



## Regulatory Framework to Enhance Fair Competition Algiers, Algeria, 16th May 2006



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# Presentation Objectives

- To discuss the importance of regulatory systems for the tourism sector
- To delineate the importance of competition policy issues and their connection with international trade and tourism activities;
- To list recommendations for effective regulatory measures to ensure competitiveness of the national tourism sector.



## Tourism, Trade and Competition at Global Level (1)

Issues identified in the proposed GATS Annex on Tourism Services (S/C/W/127), WTO/OMT, UNCTAD and WTO/OMC (Communication from Brazil and other developing countries No. TN/S/W/23 on September 2004):

- List of anti-competitive practices in the tourism cluster including suppliers of air transport services and travel distribution systems services, either individually or jointly.



## Tourism, Trade and Competition at Global Level (2)

- **Specification of some of the anti-competitive measures to be avoided:**
  - a) **Competitive exclusion through discriminatory use of information networks (including through high access charges), ancillary services to air transport, predatory pricing, or allocation of scarce resources;**
  - b) **Abuse of dominance through exclusivity clauses, refusal to deal, tied sales, quantity restrictions, or vertical integration; and**
  - c) **Misleading or discriminatory use of information by juridical persons.**



## Tourism, Trade and Competition at Global Level (3)

**d) Anticompetitive agreements, concerted practices or arrangements among competitors to fix prices, make rigged bids (collusive tenders), establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce;**

**e) Exclusive use or abuse of Global Distribution System (GDS) and Computer Reservation System (CRS), de-racking, and price-fixing through monopoly of access;**



## Tourism, Trade and Competition at Global Level (4)

**f) Cross-border monopolization and cartels and anti-competitive practices in international distribution networks, as well as stiff licensing conditions for more famous tourism products;**

**g) Unilateral investment conditions in developing countries' tourism markets, in the sense that large groups may demand or impose conditions for investment in poor countries, reducing their bargaining power.**



## FACTORS OF COMPETITIVENESS PUT TOGETHER

*Competitiveness through Quality and Safety/Security is very important but not sufficient .....*

### Additional important factors of competitiveness

- an enabling *regulatory framework* governing competition and business practices, hence fair competition and fair trade
- an *enabling environment* attracting investment (including in the tourism sector)
- *skilled labour*, particularly engineering skills



# Tourism, Trade and Competition at Local Level (1)

## **EQUAL OR DISCRIMINATORY TREATMENT OF TOURISM COMPANIES IN SENSITIVE AREAS**

- Access to subsidies
- Taxation
- Access to credits
- Access to investment incentives
- Mergers and acquisitions





# Tourism, Trade and Competition at Local Level (1)

- All types of intervening measures must be examined (GATS)
  - o laws
  - o regulations
  - o procedures
  - o decisions
  - o administrative action
  - o codes of conduct
  - o other
- *Need of transparency is paramount*



# Tourism, Trade and Competition at Local Level (2)

- **Anticompetitive Practices to Avoid**
  - Related to tourist information and reservation
    - transparency
    - accessibility
  - Selling and marketing
    - dominant position
    - dependency (monopolies...)
  - Fixing prices
  - Market entry/market access
  - Access to resources



# Tourism, Trade and Competition at Local Level (3)

- **Specific Measures to Boost Competitiveness**
  - *Specialization* of the tourism sector, specialized forms of tourism
  - Reduction of *transaction costs*
  - Promotion of *internal links*
  - Providing access to domestic tourism *financing* (interest rates, lending terms)
  - Development of national access to *air transport*
  - *Environmental protection*
  - Support for *technology transfer*



## MEASURES TO ATTRACT AND BENEFIT FROM INVESTMENT TO BOOST QUALITY (1)

### ➔ **Enabling business environment**

- stable macroeconomic policies
- sound legal, regulatory and tax framework (quality of domestic regulation)
- adequate physical and technological infrastructure (transport, telecommunications)
- avoiding imposition of “performance requirements” on foreign investors benefiting from investment incentives
- adequate labour standards



## MEASURES TO ATTRACT AND BENEFIT FROM INVESTMENT TO BOOST QUALITY (2)

- ➔ **Ensuring consistence between trade, investment and enterprise development policies**
- ➔ **Targeting TNCs with a positive development impact on the local economy**
- ➔ **Allowing the domestic enterprise sector to participate fully in the global economy**
- ➔ **Non-discrimination against national enterprises and investors**



# Possible Sustainable Tourism Actions (1)

## Suggested areas of action.....

1. Cooperation with relevant international organizations, notably WTO/OMT, UNCTAD and WTO/OMC; active incorporation of the WTO/OMT Global Code of Ethics for Tourism wherever possible;
2. Special treatment for small and medium-sized enterprises and local communities, including capacity-building and training and development of civil society networks for research of local sustainable tourism policies;
3. Design of a sound competition policy and investment framework and assistance on devising an effective regulatory body for enforcement of such competition rules (good substantive source could be UNCTAD's Model Law on Competition Law).



