- (b) From 1 November 2017, British Airways and Iberia apply a charge of €9.50 per fare component to any bookings which are not made using an NDC based connection, or through their websites and other direct distribution channels (the “Distribution Technology Charge”).
- (c) From 1st April 2018, Air France/KLM apply an €11 surcharge per one-way segment for all traditional GDSs bookings. The surcharge apply to all flights marketed by AF, KLM and HOP! and sold through GDS channels.
- (d) From 9th October 2018, Lufthansa has withdrawn the cheapest fare classes from distribution channels other than its 'direct distribution channels' (GDSs are specifically excluded) for all the European flights starting or ending in Germany. It has been extended from the 1st of December 2018 to all European flights starting or ending in the UK, then from the 1st of January 2019 for flights starting or ending in Switzerland.
- (e) From 1 June 2017, Lufthansa introduced a new family pack bundled fare on Lufthansa, SWISS International and Austrian Airlines flights, which included free advanced seat reservation for children, only available through LH-NDC channels.
- (f) From 13 June 2017, Lufthansa applied a five euro surcharge on checking bags and booking seat ancillaries, per leg, on Lufthansa Airlines tickets not purchased via an LH-NDC channel.
- (g) From 1 April 2018, Lufthansa also introduced a permanent five euro surcharge, per seat, for advanced seat reservations on each segment of long-haul Lufthansa Airlines flights not booked via an LH-NDC channel.
- (h) From 1 April 2018, Lufthansa launched its 'Miles and More' action, under which flights booked by an LH-NDC channel attract extra-mileage credits than a flight booked by a neutral GDS.
- (i) From 5 April 2018, Lufthansa introduced the "NDC Smart Offer" consisting of a 20 euro surcharge, 10 euros each way, on Economy Light and Economy Classic fares for European flights departing from Lufthansa hubs in Frankfurt, Munich, Vienna and Zurich, not booked via an LH-NDC channel.
- (j) From 1 May 2018, Lufthansa also extended the NDC Smart Offer with a 20 euro surcharge, 10 euros each way, on Economy Light and Economy Classic fares from Milan and Rome to Lufthansa hubs in Frankfurt, Munich, Vienna and Zurich, not booked via an LH-NDC channel.

- (k) From 1 May 2018 till the end of 2018, LH offered a special incentive of one euro per-coupon for agents in Germany, UK, Ireland and Nigeria who sign up with SPRK (free web-based NDC solution operated by Farelogix). Applicable on Lufthansa, SWISS International and Austrian Airlines flights.

In September 2018, this initiative was extended to agents in UAE.

- (l) From 24 May 2018, Lufthansa extended the NDC Smart Offer to the UK with a 17 pound surcharge, nine pounds each way, on Economy Light and Economy Classic fares from London, Manchester and Dublin to Lufthansa hubs in Frankfurt, Munich, Vienna and Zurich, not booked via an LH-NDC channel.
- (m) From June 2018, ETTSA understands that LH may be offering large signing bonuses (up to 50.000 euro) and other additional funds (up to 50.000 euro) to key agencies in certain markets, intended to cover system set-up costs incurred by moving to LH Direct Connect bookings. ETTSA has no hard evidence of this conduct at this stage.
- (n) From 9 July 2018 through to the end of 2018, Lufthansa has introduced a temporary 50 per cent discount on children's tickets booked via an LH-NDC channel, reduced to a 25 per cent discount if the ticket is booked by other means.
- (o) From 9 October 2018, Lufthansa and Swiss International Airlines lounge access, and inflight internet vouchers for intercontinental flights operated by them, were made available exclusively through NDC channels. Inflight internet vouchers for short-haul flights operated by Austrian Airlines, were also made available exclusively through these channels.
- (p) From 1 January 2019, LH will introduce a one euro per-flight incentive for travel agencies each time their consumers fly on a ticket booked through NDC-enabled channels.