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Last week Business Travel Coalition (BTC), a for-profit firm that advocates on behalf of its paying clients, invited readers to join in signing this letter to the US Department of Transportation, reproduced below, in opposition to the New Distribution Capability. We thought it might be helpful to set the record straight (comments in bold).

The Honorable Ray LaHood

Secretary

U.S. Department of Transportation

1200 New Jersey Avenue, SE

Washington, Dc 20590

Re: Docket No. OST-2013-0048 – International Air Transport Association Resolution 787

Dear Secretary LaHood:

“We the undersigned government, university and corporate travel managers, travel management companies (TMCs) and other industry stakeholders, who represent millions of travelers, urge the U.S. Department of Transportation (DOT) to reject Resolution 787, and the included New Distribution Capability (NDC), as it contravenes the public interest.”

False: Resolution 787 and NDC supports the public interest and the interest of governments, university and corporate travel managers and travel management companies. NDC empowers those industry players by enabling them to have more access to airline content and thereby better meet the needs of their respective customers. If adopted by the market, NDC could impact the ability of some incumbents to continue business as usual, including one GDS whose interests seemingly always align with those of BTC, a for-profit commercial advocacy firm. As evidenced below, business as usual is certainly not in the public interest.

“NDC represents a new, worldwide business model for the pricing and sale of airline tickets that could structurally change the industry in unalterable ways adversely impacting all supply-chain participants.”

False: NDC has nothing to do with the pricing of airline tickets. NDC is about developing airline distribution standards to modernize the communication format between airlines and travel agencies. If adopted by the market, NDC could change the industry for the better from both a consumer and competition perspective. It would only adversely impact supply chain participants who are unable to provide value in this new distribution network.

“We, and the industry groups who represent us around the world, were excluded from IATA proceedings that led to the creation of Resolution 787. We therefore rely on the Department to protect our interests.”

False: NDC is a collaborative industry initiative. Representatives of all supply chain participants (airlines, GDSs, agents, technology providers, etc.) and their relevant associations were invited to and continue to participate in the development of NDC through the various NDC working groups.

“A single firm, if not dominant, is usually free under national competition laws to endeavor to change an industry’s economic and operational models. It is a horse of a different color, however, when 240 horizontal competitors strategize behind closed doors and agree upon a new business model for the pricing and sale of their products. We firmly believe that horizontal airline competitors (and indeed nearly the entire industry) banding together to jointly adopt such a new business model by express agreement crosses the line.”

False: Resolution 787 and the drafting of the new XML-based communication standard were crafted through open industry-wide collaborative efforts engaging participants across the travel value chain. This process will continue as we proceed through the pilot and deployment phase of the new standard. Equally importantly, Resolution 787 is focused solely on developing a new data transmission standard. Any business model that evolves from this new distribution capability will be decided by the market, and not by IATA or any subset of the industry. While 787 offers a vision of how that market could evolve, the market itself will make those decisions.

“NDC is an agreement that has the purpose and would have the effect of stabilizing or raising prices charged to all consumers because it would end the air fare transparency that, as the airlines themselves have confirmed, has checked their ability to raise prices. It thus likely violates U.S. and other countries’ antitrust laws.”

False: The purpose of NDC is to enable travel agents and TMCs to have access to the same airline products and services already being offered for sale on airline websites and to offer their customers the same options for customization and personalization available on airline sites. This will serve the interests of consumers, business travelers, agents (on-line and brick and mortar), TMCs (including the managed travel community that BTC purportedly represents) and airlines. NDC will enable full price transparency on complete airline offers as well as on the base fare. Rather than competing only on base fares, NDC will result in airlines competing vigorously across the spectrum of products and services, something that can only make the overall travel experience more rewarding.

“This new business model would also violate privacy rights. Resolution 787 explicitly says that, before fares are quoted, airlines have the right to demand from consumers personal information that “includes but is not limited to” the customer’s name, age, marital status, nationality, contact details, frequent flyer numbers (on all carriers), prior shopping, purchase and travel history and whether the purpose of the trip is business or leisure. There can be no legitimate justification for charging a traveler more or less based on a number of these items of personal information (such as marital status or nationality), and many of them by design can be used to pinpoint and extract higher prices from those travelers who are likely to be less price sensitive, such as business travelers.”

False: Resolution 787 is focused exclusively on the development of a new XML-based data transmission standard. The standard will include all fields that could be requested (not mandated) by airlines or others to authenticate the customer now or in the future. This avoids the need to continually revise a standard as laws and regulations or business practices evolve. In an NDC environment, passengers will not be required to provide any more information than they currently do to receive an offer. The best evidence of that is today's airline websites, where passengers only have to identify themselves as adult, child or active military (in the U.S.) to receive an offer. This is identical to the authentication required via today's GDS-enabled travel network. If airlines don't require additional authentication prior to making an offer via their websites, it is illogical to argue they will do it via the indirect channel.

NDC is designed to expand the airline's ability to make complete offers to its customers, not to constrain that ability by mandating that the customer provide personal information before receiving an offer. Consumers will benefit from the opportunity (not the requirement) to authenticate themselves via the indirect channel so as to receive special or customized offers.

NDC has nothing to do with how airlines price their offers. However, NDC does enable the full transparency lacking in today's indirect channel to enable consumers to make fully informed decisions. Competition driven by full transparency generally results in lower prices and better customer service.

“Importantly, IATA has been silent on required industry investments to implement NDC, or which participants would be responsible for such costs, i.e. airlines, global distribution systems, travel agencies or organizations with managed-travel programs. “

False: IATA has consistently stated that the upcoming NDC pilot programs will be designed in part to identify the costs associated with modernizing the indirect distribution network. IATA recognizes that the costs involved will vary between the various industry stakeholders that decide to adopt the new standard. This is not a mandatory standard – airlines have no obligation to adopt the new data transmission standard.

Resolution 787 is focused on developing a new XML based data transmission standard. How the market evolves once this new capability is available, including who pays for various development activities, will be decided by the market.

“However, most observers believe the NDC-associated costs to be substantial and that these costs would be passed on to the customer in the form of higher TMC transaction fees, or surcharges. Process costs and inefficiencies related to NDC complexities would also be externalized to TMCs and their clients.”

False: The market will decide who pays for what and whether costs can be passed on to any part of the distribution value chain. However, IATA believes that NDC will result in more competition at both the airline and distributor level. Airline ticket prices today are higher because of the \$7 billion in

annual costs that airlines pay GDSs. We anticipate competition enable by NDC will lower this cost to airlines (historically, consumers have benefited from lower airline cost inputs) while presenting consumers with a more robust travel experience.

“Given the potential anti-competitive and anti-consumer effects of Resolution 787, the unprecedented invasion of privacy for consumers and the added implementation and ongoing NDC-related costs to the industry and its customers, DOT should deny its approval.”

False: As noted above, NDC is pro-consumer and pro-competitive. The NDC project has been and continues to be fully inclusive and transparent, engaging consumer groups, travel agents, TMCs, GDSs, technology providers, airlines, etc. The same, unfortunately, cannot be said for BTC, which presents itself as a membership-driven organization that advocates for consumer interests but which is actually a for profit commercial enterprise, that advocates on behalf of its paying clients.

Respectfully submitted,

Business Travel Coalition