New Approaches
to the Governance of
Indirect Air Travel Distribution
(IATD)

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1 — Executive Summary

The effectiveness and efficiency of today's IATA's passenger agency programme is no longer fit for purpose as it does not optimally address the broad and varied needs of each and all of the stakeholders within the 'distribution chain'.

To fully examine the key issues underlying the current situation, ETTSA and ECTAA jointly commissioned a study, engaging recognised independent experts in the distribution arena (please see appendix). The data supporting the study was gathered through a series of in-depth interviews with a wide spectrum of distribution chain stakeholders which include agents, airlines, GDS and travel associations.

Five key areas of concern to the non-airline distribution chain players were identified. These were in the areas of:

| Governance | Risk Management | Accreditation | Resolutions | Payments |
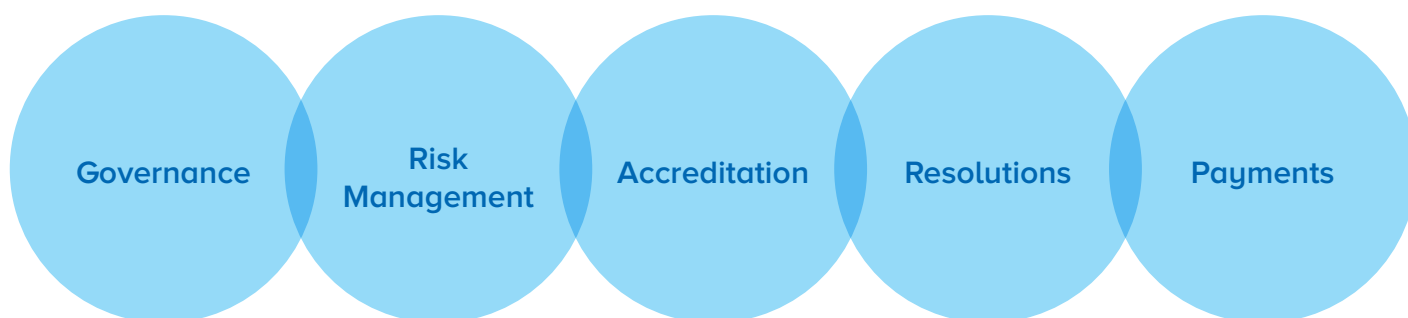
IATA's NewGen ISS initiative only addresses a subset of these issues, but even then not to the extent required to make meaningful change.

This document provides an overview of these key areas: the failings of the current system, the extent by which NewGen ISS seeks to address the issue, our recommendations; and finally specific actionable steps.

The authors conclude that a new model should be adopted to govern indirect air travel distribution which requires the active participation of all stakeholders in the 'chain' including airlines, agents and GDS.

// Perspectives of distribution chain stakeholders

Each of the stakeholders in the indirect distribution of air travel 'value chain' are driven by differing objectives which 'inform' their perspective on what is required from the distribution 'ecosystem'.

Airlines
- Security of fund collection
- On-time collection of funds
- Acceleration of cash-flow
- Accurate-reflection of BSP costs

Agents
- Efficient / low cost payment platforms
- Optimised cash-flow management (balancing collection and remittance)
- Secure ecosystem for financial transactions

Consumers
Unbiased access to fares with the view of getting the lowest possible costs of product delivery

GDS
- Business environment free of unnecessary 'red-tape'
- Environment to provide payment solutions to airlines and agents

The authors recognise these differing imperatives exist, but we do not necessarily believe they are conflicting or contradictory.

// Key recommendations

Our analysis makes recommendations in each of the five areas of concern:

1. Governance

The governance of the indirect distribution of air travel should be designed to maximize the benefits for all parties involved, through the provision of adequate business rules and standards. The ultimate objective is to provide a transparent offer to consumers. While the objectives of different stakeholders differ, the authors believe they can be collectively met with the outlined proposals.

2. Risk management

Risk management should be reciprocally implemented. The authors recognise the fundamental requirement to protect airline funds in the event that an agency defaults. This is accepted by all distribution chain stakeholders but without imposing undue additional burden to agents. Likewise, it is important that the agency community is suitably protected in the case where an airline ceases operations due to such events as bankruptcy.

3. Accreditation

The accreditation programme should be reformed to further increase the value perceived by all stakeholders. Systems related to processes should be modernized with the objective of reducing both costs and excessively long accreditation timescales.

4. Resolutions (business rules), processes and systems

Resolutions should be superseded with statements of business rules. The goal of the passenger agency programme is to efficiently and cost effectively facilitate indirect air travel distribution. In today's environment, resolutions are too prescriptive preventing, where appropriate, competitive forces to deliver superior solutions.

5. Payments

Settlement options should reflect today's wide spectrum of low cost payment alternatives. The objectives of any payment system is to minimise the cost of the funds' collection whilst minimising any associated risk of default (or fraud). Modern systems not only provide this but are also "cashless" ready.
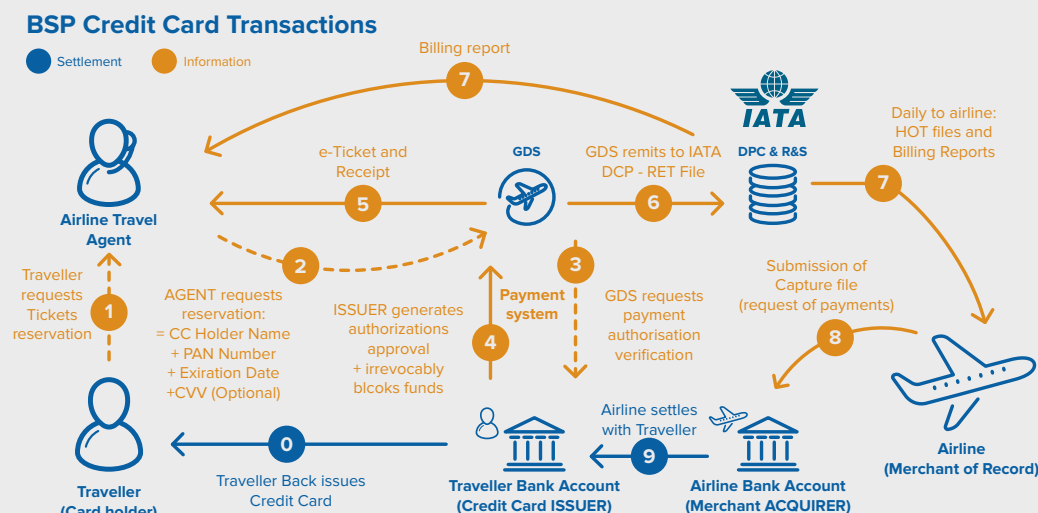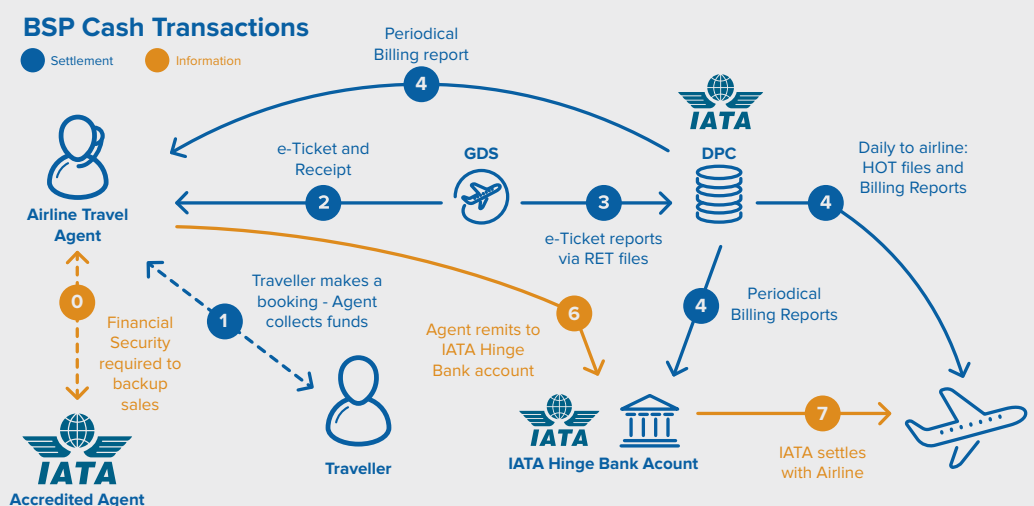
2 — Current BSP Scheme processes. Overview

// Current environment

The Billing Settlement Plan (BSP), administered by IATA manages the flow of cash in the indirect channel (tickets sold by agents). The scheme operates globally except in the United States where a local entity (ARC) owned by the airlines deals with the billing and settlement processes between airlines and travel agents.

