

**WORLDWIDE AIR TRANSPORT CONFERENCE: CHALLENGES AND
OPPORTUNITIES OF LIBERALIZATION**

Montreal, 24 to 29 March 2003

**Agenda Item 2: Examination of key regulatory issues in liberalization
2.5: Product distribution**

**PRODUCT DISTRIBUTION, INCLUDING COMPUTER RESERVATION
SYSTEMS AND THE INTERNET**

(Presented by Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cap Verde, Central African Republic, Chad, Comoros, Congo, Cote d'Ivoire, Democratic Republic of Congo, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libyan Arab Jamahiriya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Togo, Tunisia, Uganda, United Republic of Tanzania, Zambia, Zimbabwe)

SUMMARY

This paper briefly discusses and emphasizes the need for continued regulation of computer reservation systems (CRSs) despite the current development in airline product distribution.

Action by the conference is in paragraph 4.1.

REFERENCES

Yamoussoukro Decision of 1999
ATConf/5-WP/14 Product Distribution
Report of the AFCAC 16th Plenary Session (Cairo, 21 - 26 April 2001)

¹ French version provided by African States.

1. INTRODUCTION

1.1 The advent of computer reservation systems (CRSs) has undeniably provided airlines with a new and valuable tool for the distribution of their product. The CRSs have provided tremendous benefits for airlines, travel agencies, and consumers due to their efficiency.

1.2 Originally the CRSs were developed and owned by individual airline or group of airlines for booking and ticket sales by travel agencies. In the last few years there have been some changes in the ownership of CRSs, with some of the airline owners divesting, fully or partially of their ownership share. Public share holding in the CRSs now forms a significant portion.

1.3 In the last decade there have been tremendous developments in airline product distribution particularly related to the internet technology. The internet has provided the airlines with the potential for increasing direct sales thereby providing the opportunity to reduce their dependence on CRSs and travel agencies. However these developments are still at an early stage. African carriers and other airlines in developing countries are constrained from benefiting from development in internet technology due to under developed communications, high cost, foreign currency and credit card restrictions and limited accesses to computers by the vast majority of the population.

2. THE NEED FOR REGULATING CRSs

2.1 The practice followed by the CRSs have been important to airline competition and consumer welfare because of the travel agencies' dominant role in airline product distribution and their reliance on CRSs to meet their customer's needs for advice and bookings.

2.2 As travel agencies traditionally have sold the bulk of airline tickets, it soon became apparent that the airlines that controlled the CRS might use them to prejudice the competitive position on non-owner airlines and to provide information to travel agents that gave undue preference to the services operated by the owner airlines.

2.3 Therefore countries where the major CRSs are established and operating like the United States, Canada and the European Union took measures to regulate the activities of CRS to prevent practices that distort competition in the airline business as well as travel agencies.

2.4 Internationally ICAO developed in 1991 the ICAO CRSs Code of Conduct which formed the basis for codes of conduct in various regions and national regulations. Without such codes of conduct and regulations small airlines, particularly from the developing countries, would not have been able to effectively participate in international air transport and benefit from the CRSs.

2.5 We fully recognize the importance of the recent developments in the airline product distribution, particularly the growing importance of the internet as a vehicle for selling of airline tickets and the changes in the ownership of the CRSs. We also note with some concern, that in response to and as a result of the above developments, the need for the continued regulation of CRS's activities has come under question by regulatory authorities in some of the major CRSs' countries.

2.6 However, it is our view that these changes in airline distribution and CRSs' ownership so far have not substantially eroded the CRSs' market power. Despite the advent of the internet, travel suppliers, most of the airlines and particularly airlines from developing countries will continue to depend substantially

on the CRSs to distribute their product.

3. **CONCLUSION**

3.1 The African States fully subscribe to the conclusions stated in the ICAO document ATConf/5-WP/14, particularly the need for ICAO's continued monitoring of developments with regard to new regulations covering airline product distribution through the internet. In addition, the African States invite the Conference to reflect in their conclusions that:

- a) despite the new developments in airline distribution and change in ownership of CRS the original rationale for regulating the activities of the CRS through national regulations or Codes of conduct still holds valid; and
- b) in the processes of modifying or amending the existing regulations or codes of conduct to accommodate new developments in airline products distribution, States should take note that development in internet technology is not evenly distributed and that many airlines in developing countries have not yet benefited from such developments.

4. **ACTION BY THE CONFERENCE**

4.1 The conference is invited to recommend that ICAO undertake further studies to determine the extent of amending the codes of conduct to accommodate the internet.

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