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Per E-mail

Mr Chris GILBEY Pa/Conf Chairman, PSG Chairman

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> > The Members of the PSG

The Members of the PAPGJC

Brussels, 15 June 2016

Dear Madam Chair, Dear Chairman, Ladies & Gentlemen,

Re: Travel agents' industry position on New Gen ISS in view of the upcoming discussions at the PSG Meeting

ECTAA and WTAAA, as part of the New Gen ISS Resolution Drafting Joint Task Force, have been involved in the revision of the IATA Resolutions. As reminder, the New Gen ISS project was intended to "...deliver industry with solutions that can better serve the needs of both airlines and travel agents (...)" and modernize the IATA Passenger Agency Program.

The latest draft of Resolution 8xx will be discussed at the next PAPGJC meeting on 22-23 June 2016 and we presume that it will be discussed as well at the PSG meeting on 21 June 2016.

In view of facilitating the PSG deliberations on New Gen ISS and the draft Resolution 8xx and in order to allow the PSG to make informed recommendations to the Conference, ECTAA and WTAAA wish to reaffirm their position concerning a number of major issues contained in the draft Resolution 8xx:

1. IATA Easy Pay (Resolution 8xx, Section 2 and 5): Travel agents have expressed serious reservations with respect to the Easy Pay model of accreditation. As far as Europe is concerned, it is unlikely that a scheme requiring travel agents to pre-finance their ticket sales will be achievable. However, it is recognized that the Easy Pay scheme may





correspond to specific market needs in some emerging markets. Eventually, the adoption of Easy Pay will be a market place decision.

To ensure the adoption of Easy Pay, it is particularly important to:

- Ensure that Easy Pay is open to all forms of "E" payment's in a fast changing payment system environment and that a standard is established that will enable an open standard that provides best practice and risk mitigation components that is mutually beneficial to both airlines and travel agents.
- Guarantee sufficient airlines acceptance at the time of introduction on the markets. An Easy Pay accreditation with poor or no access to airlines' ticketing is unlikely to get any attention.
- Consider that the costs related to Easy Pay will be non-negligible (need to prefinance sales). Any additional cost such as an additional bank guarantee, or cost per transaction passed onto the agent would be unreasonable and not consistent with this form of payment used within the travel industry for payment of other travel product categories.
- Consideration must be given to ensure that Easy Pay meets a minimum standard that many agency markets currently have for settlement by this form of payment with other travel product categories. This includes the cross cover of chargeback.

2. Risk Management (Resolution 8xx, Section 4 – Risk events):

It is very important that risk management makes a clear distinction between risk Events, where there is airline money at risk and other events of pure administrative nature. In this respect, ECTAA/WTAAA have proposed to amend the draft Resolution 8xx accordingly and make two separate categories of Risk Events. Only these events when there is money at risk for airlines should be considered as Risk Events.

3. Remittance Holding Capacity (Resolution 8xx, Section 5):

During the discussions within the New Gen ISS Task Force, <u>ECTAA and WTAAA have</u> repeatedly objected to any form of credit limit or Remittance Holding Capacity. The proposed Remittance Holding Capacity will significantly affect the sales of travel agents, which will have a detrimental impact on the sales targets set and desired by airlines, in particular for those having important seasonal variations in their sales activities, or other commercially astute





arrangements that occur regularly within the agency environment. (eg: Airline sales that are announcement with less than 24 hours' notice, and can more often be advertised for weekend sales in particular markets).

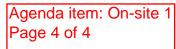
For the reasons exposed above, shifting to Easy Pay if the sales' limit is reached is not a viable market option, particularly if the agent has not had adequate notice or time to provide the cash flow to accommodate the pre-funding, or they are unable to establish the pre-funding for various banking controls in particular markets including trading hours and transfer lags that occur in all banking systems around the world.

The alternative requiring for an additional bonding will increase agents' costs disproportionately, in the light of the fact that the proposed formula will affect almost every second agent. If implemented, the Remittance Holding Capacity will force agents to reroute some of their sales activities outside the BSP. Agents will have little choice but to seek out alternative arrangements which will be detrimental to the charter of the BSP and we believe NOT the intention of the airlines, IATA or in deed the agency community who all believe that a robust and future proof BSP is in the entire industries best interest.

As expressed at numerous occasions, ECTAA/ WTAAA could support a solution based on the HOT Daily Sales Reporting¹. Currently, all agents reported sales reach the BSP DPC within 24 hours. ECTAA/ WTAAA understand that it would be technically feasible to reduce the period of 24 hours combined with a warning mechanism of an unusual ticketing activity. Such mechanism will ensure a narrow monitoring tool of the agents' sales activities without imposing disproportionate costs for the entire ticketing distribution value chain.

Further ECTAA/WTAAA strongly believe that an "Early Warning System" is already functioning in many BSP's around the world. This EWS has been implemented as a Standard Operating Procedure (SOP) and has not required protracted, complicated and onerous resolutions. ECTAA/WTAAA would be very keen to further discuss this concept as an alternative to a resolutions based system as outlined in resolution 8xx "Remittance Holding Capacity".

¹ BSP Data Interchange Specifications Handbook, 3.2.5 HOT Daily Sales Reporting 'All agents reported sales reach the BSP DPC a maximum of 24 hours from the close of each BSP business day.(...)







The Global Agency Community categorically rejects the proposed "Remittance Holding Capacity" as expressed in Resolution 8xx.

Lastly, ECTAA and WTAAA very much regret that the New Gen ISS proposals did not include any proposal aiming at modernizing and above all simplifying the Passenger Agency Program. The Passenger Sales Agency Agreement (Resolution 824) is a 40-years old document completely outdated and the Governance of the Program requires a new and more agile structure.

ECTAA and WTAAA will be committed to contribute to the modernization of the agency Program, provided that such process is put in place rapidly.

With kind regards,

Michel de Blust

ECTAA Secretary General

Jayson Westbury

WTAAA Chairman