The services provided by IATA to airlines are principally (1) agency accreditation and agency risk management, and (2) billing and collection of cash sales. For the clearance of credit card sales, IATA prepares a daily file (LCCB), which is sent to the airlines that are responsible for the clearance and repatriation of those funds.

The current accepted methods of payment in the indirect channel, based on the airline's merchant agreement are limited to "cash" and "card":

BSP Cash Transactions

● Settlement   ● Information

- Periodical Billing report **4**
- **Airline Travel Agent**
- e-Ticket and Receipt **2**
- **GDS**
- **DPC**
- Daily to airline: HOT files and Billing Reports **4**
- **0** Financial Security required to backup sales
- **IATA** Accredited Agent
- **1** Traveller makes a booking - Agent collects funds
- **Traveller**
- e-Ticket reports via RET files **3**
- Agent remits to IATA Hinge Bank account **6**
- **4** Periodical Billing Reports
- **IATA Hinge Bank Acount**
- **7** IATA settles with Airline

BSP Credit Card Transactions

● Settlement   ● Information

- Billing report **7**
- **Airline Travel Agent**
- e-Ticket and Receipt **5**
- **GDS**
- GDS remits to IATA DCP - RET File **6**
- **DPC & R&S**
- Daily to airline: HOT files and Billing Reports **7**
- Traveller requests Tickets reservation **1**
- **2** AGENT requests reservation: = CC Holder Name + PAN Number + Exiration Date +CVV (Optional)
- ISSUER generates authorizations approval + irrevocably blcoks funds
- **Payment system**
- **3** GDS requests payment authorisation verification
- **4**
- Submission of Capture file (request of payments) **8**
- **Traveller (Card holder)**
- **0** Traveller Back issues Credit Card
- **Traveller Bank Account (Credit Card ISSUER)**
- Airline settles with Traveller **9**
- **Airline Bank Account (Merchant ACQUIRER)**
- **Airline (Merchant of Record)**

// Passenger sales. Direct vs. Indirect. Cash vs. Non-cash

Airlines distribute their product through two different channels:

- **Direct sales:** Their own webs, call centres, airport offices, etc.;
- **Indirect sales:** Travel agents.

On a global basis, IATA manages the billing and settlement of indirect air travel distribution through its passenger agency programme (the BSP scheme). This is true except in United States, where ARC Corp. provides these services.

Agencies issue tickets using GDS platforms (typically) and submit ticket and payment information to the BSP /or ARC in one of two forms: Cash or Card.

The profile characteristics between these two payment methods depends predominantly on two factors: the nature of the agency business and second the geographic location of the agency.
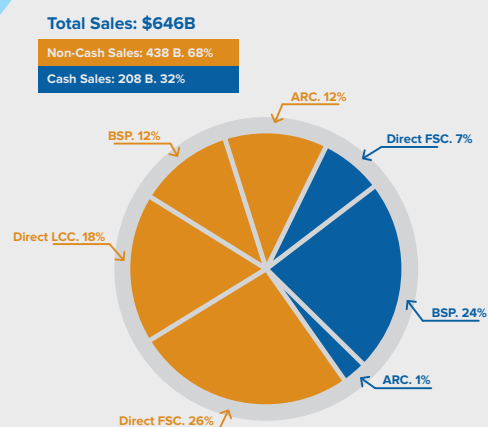
Travel management companies (TMCs) largely receive their payment for issued tickets on a 30-day basis from their corporate clients. As a result these agents submit their sales to the BSP mainly as 'cash'.

Retail agents (including Online Travel Agents) almost exclusively take upfront credit card payment (using the Airline merchant number) so report their sales to the BSP as a 'card'.

The total funds from passenger sales are estimated to be $646 billion (2015). Cash sales represents 32% of this total volume. Non-cash sales (defined as 'form of payment:' credit card or other) represent 68%. IATA's BSP scheme collects and settles approximately 24% of the overall industry volume.

IATA´s role in handling the card sales (under BSP scheme) is now negligible given that the collection of the associated funds is undertaken directly by the airline.

The following chart illustrates the global air passenger sales for 2015 and the breakdown between cash and non-cash sales per channel is as follows:

Total Sales: $646B

Non-Cash Sales: 438 B. 68%

Cash Sales: 208 B. 32%

- ARC. 12%
- BSP. 12%
- Direct FSC 7%
- Direct LCC. 18%
- BSP. 24%
- ARC. 1%
- Direct FSC. 26%

Breakdown: 32% Cash ($208B), 68% Non-cash ($438B)
BSP collects 24% of the total industry funds (cash)

BSP's processing profile varies considerably from that of ARC

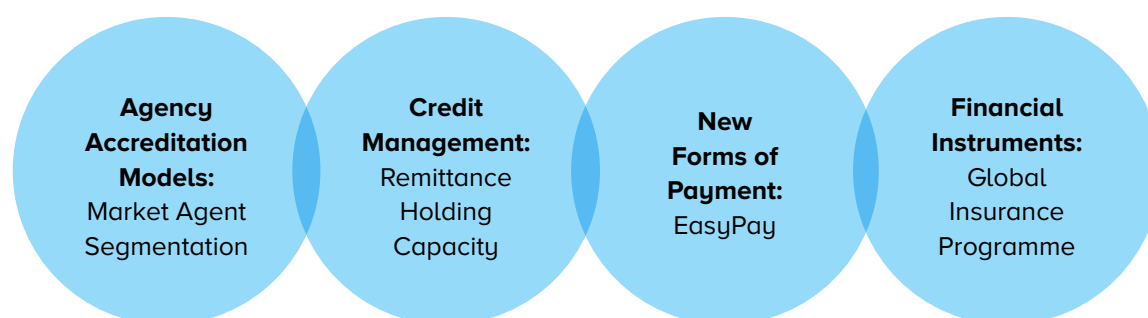| ARC	IATA
10%	Cash
	Non-Cash
	64%
90%	
	36%
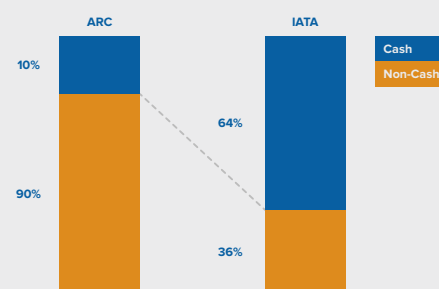
It is likely that BSP processing profile will converge to that of ARC's

3 — NewGen ISS overview

NewGen ISS is an initiative designed by IATA whose objectives include enabling faster cash-flow and better securing airlines' funds.

Based on NewGen ISS documentation delivered by IATA during 2016 the programme comprises four key interconnected areas. Each one of these areas represent significant changes to the BSP:

Agency Accreditation Models: Market Agent Segmentation

Credit Management: Remittance Holding Capacity

New Forms of Payment: EasyPay

Financial Instruments: Global Insurance Programme

This paper addresses the implications in each of the above areas.

// Agency Accreditation Models:
Market Agent Segmentation

'Market Agent Segmentation' is a newly introduced concept designed to better categorise Travel Agents into three distinct segments. Today passenger agency programme defines only a single 'Unique Type of Agent':

The three new segments are:

1. *Standard accreditation with no credit facility.* Minimal financial requirements. Unable to use FOP: "cash";

2. *Standard accreditation with credit facility.* Based on current accreditation model. Access to all methods of payment;

3. *Multi-country accreditation.* Accreditation for agents operating in multiple BSPs. Risk management and credit facility aggregated for the entire group.

IATA´s stated intention for this change is threefold: (1) 'Increase the distribution potential while minimizing risk, (2) address loss of accredited agents in specific markets, and (3) [develop] better business visibility and practices of multi country agents.'

// Credit Management:
Remittance Holding Capacity

The Remittance Holding Capacity (RHC) is designed to assign each agent (within the three segments defined above) a credit status with an associated credit limit.

The RHC principles include:

- *Agent Credit Status* and applicable *Risk Management Conditions* are determined by a financial review and credit history evaluation;

- *Credit Events* will now impact the agent's credit history based on the number of occurrences;

- A monetary limit to the agent's outstanding cash sales (monies at risk) will be established for all agents with a cash facility;

- The financial security calculation is a separate calculation defined in local financial criteria;

- Agents can manage their credit limit by paying outstanding monies in advance of remittance date. Agents can increase their credit limit by providing additional financial security. Agents can also choose to provide a lower financial security. In turn, a lower credit limit will be assigned.

