DOT Aviation Consumer Protection Advisory Committee (ACPAC)
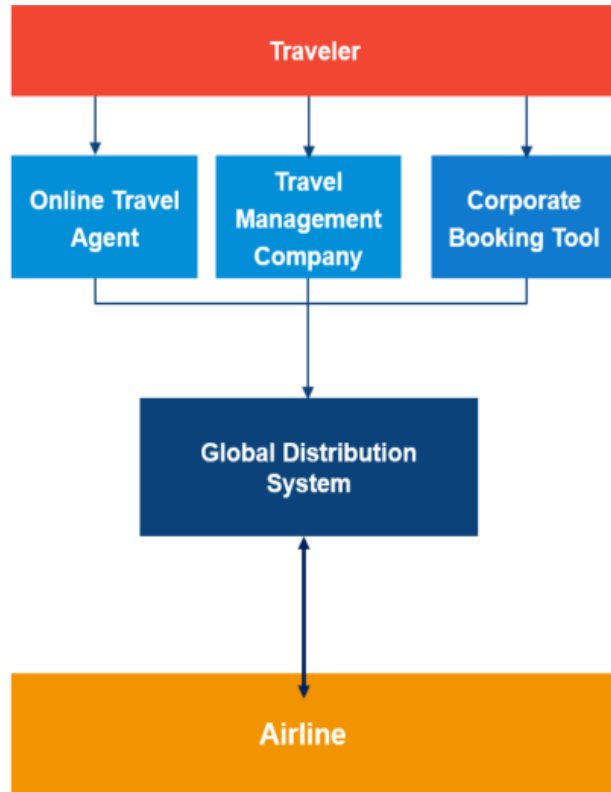
Ancillary airline fee disclosures

Douglas Lavin

VP – Member and External Relations, North America
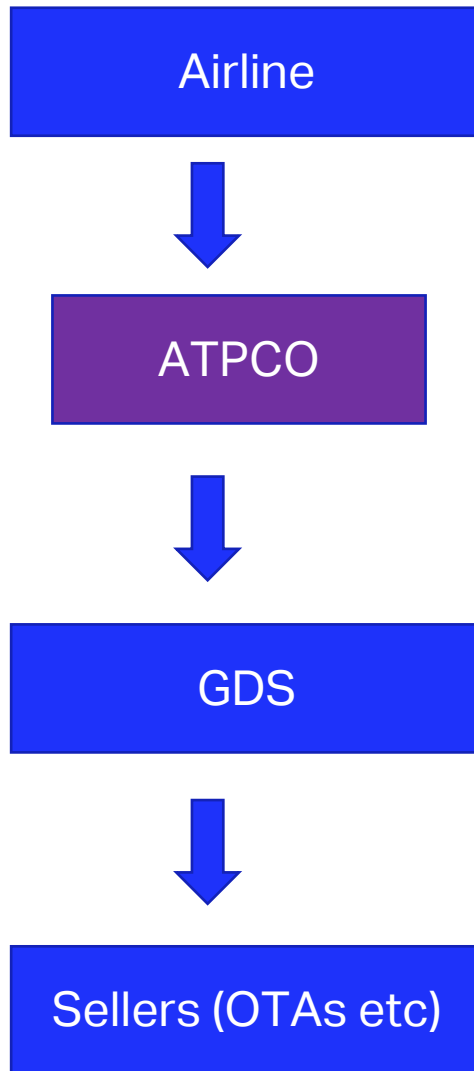
28 June 2022

IATA

Traditional Airline Distribution Via Agents

```
┌─────────────────────────────────────────┐
│                 Traveler                 │
└─────────────────────────────────────────┘
        │             │             │
        ▼             ▼             ▼
┌───────────┐ ┌───────────┐ ┌───────────┐
│Online Travel│ │  Travel   │ │ Corporate │
│   Agent   │ │Management │ │ Booking Tool│
│           │ │ Company   │ │           │
└───────────┘ └───────────┘ └───────────┘
        │             │             │
        └─────────────┼─────────────┘
                      ▼
          ┌───────────────────────┐
          │ Global Distribution   │
          │       System          │
          └───────────────────────┘
                      │
                      ▼
          ┌───────────────────────┐
          │       Airline         │
          └───────────────────────┘
```

- ✓ Traveler goes to travel agency – brick and mortar or online – and requests offer

- ✓ Agency pings Global Distribution System (GDS) for fare and availability

- ✓ Agency presents offers to traveler

- ✓ Traveler makes choice of offers and purchases ticket

- ✓ GDS books the seat in the airline inventory

IATA

Content is provided by the airlines via ATPCO

```
┌─────────────────┐
│     Airline     │
└─────────────────┘
         │
         ▼
┌─────────────────┐
│      ATPCO      │
└─────────────────┘
         │
         ▼
┌─────────────────┐
│       GDS       │
└─────────────────┘
         │
         ▼
┌─────────────────┐
│ Sellers (OTAs etc) │
└─────────────────┘
```

✓ Airlines create fare levels, fare conditions (such as change and refund), and ancillaries (for examples bag fees etc)

✓ They file data with an industry owned database (ATPCO, Airline Tariff Publishing Company)

