

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

Montreal, 24 to 29 March 2003

DRAFT REPORT ON AGENDA ITEM 2.5

Agenda Item 2: Examination of key regulatory issues in liberalization**2.5: Product distribution****2.5.1 Documentation**

Secretariat (WP/14) reviewed the rapid and fundamental changes in the area of airline product distribution, and discussed recent industry and regulatory developments, focussing on computer reservation systems (CRSs) and the internet. The paper addressed the issue of regulatory responses to developments of the internet, which have implications for consumer protection, industry competition and participation. It also assessed the applicability of the ICAO Code of Conduct for the Regulation and Operation of CRSs, and suggested that the ICAO CRS Code already potentially applied to the internet though there exist several instances it had no applicable provisions.

Pakistan (WP/57) declared that non-discriminatory treatment in CRSs was important for all airlines, and stressed that carriers from developing countries should receive fair and equal treatment in CRS in foreign markets.

53 African States (WP/77) stressed the need for continued regulation of CRSs despite the current development in airline product distribution. The paper also highlighted that development in internet technology was still at an early stage and that many airlines in developing countries were constrained from benefiting from such developments.

Member of ACAC (WP/62) reviewed the issue of airline product distribution, focussing on the developments in sales and marketing of air transport services over the internet and CRSs. The paper also stressed efforts in the Arab area including the development of the Arab Code of Conduct for CRSs.

Member of ACAC (WP/107) expressed concerns about some regulatory approaches towards the amendments of the current CRS codes, which would lead to discrimination among airlines and hinder fair competition. The paper also proposed that the collective purchase of the market information data tapes by a properly-defined "group" of airlines should be allowed so that smaller airlines could access the same information obtained by larger airlines.

Member of LACAC (WP/99) stressed that States should use the ICAO CRS Code and introduce a model clause on CRSs in their bilateral and multilateral air services agreements. The paper also asked States to post airlines' fares electronically on the internet, through which all users can easily obtain the fare information.

Latin American Association of Air and Space (ALADA) (WP/71 - information paper) recommended treating special doing business issues related to CRS as tools for the distribution of air transport, considering application of the so-called national treatment among the regional group under the General Agreement on Tariffs and Trade (GATT).

2.5.2 Discussion

2.5.2.1 There was broad support for the conclusions in the Secretariat paper WP/14. Since some States (and one group of States) have been reviewing the existing national and regional CRS codes/rules to address the issue of the newly-developed electronic technologies including internet, ICAO's continued monitoring on this issue was considered necessary.

2.5.2.2 The Conference noted that the development in internet technology was not evenly distributed and many airlines in developing countries have not yet benefited from such developments. Particular concern was expressed about potential negative effects on fair competition by the inaccessibility of the market information data tapes and by amending the principles of the existing CRS codes/rules. It was therefore felt that regulation of CRSs was still necessary in order to ensure fair and equal treatment, neutrality, easy-access and transparency and to avoid any discrimination. One delegate also raised the concern about unilateral measures imposed by other countries, which prohibit the participation of the carriers in CRSs.

2.5.2.3 A view was expressed that costs of CRS fees have driven airlines to use a new distribution channel, the internet, which would have an implication for travel agents. Although the current CRS codes/rules do not specifically regulate the internet, it was suggested that States could apply generic competition laws to the internet.

2.5.3 Conclusions

2.5.3.1 From the documentation and ensuing discussion under Agenda Item 2.5 on product distribution, the Conference concluded:

- a) the principles of ICAO Code of Conduct for the Regulation and Operation of CRSs should be considered as the reference framework for the regulation of CRSs in Contracting States or any other code of conduct of a regional nature. States should bear in mind that amendments of such regulations or code of conducts do not undermine the principles of transparency, accessibility and non-discrimination.
- b) while there exist several instances where the ICAO CRS Code has no applicable provisions as a result of industry or regulatory changes, the scope of application of the ICAO CRS Code already potentially applies to the internet, and States may take this up at their discretion according to their particular circumstances.
- c) States should consider the need to ensure that internet-based systems provide consumers with comprehensive and non-deceptive information and airlines with a comparable opportunity to use these new systems as they have with conventional global CRSs, where necessary.
- d) although it is not yet clear whether new regulations covering airline product distribution through the internet should be adopted, some States have been actively examining this issue under the existing CRS rules/regulations, consumer protection laws and competition laws. ICAO should continue monitoring developments closely and disseminating information on this issue, and keep the effectiveness of the ICAO CRS Code under review.