IATA´s stated intention of this initiative is to provide to IATA additional tools to better control agents´ risk, specifically to avoid "bust outs" associated with fraud and the associated defaults. At the PAConf September 2016, IATA members agreed to defer the adoption of RHC, but it may be considered further by airlines.

// New Forms of Payment: EasyPay

IATA´s NewGen ISS programme, defines a new form of payment: 'EasyPay' which allows agents to prepay for issued tickets in a credit controlled environment.

According to IATA, the main characteristics are:

- 'Pay-as-you-go' solution;
- Alternative to cash and card *Form of Payment;*
- Voluntary for agents to use;
- Funds secured at time of issuance (no chargebacks).

IATA´s stated intention of this sub category initiative is to enable the introduction of credit management (RHC) and new accreditation models.

NewGen ISS
IATA EasyPay - Account Opening

Account Opening	Funding	EP Number Generation
Agent opens an EasyPay account online	**Agent funds the EasyPay account**	**Agent receives EasyPay number from the system**
		1234567890

NewGen ISS
IATA EasyPay - Ticket Issuance

Ticket Request	Authorization Request	Authorization	Ticket Issuance
Agent requests to issue a ticket through a GDS, selecting form of payment "EP" and using its EasyPay number	**GDS requests payment authorization to EasyPay system**	**If sufficient funds in EasyPay account, amount is blocked and authorization is generated**	**GDS receives authorization and issues the airline ticket and receipt**

NewGen ISS
IATA EasyPay - Airline Settlement and Reconciliation

GDS RET Reporting	Calculation & Reporting	Settlement	Reconciliation
GDS reports to IATA all tickets issued during the day	**IATA DPCs calculate amounts to be transferred to each airline and issue HOT files**	**IATA transfers EasyPay amounts to each airline**	**Airline reconciles EasyPay payments with tickets issued**
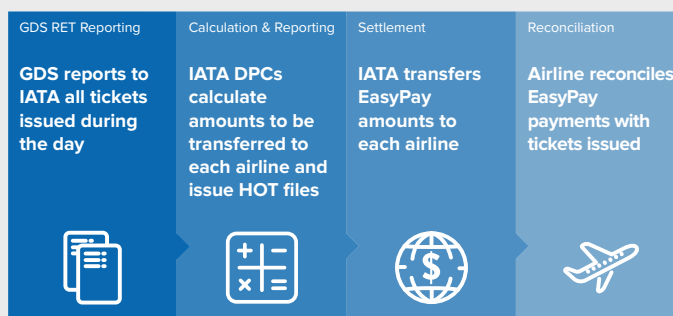
// Global Insurance Programme

The Global Insurance Programme provides a mechanism of financial security additional to those currently accepted under Resolution 850p. This programme is underwritten by two global insurance brokers (Aon & Marsh). The program is voluntary for Agents.

This programme provides:

- Strong, flexible & reliable coverage for carriers;

- Lower costs and increased flexibility for agents;

- Alternatives to bank Guarantees and other acceptable Financial Securities. Agent choice on which to obtain;

- Easy adjustments by agents in a credit limit environment.

The dual rationale of this sub category initiative is to reduce default losses for airlines whilst facilitating agent access to financial securities. Specifically:

- Increases certainty of outcome in the event of agency default or insolvency;

- Improves claims settlements, thus reducing unrecovered defaults;

- Lower cost than other acceptable Financial Security types;

- Allows Agents to obtain a higher cover in a short time frame and to increase their credit limit as applicable.

4 — Key Passenger Agency Programme Challenges

The Authors identified five key areas within the indirect air travel distribution ecosystem which require a fundamental 're-think'.

All the distribution chain stakeholders approached in our interviews recognise the value provided by the BSP. Further no fundamental issues were identified in the billing, remittance and settlement areas.

The Authors understand that the issue of ADMs (specifically the high volumes currently experienced) is separately being handled as an industry initiative outside of NewGen ISS. Therefore ADMs are not addressed in this paper.

// Governance

The governance of the indirect air travel distribution must reflect the 'makeup' of all payers within the distribution chain. The governance should be designed to maximize the benefits for all parties involved, with the end goal of providing a transparent product to consumers. Today the governance of 'Indirect Air Travel Distribution' is exclusively controlled by the airlines through the mechanism of IATA membership.

In summary:

Imbalance observed	Proposed solution
a) The airlines-only governance model rarely delivers 'resolutions' optimal to full distribution chain	a) Expand the participation in the governance model on distribution issue to the distribution chain 'players'
b) The conference model is no longer suited to today's business environment	b) Split the programme in two 'bodies': 1. Air Travel Indirect Distribution Programme managing distribution related issue (Accreditation, risk management, payments, data and system providers) and governed by airlines, agents and GDS 2. Billing & Settlement Programme- governed by airlines alone
c) The "unanimity" (100% agreement) approach to approve, change or rescind resolutions negatively impacts the ability to adapt to current business realities	c) Replace the 'unanimity' approach by 'qualified majority'

The governance of any future 'system' should take into consideration the key objectives of each of the different distribution chain 'actors':

Airlines:
- Security of fund collection
- On-time collection of funds
- Acceleration of cash-flow
- Accurate-reflection of BSP costs

Agents:
- Efficient / low costs payment platforms
- Optimised cash-flow management (balancing collection and remittance)
- Secure ecosystem for financial transactions

GDS:
- Business environment free of unnecessary 'red-tape'
- Environment to provide payment solutions to airlines and agents

Consumers:
- Unbiased access to fares with the view of getting the lowest possible costs of product delivery

Evolution of current model

The conference model of governance—relating to the passenger agency programme and BSPs—was established in the 1970's. This was a period of time when the airline industry was highly regulated. At that time, it was likely to have been the only effective model to establish global initiatives where the unanimous support of the entire airline industry was critical.

Airline representation at that time was undertaken by senior industry affairs, with broad industry knowledge. Today the majority of airline participants come from finance departments with little involvement or insight into the sale and marketing activities of their respective airlines - for which indirect air travel distribution is key.

Since the 1970s, the distribution ecosystem has evolved dramatically: Agent's role has changed. Besides the removal of granted commissions for selling airline's tickets, the legal and financial responsibility to the consumers have changed (i.e. package travel directive). The GDS role was never contemplated when the programme was launched and the GDS role has only been minimally considered from the 1990s onwards. Engagement with the GDS is defined today in resolution 854.

In contrast, the Cargo industry's governance structure has been radically overhauled by IATA since its inception. IATA now has collaborative governance model, drawing in, and leveraging the insight and knowledge of all associated stakeholders. Lessons should be applied to the passenger programme.

Issues of Governance are not addressed by NewGen ISS.

Conference model 'modus operandi'

The policy setting process is determined within IATA by: Provisions for the Conduct of IATA Traffic Conferences. This process can only be amended by IATA's Board of Governors.

The modus operandi of process setting comprises three steps: (1) Make policy (external soundings), (2) approve policy (airline-only) and (3) implement policy (distribution chain imposition).

Decisions on changes to the agency resolutions fall under the authority of the Passenger Agency Conference (PAConf).

Conference membership and participation

PAConf is the supreme governing body of the passenger agency programme. PAConf establishes the participation rules of the programme to be abided by airlines and agents alike. PAConf takes action on matters relating to the relationships between IATA members and passenger sales agents and other intermediaries. PAConf explicitly does not address issues related to remuneration levels between Airlines and Agents.

A number of other bodies provide guidance and make recommendations to PAConf. These bodies operate at both national and international levels.
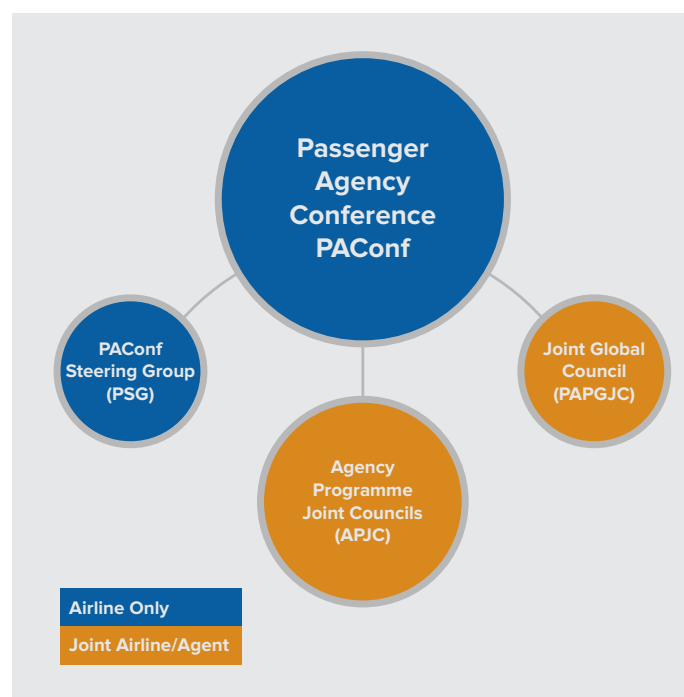
Active members of IATA are those who operate a scheduled commercial international air transport service for the carriage of passengers. Whilst IATA has 264 active airlines 'registered', in total over 400 airlines participate in the BSP.