✓ This database distributes fares and ancillaries to GDSs and to OTAs

✓ GDSs provide the content to sellers

✓ Sellers provide the information to the end consumer

28 June 2022

IATA

Challenge with traditional airline distribution
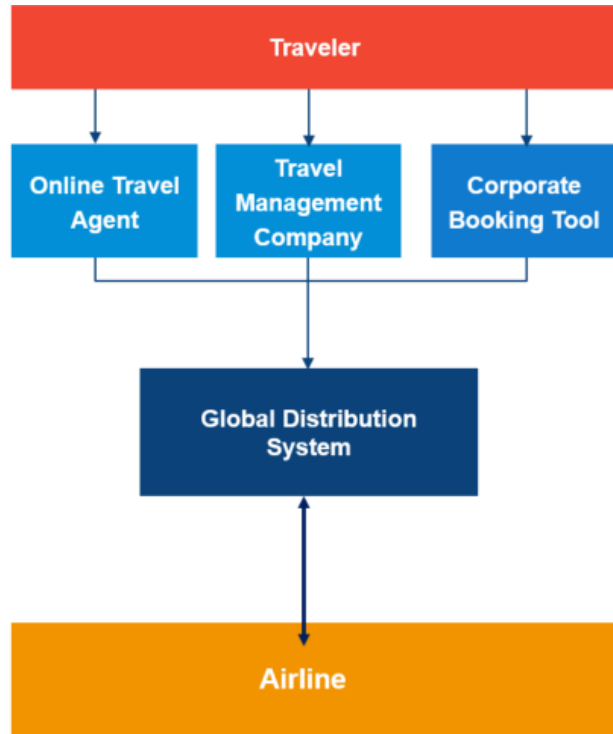
- ✓ GDSs have charged high fees for this service
- ✓ Distribution via GDSs has been complex, slow and inefficient as offers become more personalized
- ✓ Travel agencies have been frustrated by the poor quality of display & information
- ✓ Airlines could not identify travelers and could not personalize these ancillaries
- ✓ Airlines have favored their direct dotcom: faster implementation and capacity to personalize

Modern airline distribution
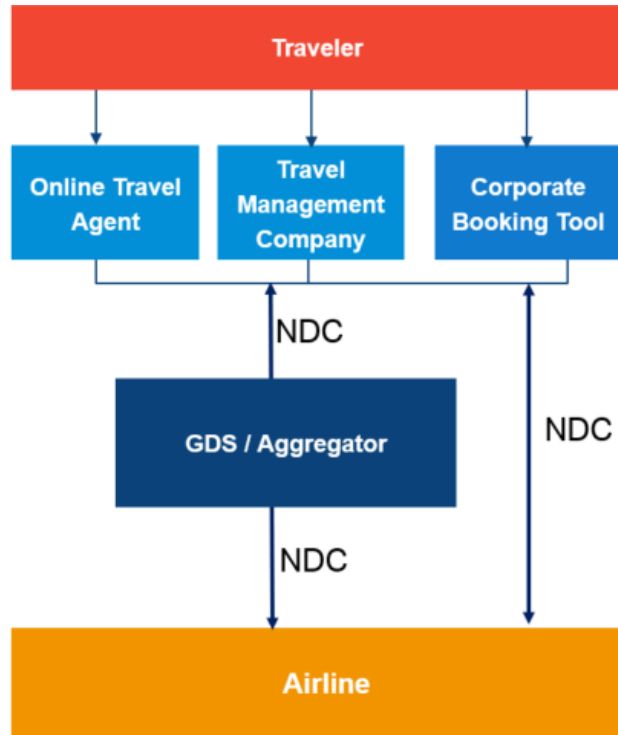
- ✓ Airlines are creating offers (fares and ancillaries) in their environment
- ✓ Ancillaries and fees are well described and easily distributed to 3rd parties thanks to standard (NDC)
- ✓ Most GDSs are finally adopting NDC and rolling it out
- ✓ Leisure agencies have already implemented NDC, and corporate agencies have now started
- ✓ New commercial models are emerging, making it less costly for airlines to distribute

Standards and workflows are in place to enable like for like comparison between airline's offers

28 June 2022

IATA

Why does NDC implementation take so long?

- ✓ **GDSs first blocked NDC and they are still slow.** They perceived NDC as a GDS "by-pass" and a big threat to their current oligopoly.

- ✓ **Travel agents resisted**. Travel agents were first concerned about the benefits of NDC, then about their GDS incentives (as GDSs were unhappy) and finally about the cost of implementation.

- ✓ **There was very little alternative / competition.** In the early days, there were very few technology providers other than the 3 main GDSs.

- ✓ **Airlines are locked in by their GDS contracts**. They need to review these contracts (which have up to 5 year terms) to get out of "Full Content" deals in order to benefit from new NDC channels (no MFN or parity clauses)

- ✓ **Airlines are locked in by their PSS contracts**. They need to renegotiate these contracts (which have up to 10-year terms) in order to have the commercial freedom to be in control of their NDC offers.

- ✓ **Airline implementation takes time**. To be properly implemented NDC needs C-suite level buy-in, IT investments and time (at least 12 to 18 months before any benefits can be seen).

28 June 2022

OTA - Travelocity

28 June 2022

Ancillary Display: Travelocity

28 June 2022

Ancillary Display - Kayak

In summary…..

- OTAs already have full access to ancillary information either directly from ATPCO or through their GDS

- If DOT wants ancillaries displayed on first OTA page, they can mandate them to display information they already have

- OTAs cannot personalize passenger experience – need NDC direct connection

- GDS lack of full embrace of NDC diminishes US passenger experience

- No market failure; no deceptive practice

28 June 2022

IATA