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Per E-mail

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Cc.
Mr Chris GIBEY
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Mr Patricia GEORGE
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Brussels, 3 October 2016

Dear Alex,
Dear Juan Antonio,

Re.: New Generation ISS – Remittance Holding Capacity RHC

Further to our meetings and discussions during the last PACONF/39 and WFS in Singapore, ECTAA and WTAAA would like to share their views and make proposals with respect to the Remittance Holding Capacity.

The airlines and the agent community are both seriously concerned about rogue agents who bring the IATA Agency Programme into disrepute and cause huge losses for individual airlines through criminal activities. Agents want to work together with airlines to find solutions to these perceived problems.

IATA Members have adopted a new system named "New Generation ISS" which inter alia is designed to minimize the airlines' risk connected to agents' explosive sales of air tickets. One pillar of NewGen ISS is the Remittance Holding Capacity (RHC), which imposes a credit limit upon agents. The RHC, as proposed, however, has raised serious concerns from agents, individual airlines and GDSs, and is complex, will take years to be implemented in full and will engender disproportionate cost.

ECTAA and WTAAA have given serious attention to this issue, still with the same goal as the airlines: to minimize risk for both parties and provide a platform for safer selling but, hopefully, in a way that is less complex, less costly, less demanding and less controversial. Our proposals are listed hereafter:

1. Move more sales over to credit card by relaxing the Resolution 890 prohibition on allowing an agent to use their own credit card

This would lead to airlines reducing their risk exposure substantially and at the same time allowing them to receive their monies within 2-5 days (dependent on the market). Virtual cards are readily available in the marketplace and are understood to be being used by agents so this is a request to formalise the situation that agents may openly use them. Airlines are happy to accept agents' own credit cards for payment outside the BSP. This will also make any Resolution governing "EasyPay" redundant, as Resolution 890 could be simply amended to accommodate "pay-as-you-go" models. Resolution 890 could further be future proofed to meet new payment technology and payment systems being launched in the marketplace.

2. Real time monitoring by IATA of agents' sales

In addition to point 1 above, real time ticketing monitoring could also protect against fraudulent/criminal behaviour by agents. It is understood that it is technically possible for the GDSs to reduce the reporting of agent's ticketing activity from 24 hours to 6 or even 3 hours, combined with a warning mechanism of unusual ticketing activity. However, it would need to be clarified how accelerated transmission might affect the agent's ability to void tickets. IATA must be sufficiently well resourced to follow through on the monitoring. Airlines should constantly monitor their appointed agents' sales; this can be effected through the Early Warning Systems available through GDSs and already used in some BSPs.

IATA, through their regional/local offices, should also monitor fare offerings in the market place and undertake local checks where significantly low fares are flagged up by airlines and/or agents. Explosive sales where there aren't significantly low prices in search engines or advertisements seem unlikely.

3. Initial accreditation checks by IATA to be more stringent to discourage some agents

The agent community would support measures to catch fraudulent agents, but measures must be proportionate. IATA must devote more resources and revert to the former robust investigations carried out in the local market. Resource allocated at the time of the application is likely to reduce problems at a later stage. Failures occur frequently within the first two years of accreditation indicating a problem with start-up agents. APJCs to review their criteria annually to ensure they remain fit for purpose.

4. Losses

The reality is that the airline industry in total suffers microscopic losses due to agent bankruptcies or fraud (0.003%) compared to what many other industries experience. The problem is that losses caused by criminal acts/bust-outs can hit one or more individual airlines severely. Airlines are not the only companies to suffer losses; agents experience these as a result of airline failures.

ECTAA and WTAAA strongly believe that the above, especially point 1, should be sufficient to curtail losses and alleviate the need for the Remittance Holding Capacity. Our proposals would also stimulate airlines' cash flow, reduce their losses and be easier and faster to implement.

ECTAA and WTAAA would be prepared to work closely with IATA to bring about changes with the GDSs in relation to real time ticketing monitoring.

There are many win-wins in our proposal, and we cannot see why IATA and its Members would still wish to pursue the alternative of RHC. If this, despite all logic, is the case, we will submit a paper on RHC. In the spirit of cooperation, we present these proposals as a positive way forward for all parties and look forward to receiving IATA's response.

With kind regards,

Original signed

Michel de Blust
ECTAA Secretary General

Otto de Vries
WTAAA Chairman