Typically, the number of airlines attending the annual conference range between 60 and 80 IATA airlines. Active members have voting rights of the PAConf. Non-IATA airlines cannot participate and do not have a vote.

Failure of the governance structure

As the programme's governance structure inadequately takes into account all distribution chain participants' contributions and expertise, IATA often develops sub-optimum solutions that negatively impacts both its membership and non-members alike. Specifically:

- The 'Conference model' is obsolete (only IATA airlines participate), cumbersome (requires unanimity) and inefficient (doesn't address market's need but airline's needs only);

- Travel agents and GDS are denied voting rights at Passenger Conference during which rules impacting travel agents and GDS business are decided;

- The model does not allow each and every party to maximize the benefits of the indirect air travel distribution. 'Global consultation' with non-airlines is universally considered as inadequate. It is very limited (e.g. PAPGJC only), non transparent (documentation /information provided is insufficient to understand proposed changes—NewGen ISS as an example) and inefficient (inputs from agents are listened but normally not considered);

- The Conference structure lends itself to being 'monopolised' by a small group of non-senior employees of few airlines;

- The "unanimity" (100% agreement) approach required to approve, change or rescind resolutions enables a single 'un-informed' airline the right to veto resolution changes that would be of benefits to the entire community so negatively impacts the ability to adapt to new business environment;

- Today the requirement for 'unanimity' to approve, change or revoke resolutions is perceived as business showstopper rather than an efficient governance practice.

Proposal

The Passenger Programme would provide superior benefits to all distribution players were the membership and voting rights extended beyond airlines to travel agents and GDS for all non-airline specific matters.

The passenger programme should be divided in two different "bodies":

- *Indirect Air Travel Distribution programme (IATD).* Agency accreditation, agency and airline risk management, payments, data matters and system providers matters. Governed by airlines, agents and GDS;

- *Billing and settlement programme* activities governed by airlines alone with an accurate consultation

New IATD governance principles:

- In the new program, rules that govern the indirect air travel distribution relationship will be approved by a board jointly managed by airlines, agents and GDS, with adequate power balance. Blocking majorities will be avoided and e-voting/delegation facilities will be in place. The administration and management of the new programme will be under the responsibility of the IATD governance board;

- Traditional BSP activities (billing and settlement related procedures) will be kept under the existing passenger agency programme governed by PAConf;

- Local/regional joint councils (airlines, agents and possibly GDS) will have the right to propose the criteria pertaining to financial standing required to obtain or retain the accreditation. Additionally those groups will act as a source of innovation.

- The limited nature of global consultation processes between IATA and agents and GDS should be addressed so as to ensure the continued relevancy of passenger agency programme. Local consultation with agents should be redesigned and improved as well.

Next step

1. IATA and airlines should accept participation of agents and GDS in the design and approval of the rules within the governance structure, so as to meet the objective of having a robust and relevant passenger agency programme.

2. IATA should consider and explore the following Governance options:

   - Maintain or change the conference model;

   - Maintain or change the unanimity concept to approve, change or revoke resolutions;

   - Level of participation of agents and GDS in the programme's governance structure;

   - Role of IATA as programme manager and administrator;

   - Resolutions versus business rules;

   - Unanimity to approve rules should be replaced by qualified majority

// Risk Management

The fundamental requirement to protect airline funds in the event that an agency defaults is recognised and accepted by all distribution chain stakeholders. Likewise it is important that the agency community is reciprocally financially protected in the case where an airline ceases operations due to such events as bankruptcy.

In summary:

Imbalance observed	Proposed solution
1. Unbalanced unidirectional rules w.r.t. risk coverage	1. Implement an airline risk management process
2. Low level of automation & high paper-intensive activity	2. Apply process and automation improvement
3. Inappropriate credit ceiling leading to loss of business	3. Replace RHC by a daily sales monitoring and "agent credit profile" concept
4. Global insurance. Processes and rebates still unclear	4. Transparency in the Global Insurance
5. 'Unjustified' airline guarantees required outside BSP	5. Remove airline unilateral guarantees
6. 'Unjustified' accelerated remittance of web sales	6. No sales discrimination

Today, only accredited travel agents are evaluated to determine the risk posed by default or fraud. IATA achieves this by requiring agents to provide financial security so as to participate in the BSP scheme. A broad range of different financial instruments are accepted.

NewGen ISS further attempts to protect an airlines' risk of agency default by implementing features such as remittance holding capacity (RHC)—deferred for the time being—, prepayments (IATA EasyPay) and a global insurance scheme.

A. Lack of reciprocity in risk management

The risk of an airline failure exposes the agency community to an unacceptable level of (non-insurable) financial cost. Such a failure may also impact consumers and businesses who do not have credit card protection, a substantial sector of travellers as explained previously. The NewGen ISS proposal does not address this topic.

Evidence of airlines cessation of operations or bankruptcy

Airlines suspensions in the BSP have grown over the past decade. In 2003 only seven airlines were suspended from the BSP. However between 2008 and 2014, an annual average of more than 20 airlines were suspended. For example, in 2013, 27 airlines were suspended of which 18 (eighteen) were due to bankruptcy or cessation of operations.

Where an airline enters a 'default' situation, travel agents and businesses face a non-insurable financial loss. The impact is material as the European travel package directive moves all responsibilities from services providers to travel agents (or tour operators).

The situation is exacerbated as existing rules and protection schemes (i.e. counter indemnity agreement) are insufficient to cover the financial impact on travel agents and consumers.

European Union institutions have previously looked to protecting passenger refunds via modifications to the air passenger rights regulation 161/2014.

Proposal

It is proposed that airlines should be subject to a similar level of risk evaluation and provide sufficient bonding and/or insurance to protect any impacted agent and/or consumer in case of default.

IATA should establish a rigorous monitoring system to provide warning and 'guidance' of any such imminent default event.

Next steps

IATA should implement a financial risk evaluation of all BSP participant airlines based on a mutually agreed, transparent framework.

These changes can take place within the existing passenger agency programme in collaboration with all other stakeholders without the requirement to revert to regulators.

The criteria within the framework should be similar as that used to assess the financial standing, stability and solvency of multi-country agency accreditation. This includes:

- Audited financial statements and accounts prepared in accordance with globally accepted accounting principles;

- Historical financial data ratios;

- Forecasted financial data ratios;

- Operational review ratios;

- Global risk control;

- Trends analysis ratios.

The airline's evaluation process should be performed quarterly. The financial instruments to be provided by airlines may vary from cash deposits to insurance policies.

B. Out-dated manual risk management systems and processes

The financial evaluation required to grant accreditation is costly and slow mainly due to paper-based process. NewGen ISS doesn't address this aspect; therefore the process remains 'as is'.

Incidence of out-dated manual risk management systems and processes

Both agents and airlines question the efficacy of today's agency risk processes. In particular, material changes can happen to an agent, which are not identified during IATA's annual agent financial review process. This is due to 3 to 6 months delay between an agent 'closing their books' and IATA performing their review. This inefficiency is compounded by the paper-based nature of the process. The bottlenecks identified in the agency risk management processes are:

- Agent's annual financial statements are submitted to IATA using the IATA´s customer portal. The tool can be improved to facilitate the process;

- The result of the financial evaluation is communicated by mail. This communication only takes place in the case the result is negative. No explanation is ever provided as to the rationale leading to the failure;

- The process of challenging any *financial evaluation* is done by mail basis without using adequate tools that provide visibility and tracking functionalities to the parties;

- Financial instrument management is paper-intensive, which leave the system open to abuse by way of fraudulent/fake guarantees.

Proposal

The BSP risk management process should be redesigned to be highly automated, removing the requirement for the physical 'paper-based' evidence.

All parties should to participate in a joint project to establish rules and process in this area.

Initial Next Steps

IATA should implement a financial risk evaluation of all BSP participant airlines based on a mutually agreed, transparent framework.

These changes can take place within the existing passenger agency programme in collaboration with all other stakeholders without the requirement to revert to regulators.

