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Dear Minister,

We understand that your ministry is in the process of evaluating a decision on the current ban on Frequent Flyer Programmes on domestic flights in Norway. Following the recommendation from the Norwegian Competition Authorities, which had launched an investigation late 2010, to retain the prohibition except for the routes Oslo-Stavanger/Bergen/Trondheim, your ministry has now launched a hearing process based on the recommendation.

We hereby submit for your consideration the following facts that show why Frequent Flyer Programmes (FFP) should not be prohibited at all:

1. Following the liberalisation of European air transport, this service sector has become intensely competitive. Over 500 airlines are registered throughout Europe and in fact the low-cost market segment has now a market share of 44% of the intra-Community air transport market.
2. Competition between low cost carriers on the one hand, and network carriers on the other, should not be seen exclusively in comparisons of cost levels. As an integral element of a strategic policy decision, many airlines have opted for a strong customer orientation. Their business model is based upon the assumption that sustainable, long-term growth is achievable by internalising the external cost of the environment, and by concentrating on the stability and reliability of operations. One *raison d'être* of FFPs is to provide credibility to the service element "reliability" and "stability". Prohibiting a Frequent Flyer Programme denies a competitor a means of credibly selling its product.
3. One member airline that operates in Norway as one of its key home markets, is however denied a competitive instrument, and is therefore weakened by a governmental policy.
4. The prohibition was not based upon an abuse of a competitive instrument, i.e. the market behaviour of an individual airline, but based upon a principled argument which no other government in the world has adopted.

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5. Mileage cannot be accrued or redeemed in Norway; passengers cannot tap into measurable benefits of “reliability”, contrary to the experience of passengers in all other countries worldwide. The passengers thus choose between an airline that offers mileage-related advantages outside of Norway and airlines that are potentially more cost-efficient within Norway. The prohibition of FFPs not only weakens a competitor, it narrows passengers choice and reduces the positive impact of Europe’s pro-competitive and pro-consumer aviation policy.
6. The recommendation to enable carriers to deploy an FFP on limited routes within Norway is tantamount to micro-managing competition on a route-by-route basis. Our member airline SAS is a network carrier that operates a network of services connecting regions with each other and with the rest of the world; it does so in competition against other network and route-specific operators. The limited scope of the recommendation from the competition authorities will discriminate travellers to/from all other cities in Norway, thereby distorting market conditions.
7. The ban seems to be violating EU/EEA law, in particular in respect of the free flow of services.

Minister, we of course respect the policy decision of a national government; we advise you, though, to reconsider your government’s policy on FFPs in Norway, as the policy pursued, as well as that under consideration do not, in any way, promote or even safeguard consumer interests, but impact competitive forces in the market unevenly and thus fly in the face of an industry which has developed into a pro-competitive, pro-consumer (and pro-climate) service sector.

Yours faithfully,

Ulrich Schulte-Strathaus

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