



Violeta Bulc

European Commissioner for Transport
By email

Brussels, 19 June 2017

Open letter: Airlines' surcharges and other discrimination against neutral independent distribution threaten transparency and consumer choice

Dear Commissioner Bulc,

As representatives of independent distributors and consumers of airline services, we write to express our grave concern with the growing threat to transparency, competition and consumer choice in the airline market, and to ask for your support to defend the values of an open and competitive aviation market laid down by the European Union in the 1990s.

The internal market and strong competition are ground pillars of the European Union. They ensure that European companies compete freely across European borders, and that European consumers can benefit from competition on the merits, unhindered by undue restrictions related to distribution.

The exact same objectives motivated the EU to open its aviation market over two decades ago with a strong liberalisation package aimed at promoting competition on price and service, while preventing potential abuse of competition by strong players, including airlines and their reservations systems (CRSs). Borders, distribution tools or differing standards were not to hinder fair competition. Included in this liberalisation package were rules on price transparency, neutrality of distribution systems and of the information distributed by them (to be found today in Article 23 of Regulation EC 1008/2008, and in Regulation EC 80/2009 the "Code of Conduct for Computerised Reservation Systems"). These rules have carried the successful transition from a European aviation market with minimal competition and high prices to a market where many more consumers can afford to fly thanks to more choice and more transparency.

Consolidation of airlines has reduced airline competition

Two main trends in the industry are threatening to roll back the positive results achieved by 25 years of liberalisation, and bring us back to a market with a few, dominant players, less choice, and even less transparency, which as you can understand, will inevitably lead to higher prices for consumers.





The first of these worrying trends is the consolidation of the airline market experienced over the past decade. This consolidation has taken place in part through mergers and acquisitions, in part through an increasing amount of competition-reducing arrangements between airlines (e.g. code share agreements, transatlantic JV, and other forms of cooperation), and through a “natural” disappearance of weak airlines.

While the European Commission cannot and should not prevent bankruptcies and/or liquidation of sub-competitive players, we urge you and your colleagues at DG COMP to prevent consolidation from further undermining competition in the airline market, and to carefully examine the expansive level of cooperation between airlines pursuant to alliance and code-sharing agreements to ascertain whether this extensive cooperation among carriers that previously competed with one another damages consumer interests.

In addition, more consolidation requires more transparency to protect consumers. This is because the strong market position of large airlines, and their power to charge higher prices, will be only reinforced in a less transparent market. For the same reasons, stronger airline players will have an interest in limiting market transparency. What may be an understandable motive from commercial standpoint contradicts the interests of consumers and the objectives of the European Union, as they have been defined so far.

Large airline groups’ initiatives erode competition and consumer choice

This leads us to the second worrying trend in the airline industry: the predictable efforts made by large air carriers to indeed limit transparency in airline distribution, illustrated by the Lufthansa Group carriers’ distribution strategy introduced two years ago. Unfortunately these practices have met no response from the European Commission so far and, as expected, that has encouraged other large carriers to follow the example of the Lufthansa Group. The signatories to this letter have for two years warned against this dangerous development, but it has now happened in the form of a new distribution strategy announced a few days ago by IAG. Like Lufthansa’s strategy, it aims at discriminating against the transparent and neutral channel and forcing consumers (and agents) to book tickets on British Airways and Iberia through IAG’s own distribution systems. The more large airlines join this practice, the more difficult it will be to sustain an independent and neutral distribution channel where consumers can compare airlines objectively. The strategies implemented by these large carriers make competition a matter of designing clever, non-transparent distribution mechanisms, rather than competing on price and service.





The European Commission needs to act now

As you are aware, the European Commission has tools to defend transparency and neutrality in airline distribution. These tools are the above-mentioned regulations (Reg. 1008/2008 and the Code of Conduct for CRS), and for nearly two years your services have been examining complaints against the practices of the Lufthansa Group under the Code of Conduct. Those rules were precisely adopted to avoid a situation where large carriers take distribution hostage to promote their own offers as opposed to those of their competitors to the detriment of competition and consumer choice.

In light of the mounting threats against all the benefits that the EU has so dearly acquired for its consumers during the past 25 years, we urge you to enforce the EU legislation designed to protect transparency, competition and consumer choice, and to take action against the Lufthansa Group's practices, thereby demonstrating the European Commission's determination to continuously defend the principles of the Single Market and the values of the European Union.

Yours faithfully,

Christoph Klenner
Secretary-General
ETTSA

Paul A. Wait
Chief Executive
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Michael Buller
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Verband Internet Reisevertrieb e.V.
(VIR)





Michel de Blust
Secretary General
ECTAA

And on behalf of:

- Deutscher ReiseVerband (**DRV**)
- Belgian Travel Organisation (**BTO**)
- Association of Cyprus Travel Agents (**ACTA**)
- Estonian travel & tourism association (**ETFL**)
- **WKO Reisebüros**
- Asociación Corporativa de Agencias de Viajes Especializadas (**ACAVE**)
- Ondernemers in Reizen (**ANVR**)
- Hellenic Association of Travel & Tour Agencies (**HATTA**)
- Association of the Hungarian Travel Agencies (**MUISZ**)
- Schweizer Reise-Verband (**SRV**)
- Les Entreprises du Voyage (**EDV**)
- Danmarks Rejsebureau Forening (**DRF**)
- Syndicat des Entreprises du Tour Operating (**SETO**)
- Hovedorganisasjonen (**VIRKE**)

Michael W. McCormick
Executive Director
Global Business Travel Association (GBTA)

And on behalf of:

- Austrian Business Travel Association (**ABTA**)
- Danish Business Travel Association (**DBTA**)
- Finnish Business Travel Association (**FBTA**)
- Iberian Business Travel Association (**IBTA**)
- The Institute of Travel Management (**ITM**)
- Netherlands Association of Travel Management (**NATM**)
- Norwegian Business Travel Association (**NBTA**)
- Swedish Business Travel Association (**SBTA**)

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