- Allow key documentation and associated verifiable supporting evidence to be electronically submitted;

- Re-design the supporting IT infrastructure and systems to facilitate communication and verification;

- Redesign the associated 'acceptance' process so as to minimise time from *application to acceptance*;

- Engage all stakeholders (agents, IATA, external assessors, etc.) to ensure full process transparency so as to mitigate user rejection;

- Implement a *'knowledge-based'* system to provide clear explanations where acceptance is not granted following the annual financial analysis.

Secondary Next Steps

- Explore, in collaboration with all stakeholders, how to maximize the benefits of the agent financial evaluations and how to minimize workload of IATA and agents;

- Examine how to increase the efficiency and effectiveness of the financial instrument management process;

- Examine connectivity options with the financial instrument's issuers to enable them to support the exchange of data instead of paper;

- Examine whether the SWIFT network is a viable solution to address the interchange of data challenge.

C. Remittance holding capacity (RHC)

The NewGen ISS programme imposes credit limits on all agents, which if insufficient, limits the revenue generation capability of those agents. This initiative also has the effect of impacting airline revenue.

It is likely that a **significant percentage** of agents will be moved to FOP "prepayment" under NewGen ISS criteria so will therefore be unable to use FOP "cash".

The RHC does little to address an underlying requirement of airlines (sales and yield management department) to carefully monitor sales which could potentially results in financial loss to the airline. Conversely the impact on the agency community to adhere to the new rules has a disproportionate impact that cannot be justified given (1) the extremely rare instances of agency defaults and (2) the existence of a better, more targeted tools for providing airlines payment protection without enormous agency community 'collateral damage'.

Incidence of remittance holding capacity (RHC)

There is a clear indication that the Remittance Holding Capacity (RHC) concept, deferred for the time being, will have a significant negative impact on agents, impacting specifically the level of sales through the BSP.

Given that the auditable current level of unrecovered debt today is below 0.02% (2/10,000) —significantly below the cost of capital— there is no business rationale for introducing a costly new mechanism.

The reason for this low level of unrecovered debt is two-fold:

- *First:* the robustness of IATA's current risk management processes;
- *Second:* the high level of financial coverage provided by agents. The **financial instruments** provided by agents cover approximately one third of the total current BSP risk.

The cost to the agency community of providing these instruments is between $300m to $500m annually, which is **counter intuitive** since most industries do not require intermediaries (agents) to minimise the service providers' (airlines) unrecovered debt. It is more usual for the cost of risk management to be borne by the providers.

Furthermore, there are a number of hurdles in the implementation of RHC which IATA need to consider:

- Agents will be obligated to adopt IATA EasyPay as the form of payment where credit limits are reached to avoid business disruption. This associated obligation is likely to be contrary to competition law and open to legal challenge given to the availability of other solutions in the market place;

- In the case where credit limits are reached and where EasyPay is not set up, IATA's financial guarantee processes (taking up to sixty days) will effectively prevent the agency from doing business leading to losses for both the airline and agency;

- Large agents, TMCs (Travel Management Companies) and OTAs (Online Travel Agents) have complex booking 'infrastructures' that need to be appropriately adjusted to meet the RHC requirements which implies IT costs (at this stage un-quantifiable) to these agents.

Proposal

- Replace the Remittance Holding Capacity concept with a process that more appropriately meets the needs of the airline community to mitigate their exposure to risk.

- Implement agents' credit monitoring on a daily basis against a clear and agreed set of rules.

Next steps

- Scrap as opposed to just defer the RHC concept given its likely failure to meet its core (risk mitigation) objectives, its propensity to increase airline costs (beyond the cost of capital); and its susceptibility to challenge under competition law;

- Implement, a daily monitoring system of the agency sales, in collaboration with GDS to sustain or reduce the very low ratio of uncollected debt;

- Develop an agile system that minimizes fraud linked to the implementation of an "agent credit profile" concept;

- Leverage the position—'wide and deep field of vision'—and existing infrastructure (data availability, systems, and analytics) of GDSs.

D. Global insurance scheme

NewGen ISS Introduces the *Global Insurance* concept designed to act as super *financial instrument*.

It is accepted that such an approach, whilst not mandatory, could in theory add value to the indirect air travel distribution ecosystem. However IATA's implementation, associated process, costs and rebates are unclear or not defined.

Incidence of global insurance scheme

Agents are obliged to provide financial instruments to IATA to minimise the airlines unrecovered debt. The cost to the agency community of providing *financial instruments* is estimated to be between $300m-500m annually.

This is due to the high fragmentation of the industry, compounded by differing geographic /regional /legal requirements. Ultimately these costs are passed on to the consumer.

Proposal

The objective of IATA *Global Insurance* scheme should be to reduce the industry's cost of *financial instruments* by between (say) 25%-50% within three years.

Further, such a *Global Insurance* scheme should improve IATA´s risk management back office processes, savings of which should be passed back to the travel agency community.

In the meanwhile, IATA should continue working with agents to minimise the costs paid by agents that elect not to implement the *Global Insurance* scheme.

Considering that Resolution 850p establishes criteria to evaluate and approve financial securities providers and products, there is a potential conflict of interest with the *Global Insurance* scheme that should be evaluated.

To facilitate the introduction of the *Global Insurance* scheme, involvement of the GDS is an important pre-requisite.

Next steps

1. IATA should furnish the agency community and GDS with the following information:

   - Detailed processes and procedures of the Global Insurance scheme;
   - Detailed costs to be paid by agents;
   - Detailed processes to manage rebates to agents.

2. IATA should agree with the GDS how the Global Insurance scheme should most effectively be implemented in the distribution chain.

E. Unilateral airlines financial guarantees

The airline requirement that agents furnish further guarantees outside of the passenger agency programme fundamentally damages the programme's credibility and by extension, its airlines members.

Incidence of unilateral airlines financial guarantees

In addition to the bonds provided to IATA, individual airlines may request further unilateral guarantees of agents (in certain jurisdictions) which may constitute a violation of competition rules.

Proposal

An airline´s requirement for unilateral guaranties to further protect BSP sales should be suspended. The removal of this 'unilateral guarantee' should be formalised through an amendment in the resolutions.

Next steps

Table an urgent amendment in the resolutions explicitly removing airlines´ authority to request unilateral bonds to cover BSP sales.

F. Acceleration of 'Remittance' for Web Sales

The risk associated with 'unsettled' funds from across the entire agency community runs historically at 0.02%. It is further noted that the incidence of unsettled funds has been significantly more prevalent in the OTA segment than the traditional agency segment.

In both segment, airlines do have sufficient visibility into potential 'fraud' at the very earliest stages of any such 'fraud'. They also have the tools to take immediate remedial action (i.e. close it down). Often, lack of communication and/or counter incentives exists within an airline that prevents them from taking such timely action.

Incidence of remittance acceleration of web sales

The BSP's unrecovered debt to total sales ratio is one of the lowest among different global industries. Globally, the average unrecovered debt ratio per industry varies from 0.1%-2.0% (in mature markets). In the airline sector—via the BSP—this ratio is 0.02%. Given this unrecovered debt ratio, it is far more cost effective for airline to be 'self-insuring' than take action to mitigate their small risk through alternative costly financial instruments.

Despite the different risk profiles, treating *online* and *traditional* indirect sales differently would be anticompetitive, leaving IATA open to legal challenge. Further this would duplicate the BSP workload for agents with mixed online and traditional business (dual billing, dual remittance, etc.).

Proposal

An alternative approach is needed to provide IATA and airlines with daily visibility of any particular agency risk and enable *ticketing authority* to be inhibited or restricted as required (based on clearly mutually agreed parameters). Specifically:

- Rigorously and systematically implement processes which already exist within the Agency Passenger Programme;
- Suspend any further tightening of risk mitigation procedures for online sales;
- Outsource the management of compliance where resources or capabilities are lacking.

Next steps

1. IATA should stop the plans to accelerate remittance of online web sales as this has little impact on risk mitigation and unduly burdens the workload and costs to both agents and airlines.

2. IATA, in close collaboration with GDS, should implement a daily agency sales monitoring system. Further IATA should implement an *"agent credit profile"* concept – an agile system designed to minimize the potential of fraud.

// Accreditation

The objective of accreditation (new applicants, changes, etc.) is to provide all parties involved in indirect air travel distribution total confidence in the professionalism of their activity (including financial prudence). Accreditation is important to that agency segment which relies on air travel as their mainstay of income.

