

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

CODE OF CONDUCT ON COMPUTER RESERVATION SYSTEMS

(Presented by Bahrain, Egypt, Iraq, Jordan, Lebanon, Libyan Arab Jamahiriya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen and the Observer from Palestine)²

SUMMARY

This working paper presents the latest developments concerning the code of conduct on computer reservation systems, and highlights the Arab States concerns about the negative effect of some regulatory approaches in this field.

Action by the Conference is in paragraph 4.1.

1. INTRODUCTION

1.1 The International Civil Aviation Organization (ICAO) has established a code of conduct on computer reservation systems (CRS) to regulate and warrant a fair ground for competition between different airlines, and provide the consumer with enough information about the travel ticket price and conditions (e.g. the air carrier, duration of the flight, etc.).

1.2 Regulations set by ICAO have provided a worldwide non-discriminatory framework, which promotes fair competition, many States (or regions) have established within which, a code of conduct to regulate computer reservation systems in their national Laws, such as the Economic Commission (EC) States, the United States, or the Arab States.

¹ Arabic version provided by Members of the Arab Civil Aviation Commission (ACAC).

² Members of the Arab Civil Aviation Commission (ACAC).

2. **DISCUSSION**

2.1 The air transport industry has witnessed changes for many years, especially when some airlines became equipped with computer reservation systems or other equivalent channels for product distribution, which led some regional regulatory authorities to review some implementation standards in the adopted code of conduct. This led to the drift of some regulatory approaches away from fair competition, which led to discrimination between airlines. Within this context, we would like to put forward our position and our concerns about these approaches as follows.

2.2 **Accessing alternative distribution means**

2.2.1 Direct online sales or other reservation systems independent from the international distribution systems have not reached the required intensity to improve the new travel service distribution in a much greater way than it is now. In addition, a large number of reservation systems are built according to computer reservation techniques like Abodo, Amadeus, Travelocity, Sabre, Expedia and world span, as an example for the relation between travel sites and computer reservation systems.

2.2.2 It is well known that computer reservations represent more than 70% of the overall reservations, with the use of four worldwide computer reservation systems. Besides employing travel agents for reservations and the issuance of tickets, a great number of airlines are hosted on some reservation systems like Amadeus and Sabre. Therefore the high rank enjoyed by the reservation system is due to its being the main precede for technical development linked to reservation and the travel market. As for airlines, owners of their own reservation systems, they are gradually becoming aware that incorporating such activities in those of bigger airlines warrants a better service quality, without the burden of large investments necessary to keep abreast of the new technology.

2.2.3 Therefore, we are giving very serious consideration to proposals to lift non-discriminatory controls on accessing distribution media, as well as those governing rates.

2.2.4 The only outcome of lifting computer reservation systems controls would be allowing bigger airlines' interests to prevail over those of the smaller airlines. In that case, the final outcome would be that big airlines will continue to distribute their products everywhere, while smaller airlines wouldn't be allowed to participate in the distribution channels, which would shrink the marketing capabilities of those airlines.

2.3 **Market information data tapes**

2.3.1 Those tapes have become a strong marketing tool for airlines that can afford them, especially the comprehensive tapes, which are generally expensive and contain various detailed information. Also, the design of which is reviewed by regulatory authorities. The following is of utmost importance for providing larger competition opportunities between different airlines:

- a) Allow all airlines to have access to those tapes; and
- b) Coordinate the information details on the international level.

Setting the details in a certain region or State makes airlines concentrated in this region less exposed to competition, while capable of being highly competitive in other regions, with more details about those regions airlines' sales. This would limit the Code of Conduct potential to provide fair grounds to promote competition.

2.4 Sale of aviation data tapes to aviation groups

2.4.1 The computer reservation system sets the prices of the aviation data tapes in a way which makes the small or medium size airlines unable to buy the comprehensive tapes, and only capable of buying a small group of local markets information data tapes, which limits their ability to expand their market and become competitive in new markets.

2.4.2 Thus, the Code of Conduct has allowed some groups of airlines to collectively buy these data tapes in order to allow for several airlines the purchase of these data tapes, without defining “group”.

2.4.3 As the purpose of the collective purchase is providing the ability and more opportunities for competition between small and medium-sized airlines, we suggest that ICAO approves the collective purchase concept and to establish a definition for “groups”.

2.5 Use of the computer reservation systems’ distribution advantages

2.5.1 In order to increase the market share, the computer reservation system applied the participants incentive programme. Those matters which were previously dependant upon the overall reservation figures, led to a wide misuse of the reservation systems advantages, the absenteeism of booked passengers upon take-off, the prevention of real clients from accessing the airline services, especially during peak periods due to booking by some travel agents. Therefore, we consider that it is important to set controls for the appropriate use of the reservations systems by participants, for the appropriate delivery of travel services to all consumers.

2.6 Display of information through reservation systems

2.6.1 Reservations systems are still accounting for over 70% of the airlines sales, especially those of small and medium-sized airlines, which, up to the present, were not able to find an equivalent distribution channel as powerful as the Internet. Therefore, up to date, parallel competitive distribution channels as trustworthy as the computer reservation system were not developed on the international level.

2.6.2 Therefore, the travel offers through the agents reservation systems must be more transparent to consumer, which would preserve the current regulations, warranting that some airline trips do not prevail over those of other companies in an uncompetitive manner.

3. CONCLUSIONS

3.1 The regulation of the computer reservations systems within a liberal and competitive environment requires stressing the need for an approach, which avoids discrimination and promotes fair competition, especially concerning the tariffs and the right to access the distribution media.

3.2 Preserving a healthy competitive environment in the field of the regulation of computer reservation systems requires granting and facilitating the ability of all airlines to obtain the market information data tapes, as well as the coordination of these information details on an international level.

3.3 Promoting the principle of non-discrimination and providing opportunities to access markets in the field of the computer reservation systems require the approval of the collective purchase of the market information data tapes by a “group” of airlines on one hand, and on the other defining a “group” in order to include one of the following cases, in respect of the computer reservations system companies interest:

- a) Integrally incorporated airlines;
- b) Airlines whose overall international passengers are less than 25 million passengers per year, provided that each “group” does not include more than six airlines;
- c) An airline having more than 6 million international passengers per year cannot join a group to purchase market information data tapes;
- d) Individual airlines in a group can apply same analysis rules as those of other airlines in the “group”;

3.4 Applying the above-mentioned rules and controls would limit the computer reservation systems concerns about the mutual cooperation between the larger airlines, having special needs concerning the market information data tapes, which would affect the market information data tapes revenues, while allowing the smaller airlines, included *de facto* under this definition, from accessing the same information accessed by larger airlines.

3.5 As for the transparency provided to consumers through travel agents reservation systems, they are warranted by regulations of the Codes of Conduct on computer reservation systems, which prevent certain airline trips from prevailing over those of other airlines, a matter of utmost importance for fair competition.

4. ACTION BY THE CONFERENCE

4.1 The Conference is invited to:

- a) approve paragraph 3 conclusions;
- b) urge regional groups not to amend the Codes of Conduct on computer reservation systems, which would lead to discrimination between airlines and compromise the fair competition principle; and
- c) request ICAO to consider introducing the appropriate amendments on the ICAO Code of Conduct on Computer Reservation Systems in light of paragraph 3 conclusions.

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