## Possible Sustainable Tourism Actions (2)

### Suggested areas of action.....

4. Strengthening of national institutional capacities, especially negotiating capacities in international trade in services and capacities for attracting domestic and foreign direct investment in tourism;
5. Encouragement of local entrepreneurial involvement in the tourism economy, with promotion of sound macroeconomic and competition policies and an enabling investment environment;
6. Promotion of the use of information and communication technology in tourism development, including platforms for marketing of tourism resources.



## Possible Sustainable Tourism Actions (3)

### Suggested areas of action.....

7. Careful analysis of GATS commitments in tourism services and related areas, with specific commitments destined to safeguard local strategic interests and to avoid anti-competitive practices;
8. Development of up-to-date information exchange systems among countries towards the competitive supply, regulation and sustainable development of tourism.





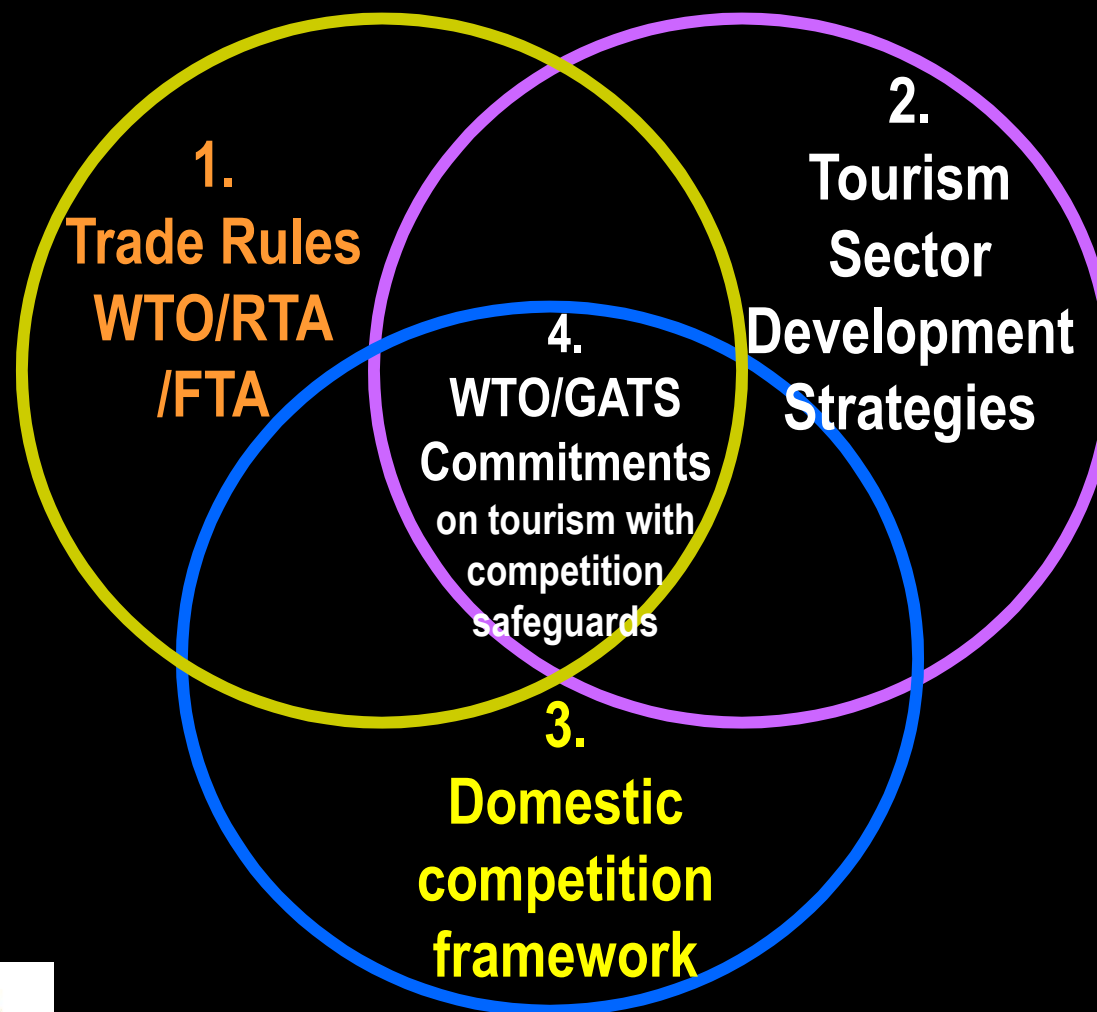
## Possible Sustainable Tourism Actions (4)

### Suggested areas of action.....

9. Implementation of transparent, reasonable and objective criteria for commercial access to computer reservation systems and global distribution systems;
10. In case of bilateral investment treaties (BITs), proper analysis of tourism-impacting measures and avoidance of anti-competitive and destructive practices against developing countries' small scale tourism providers.



# Overlapping Policy Solution





# Thank You!



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