In summary:

Imbalance observed	Proposed solution
1. Inefficient paper-based processes result in inexplicably long accreditation timescales	1. Adopt a "paperless" culture and associated activities
2. 'Accreditation' is currently a profit source for IATA	2. Apply cost recovery principle and the transparent fee structure

Current system

To become an *accredited travel agency*, a wide range of criteria have to be satisfied. These criteria are specified in the accreditation rules embedded within a number of resolutions. These resolutions are approved uniquely -and solely- by airlines acting collectively at the *Passenger Conference*.

Deficiencies in accreditation

Accreditation is intended to be an enabler of business, however—due to increasingly complex rules introduced to address low probability situations —*a large* number of agencies no longer perceive accreditation to be such an enabler.

The overall passenger agency programme accreditation should be reformed so as to increase its *perceived value*.

A. Inefficient Accreditation Processes

IATA's accreditation processes, including financial instruments management, are cumbersome and inefficient. The major issues include:

- Lack of process automation;
- Requirement for 'paper-based' evidence;
- Inefficient business rules and logic (leading long time scales).

Distribution and agent ecosystems have changed dramatically since the 1970's when the BSP was first launched. However, few if any of the rules in the passenger agency programme reflect these business changes.

NewGen ISS does introduce the concept of agent segmentation, as described in section 3.1. of this document, which is welcomed, but the initiative fails to address the equally important accreditation process.

Incidence of inefficient accreditation processes

A primary indicator of perceived value of accreditation is the number of agencies seeking accreditation. The reduction in accredited locations between 2000-2015 whilst not published is independently estimated to be between 10%-15%. This reduction would have been larger were it not for the growth in agencies in developing markets.

The underlying reasons that explains this dynamic include:

- Implementation of e-ticket
- E-commerce development
- Lack of perceived value to be IATA accredited agent
- Complexity and time frames to obtain the accreditation
- Increase bilateral business relation between agents and airlines

The continued reliance on paper-based evidence where five regional IATA operational centres manage the accreditation process for the entire world, outside the U.S., is clearly unsustainable.

Further, the lack of tracking automation inhibits the visibility into the accreditation process. This lack of automation also contributes to the long accreditation time frames (between 60 and 90 days from application to ticket issue authority), particularly as it pertains to managing financial instruments.

Proposal

The Passenger Programme needs to be aligned with today's distribution chain's requirements so as to ensure relevancy and the perception of value. This will be achieved by updating rules to:

- Increase the level of automation e-tools;
- Remove paper-based evidence requirements;
- Update business logic/rules —increasing efficiency and reducing time scales.

As in every industry the investment in e-tools will provide a great increase in the customer satisfaction and will provide to IATA the possibility of reducing dramatically its costs.

Next steps

To address the challenges, the following steps should be taken:

1. Reform the business logic in the Resolutions that govern this area so as to remove unnecessary process steps (i.e. period provided to airlines to present allegations);

2. Implement accreditation multi-language e-tools that provides tracking facilities and visibility of all the accreditation process;

3. Remove all paper based activities, including the PSA signature, that should be done using an e-tool;

4. Reduce the accreditation time frame to obtain the license from the 60/90 days to a maximum of 30;

5. Simplify the processes to obtain a branch license, change of name, change of location, change of address, etc. All those processes must be performed in a very short period of time (i.e. 48 hours). This objective is unachievable without having in place a state-of-the-art e-platform.

B. Accreditation (profit centre vs. cost recovery)

The principle behind today's accreditation scheme is that of a 'profit centre'. Excess fees collected (new entrants, changes, annual fees, etc.) above and beyond the costs of running agency related activities are applied to reduce the airlines' BSP costs.

Over the last 10 years, whilst IATA's cost base has benefited from operational efficiencies, fees to agents have not.

It is recognised that an element within NewGen ISS is a new set of accreditation fees, however, voting on this resolution has been postponed until PAConf 2017.

Incidence profit centre vs. cost recovery

The underlying costs experienced by IATA for its accreditation activities has reduced considerably over the last 10 years. This has been due to:

- Efficiency gains in operations;
- Removal of physical inspections;
- Consolidation of operations in regional HUBs.

This cost reduction, however has not been passed on in terms of agency fees reductions.

Additionally IATA wants to present to PAConf 2017 a new set of fees which has an unclear market place impact:

("PAConf 2016. Agenda item R1. Section 14 — Agency fees. In order to ensure that applicable Agency fees are fit for purpose given the introduction of the new accreditation models and other NewGenISS changes, this section will be developed for PAConf's review next year").

Proposal

Accreditation fees (new entrants, changes, annual fees, etc.) charged to agents should be based on a Cost Recovery principle. Total accreditation fees should not be higher than costs + 5%. This would exclude costs associate with risk management activities.

Next steps

1. IATA should apply 'Cost Recovery' principles and to pass the relevant amendments to Resolutions at the PAConf 2017.

2. IATA accreditation fees should be re-calculated according to cost recovery principles. The global set of fees should be based on a single agreed currency, but charged in local currency.

3. IATA should prepare the following documentation to work jointly with agents in preparing the new fees proposal:

   - Detailed analysis of the IATA´s accreditation cost structure;
   - Detailed analysis of PAConf 2017 proposal;
   - Global impact analysis per type of agent (3 types as present earlier).

// Resolutions (business rules), processes and systems

The ultimate goal of the passenger agency programme is the facilitation of indirect air travel distribution. Consequently, the business rules and logic embedded into 'Resolutions' should reflect today's rapidly changing and complex business environment. Further, these business rules can only effectively be set in an environment where airlines, agents and GDS collaborate.

In summary:

Imbalance observed	Proposed solution
1. Unbalanced unidirectional resolution (e.g. card handling)	1. Replace 'resolutions' with balanced 'business rules'
2. Lack of distribution-chain systems-integration contributes to inefficiencies	2. Collaboratively implement the necessary automation and systems integration
3. NGISS imposes huge (non-costed) IT developments on GDS, airlines and agents	3. Provide a 'costed business case' including: detailed business requirements, timeframes, source of funds

Current system

The annual passenger agency conference is the mechanism that approves all processes and rules (Resolutions) relating to the passenger agency programme.

These Resolutions designed by IATA in exclusive collaboration with airlines, often fail to take into account the wider business environment and associated business logic.

Voting on Resolutions is the exclusive domain of airlines, who may not have a full appreciation of the impact of such Resolutions on the other parts of the distribution chain or on the feasibility of the approach proposed.

Further, Resolutions are written and articulated in highly legal (rather business) language, making it difficult to understand, interpret and then apply. In a number of cases Resolutions are contradictory.

A. Complex and Obsolete Business Rules (Resolution)

Rules established in the passenger conference Resolutions which negatively impact other players in the distribution chain cannot be rescinded by those other players. For instance, Resolution 890, —originally designed to protect airlines funds—is both obsolete and 'actively' inhibits financial innovation which would benefit airlines and agents alike. NewGen ISS fails to introduce any change in this area.

Background to current environment

The concept of Resolutions was introduced in regulated world of the 1970's, mirroring top-down 'best practice' of such political institutions as the United Nations. Post deregulation, the environment in which IATA and the airlines operate in, moved from 'political alignment' to 'business imperative'. In this new environment Resolutions are anachronistic. They positively inhibit innovation and process efficiencies. Resolutions are often considered business 'showstoppers' rather than facilitators.

Where distribution chain consultations do take place, this is orchestrated though unidirectional working groups (such as PAPJGC and GGG) the input of which in non-binding. The potential scenario associated with 'lack of change' will be a plethora of 'non-legal' billing and settlement schemes (accepted by airlines) adding further to the complexity of daily activities of all parties involved.

Proposal

Operational rules impacting the travel agency segment should be collectively designed and agreed. The benefit is a far greater positive impact on airline 'financial' security than if unilaterally imposed. The structure / language of Resolutions should be moved to statements around Business Rules that better facilitate competition and efficiencies.

Next steps

IATA (and airlines) should directly integrate the input of all distribution chain players into the agency programme's rules. The roles of each player should include:

1. **IATA:** Facilitator of the creation of standards process. Provide overall business expertise, standards background, engagement with all stakeholders and ensure implementation and adoption;

2. **Airlines:** Provide expertise in the billing, settlement, risk management and payments grounds to support IATA in the preparation of standards. As the BSP's on time collection of funds is fundamental for airlines, special attention in this particular area is required;

3. **Agents:** Provide expertise in the billing, settlement, risk management and payments grounds to support IATA in the preparation of standards;

4. **GDS:** Providing expertise in the IT/distribution related to the business logic to ensure that standards created are fit for purpose.

Working within these clearly defined roles will 'super-charge' the evolution of indirect air travel distribution.

The process and role changes proposed in this scenario are directly linked to 'governance'.

B. Lack of systems integration

Whilst IATA has invested in some IT tools, the industry has reached a stage where full automation and systems integration is a fundamental pre-requite to further efficiency. Historically, IT developments undertaken by airlines, IATA, agents and GDS have been standalone initiatives. As the industry business processes have become increasingly intertwined, integration between these 'island' system have lagged behind. NewGen ISS does not address this issue.

Evidence of lack of systems integration

There is no integration between IATA front-end (BSPlink), GDS and agents back office systems.

Proposal

The BSP operational processes should be automated and then integrated with the systems of all stakeholders in the distribution chain. The following business process should be prioritised:

Accreditation and risk management processes: Accreditation and risk management processes should be fully automated (front and back office) using e-tools so as to provide full visibility and tracking to the parties involved. An active role by the GDS in the risk management activities is a pre-requisite to the successful implementation of this initiative;

Billing and dispute processes: Billing and dispute activities are managed through the IATA front-end tool: BSPlink. This tool must be enhanced to allow: unlimited data analysis, data extraction, end-to-end dispute mechanism, ADM management, and readable format billing files. As IATA is currently migrating all billing activities to a global unique platform (IATA BSP software-IBSPs), it is an opportune time to begin the re-design of BSPLink around the new platform. The involvement of agents and airlines—as primary users—in the re-design process is pivotal to the success. Further, GDS and IATA should work together in the RET process (input data) to leverage improvements in this area.

Remittance and Settlement processes: The external visibility into Remittance and Settlement activities is very limited. It is highly desirable that both airlines and agents are able to track their remitted amounts (agents) and settled amounts (airlines) as part of the core services offered by the BSP. This feature will be extremely beneficial for all parties and would significantly reduce the level of agent contact with the IATA regional operational centres.

Next steps

As part of the systems integration exercise:

1. IATA should publish all standards (including API's).

2. IATA should mutually agree a business model for IT development and integration. The underlying principle should include:

    - Core services to be provided for free;
    - Additional services to be charged for;
    - Any profits are to be reinvested in maintaining a state-of-the-art BSP tools for the benefit of all the distribution chain players.

C. NewGen ISS changes required to GDS

The NewGen ISS programme implies significant IT development, potentially exposing GDSs to large 'unrecovered' costs. Given this, the manner in which IT is developed and paid for must be addressed in an industry wide manner.

Evidence of GDS changes required

NewGen ISS initiatives 'form of payment' prepayment (IATA EasyPay), 'agent market segmentation' and remittance holding capacity (RHC) require significant modification to the ticketing authority functionality.

Proposal

A detailed impact analysis should be undertaken, including implementation timeframe and development of a financial cost model. The following information is required:

- Business-financial case, including for alternative solutions that meet the business requirements;

- Impacted areas and systems;

- Development and implementation costs;

- Alternatives to finance the development costs.

Based on this information, GDSs would be in a position to determine any associated development costs.

This particular activity could be used as a driver to evolve industry discussions from the current (IATA unilateral decision maker) model to a more collaborative one.

In this collaborative model, all the parties contribute their input on the business, financial and industry needs which feed into the design of resultants systems.

Next steps

1. All distribution chain players should agree the details of NewGen ISS initiatives, including and launch time frames.

2. Based on the above analysis, the GDS will produce a detailed business requirements document

// Payments

The objective of a modern payment systems is to: Facilitate a superior purchase experience; provide a technically secure payment environment; minimise the cost of funds' collection; prepare for and lead the 'cashless' era.

In summary:

Imbalance observed	Proposed solution

1. Existing BSP rules cannot accept new Methods of Payment (FoP)
   • IATA's unilateral imposition of EasyPay will restrict competition and efficiencies.
   • IATA's role as EasyPay's 'standard setter' and 'payments provider' represents a conflict of interest and invites competition law challenges from other payment providers
	1. Remove any conflict of interest by ensuring IATA´s role is 'standards setter'
	   • Stop the implementation of EasyPay
	   • Facilitate competition among payment suppliers
	   • Clarify technical barriers to new payment approaches

2. Resolution 890 is antiquated and unnecessary restricts lower costs payment methods and innovation	2. Replace resolution 890 by a new set of business rules agreed to by all stakeholders

Current system

IATA BSP accepts only two forms of payment (cash and card) for the issuance of airlines tickets. Resolution 890 regulates card sales rules.

Deficiencies in the payments area

The air travel indirect distribution ecosystem requires different business rules than those established in Resolution 890. In particular rules to facilitate the adoption of other established payment methods.

A. New methods of payment in the BSP

Multiple new lower-cost payment systems exist today. These new methods are well established, robust, proven and widely accepted in other industries. They are yet to be considered within BSP.

An inherent conflict of interest exists within IATA as an 'actor' that is both regulator and supplier of a single 'payment' service. This conflict of interest is evidenced in the proposed EasyPay system, whose design is anticompetitive, non-business oriented and not necessary to achieve the business objectives set forth by IATA.

Competition is essential to the travel industry. One example of closed business practices is the implementation of a prepayment method in China. IATA authorised a new form of payment in BSP China (BOP) but no other payment providers were allowed to provide similar service.
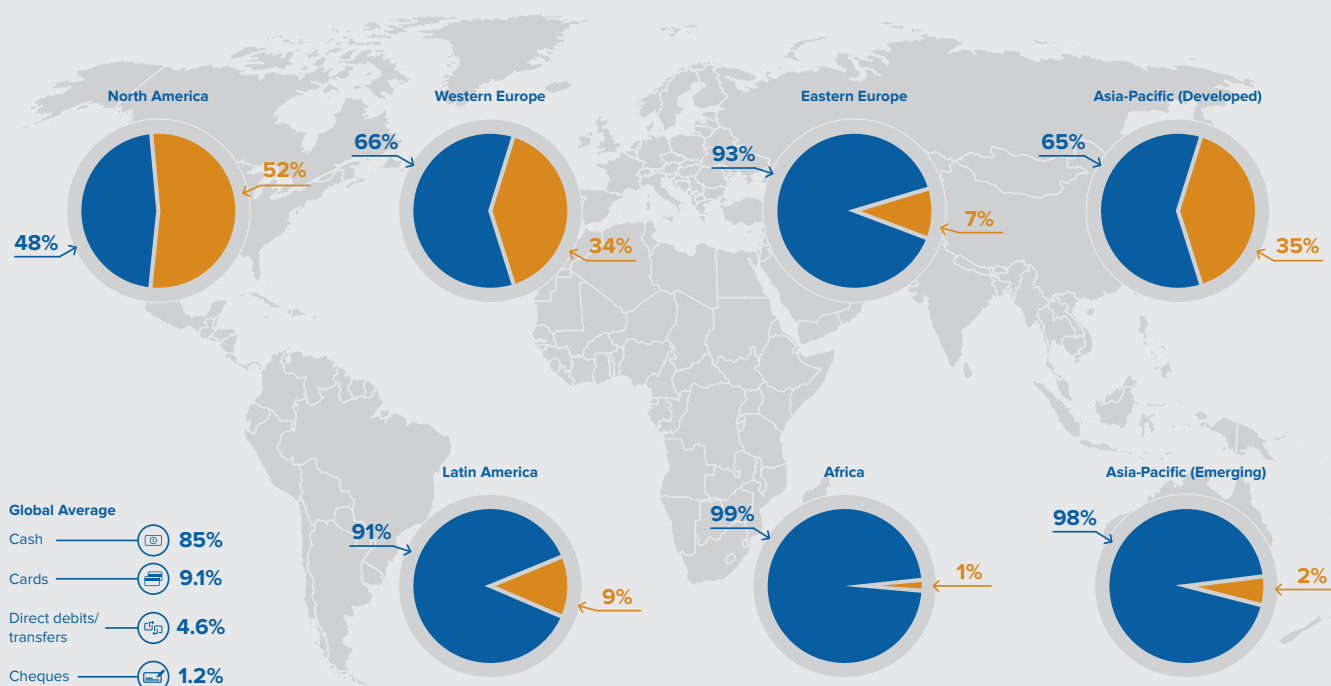
Evolution of new payment methods

Whilst electronic payments appear less tangible (than cash payments), digital transactions are 'infinitely' more convenient and efficient.

The evolution from cash payment to digital transactions has occurred around the world in multiple industries. This is evidenced particularly in a number northern European countries where the value of card transactions has overtaken cash.

In North America, over half the transactions for all industries (52 per cent) are cashless. Asia-Pacific experienced 35%, and Western Europe at 34%. —see chart below.

The trend lines are clear: digital payments will make cash payments irrelevant or non-existent.

Whilst the 'appetite' for new methods of payment is 'voracious' (i.e. contactless, online, mobile, e-wallets, apps, bitcoin, etc.), the adoption varies by region. This 'take-up' is influenced by factors including: cultural, infrastructural, demographic.

Given the digital evolution, indirect air travel distribution players need to ensure that the IATA agency programme is adapted to the new reality.

Global Payment
Proportion of Cash and Non-Cash Payments

| Cash | Non-Cash |

North America: 52% Non-Cash, 48% Cash
Western Europe: 66% Cash, 34% Non-Cash
Eastern Europe: 93% Cash, 7% Non-Cash
Asia-Pacific (Developed): 65% Cash, 35% Non-Cash
Latin America: 91% Cash, 9% Non-Cash
Africa: 99% Cash, 1% Non-Cash
Asia-Pacific (Emerging): 98% Cash, 2% Non-Cash

Global Average
Cash — 85%
Cards — 9.1%
Direct debits/transfers — 4.6%
Cheques — 1.2%

Source: McKinsey/Capgemini

Proposal

The BSP should embrace the 'digital payment' era. This involves the acceptance of other methods of payment. Together with this IATA needs to clarify its role with respect to Payment's provider and regulator (standards setter). Thereafter, IATA should open the payment service to competition to encourage low-cost third parties.

EasyPay is not a necessary pre-requisite to achieve the objectives of NewGen ISS. NewGen ISS can more effectively be achieved by allowing agents to use private and closed-loop cards.

It is possible that using the existing 'Card' payment structure and processes (form of payment) allows IATA to achieve the same outcomes with minimal additional development and costs. This will also reduce the time-to-market for such a solution, as the basic building blocks of the solution already exists. Finally such an approach will have a far less impact on the airline internal systems.

Next steps

1. IATA´s must redefine its role to that of 'standards facilitator' to ensure the adoption of the new methods of payment.

2. IATA should relinquish the role of payment provider as this is incompatible with the role of standards facilitator'. Rather, IATA should work together with the industry players to add to the existing forms of payment in the BSP ("cash" and "card") as well as additional methods of payment already requested by different stakeholders.

3. IATA and airlines should 'recognise' agents' existing use card products where the customer is not the cardholder. Those solutions facilitate the day-to-day operations and are designed to move the industry into the digital era.

4. All stakeholders should work together in the design of payment methods that covers the needs of all stakeholders: airlines (minimise clearance and reconciliation costs), agents (facilitates the day-to-day operation and reconciliation) and GDS (facilitates the payment platform).

5. All stakeholders should explore the opportunity to implement in the BSP other methods of payment such PayPal, mobile, etc. using the airline's "merchant" agreement.

B. Resolution 890

Resolution 890 is an anachronistic rule originally designed to address challenges that no longer exist. It does however now create significant agent and GDS compliance costs. It is further noted; no systems or tools exist within IATA to control or verify the compliance required. NewGen ISS fails to address this matter.

Impact of resolution 890

Resolution 890 regulates card sales rules in the BSP where agents act on behalf the airlines (merchant). It was originally designed in the early days of the agency programme where the environment and challenges were completely different to those of today's.

The regulations were designed to protect airlines in a fully-manual environment *(i.e. 2.3. "When issuing a Traffic Document against a Card, the Agent shall raise an approved Credit Card Charge Form ("CCCF").*

The payment's environment since the implementation of the first BSP has faced a 'tsunami' of innovation. Today, the payment environment is highly sophisticated and secure, rendering resolution 890 irrelevant.

Proposal

Resolution 890 should be re-designed to meet today's challenges, thus removing a significant barrier to agents' business activity.

Next steps

Redraft resolution 890 completely to ensure that is suitable for the new digital payment environment. The underlying principle should be that it provides an adequate regulatory platform for profitable business for all the parties and facilitates consumers' purchase experience. The 2016 passenger agency conference declined to act in the proposal presented by ECTAA and WTAAA due to the ongoing work of the Transparency in Payments and the Payment Methods Working Groups that are undertaking a full review of resolution 890 to be put before PAConf next year. Redrafting should be done in close collaboration with agents and GDS.

5 — Appendix

// Study Approach

This study analysed the challenges of the current Passenger Agency Programme together with the proposed changes introduced by NewGen ISS.

Our process to preparing this report as follows:

Step 1: Identify key challenges through stakeholder inputs/interviews (agents, airlines, GDS and associations);

Step 2: Develop hypotheses linked to each challenge, defining the ideal 'rebalanced' business scenario;

Step 3: Design pragmatic business alternatives that maximise the benefits to stakeholders.

Interviews carried out

A series of interviews were undertaken with senior representatives of the different distribution chain stakeholders (agents, airlines, GDS and associations) over a period of 2 months (July and August 2016)

The 90-minute interviews were conducted face-to-face or by phone focusing on 7 modules:

- Overall perception and satisfaction with BSP services. Key challenges
- Risk Management
- Accreditation
- BSP rules
- Payments
- Governance
- New Gen (NGISS) Programme

A total of 14 interviews were conducted (4 GDS representatives, 2 retail agents, 1 TMC, 2 OTA, 2 agent's associations, 2 airlines and ARC Corp. A further 5 companies were unable to partake.

A high level of correlation and agreement on each of the issues was experience across all topics areas including those received from airlines

ETTSA/ECTTA's communication with IATA

Prior to the commencement of this study (8th of July 2016), the secretaries general of ETTSA and ECTAA sent a letter to IATA (Alexander Popovich, Senior Vice President IATA FDS and Chris Gilbey, passenger agency conference chairman) informing IATA of this study, the appointment of the consultants and the intended submission of the results of this study to the PAConf on the 19th September in Singapore.

Further, on 9th September 2016, a letter to Mr. Alexander de Juniac, IATA´s new Director General, was sent reinforcing the need for change in the passenger agency programme. The letter further referenced the five key challenges identified in the study and the failings of NewGen ISS.

90-minute interviews

7 modules

Total of 14 interviews
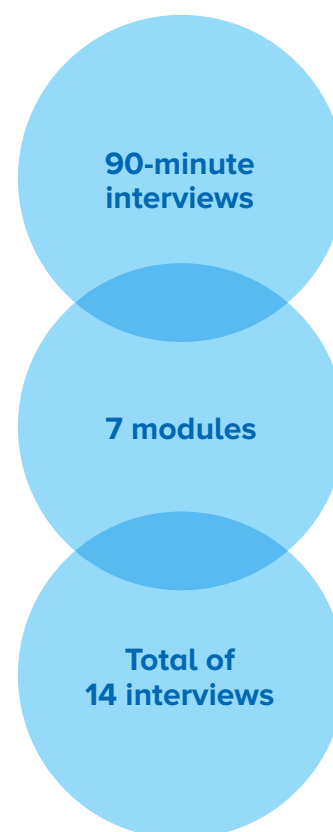
// Consultants´ profiles

- University studies in Business Administration and an MBA from the IE Business School.

- His professional career started in the consultancy business in two different Spanish companies.

- Javier joined IATA as Financial Manager for Spain and later he moved to Brussels as Assistant Director IDFS Operations Southern Europe.

- In April 2002, he moved the position of Country Manager Spain & Portugal. Then in December 2005 he was promoted to the newly created post of Director Operations Europe, with the objective of consolidating and leading the European clearing and settlement operations from a single regional centre based in Madrid.

- In July 2010, he was appointed Global Director of Operations, based in Geneva, heading the clearing and settlement operations of IATA worldwide. During that period he acted as secretary of the passenger agency conference. He held that position until early 2015, since when he have been working as a consultant focused on the Travel Industry distribution and payment matters.

Javier Gallego

- BSC Aeronautical Engineering, Imperial College, London

- MBA, Innovation, Strategy and information technology Theseus – EDHEC, France

- Visiting Professor Innovation and entrepreneurship, CEDEP (INSEAD)

- 28 years' experience in managing complex multi-disciplinary, multi-functional, multi-lingual programmes within global organisations, consortiums and start-ups alike. Formative years within the travel industry, travel distribution, travel technology and GDS. Author of the Travel Industry Market Intelligence Report (TDMIR -900 pages) with over 300 subscribing organisations.

- Subject matter expert within McKinsey & Co's travel practice, leading financial, market and competitive due diligence activities during the private equity acquisition of Worldspan.

- Extensive experience of working with the lobbying organisation AAAE dealing with Airport security. Experience of dealing with European Commission projects in the evaluation of Polish tourism and hotel distribution.

- Strong and established project oriented methodologies in dealing with strategic processes.

- Well versed in the travel industry and its trade associations.

Carlos de Pommes