

IATA PASSENGER AGENCY PROGRAMME
SUBMISSION IN SUPPORT OF APPLICATION FOR
RE-AUTHORISATION

Glossary

In this application:

'Airlines' means those bodies corporate that are members and associate members of IATA

'BSP Participants' means those bodies corporate that participate in the Billing & Settlement Plan, whether Airlines or not

'Billing & Settlement Plan' and **'BSP'** mean the system established and managed by IATA for the efficient reporting and collection of sales made by accredited agents on behalf of BSP Participants pursuant to Resolution 850

'Commission' means the Trade Practices Commission

'General Assembly' means the assembly of Airlines and other BSP-participating airlines constituted by Resolution 816 Section 2.1

'IATA' means the International Air Transport Association, a body corporate constituted pursuant to an Act of the Parliament of Canada

'IATA Passenger Agency Conference' means the conferences of Airlines convened pursuant to the Provisions for the Conduct of the IATA Traffic Conferences authorised pursuant to the Act of Incorporation and IATA's Articles of Association to establish and govern the IATA Passenger Agency Programme

'IATA Passenger Agency Programme' means all of the contracts, arrangements and understandings represented by or contained in resolutions of the IATA Passenger Agency Conference and the rules, regulations, guidelines and forms which are related thereto

'Programme' means the IATA Passenger Agency Programme

'Resolution' means, unless stated to the contrary, resolutions of the IATA Passenger Agency Conference

'Statement of Facts' means the statement of facts by Mr Chris Gilbey in support of this submission

'Tretheway Report' means the statement by Dr Michael Tretheway in support of this submission

1. Introduction

- 1.1 This submission is made by the International Air Transport Association in support of an application for continued authorisation of the IATA Passenger Agency Programme under the *Trade Practices Act 1974*.
- 1.2 The IATA Passenger Agency Programme is a vital component of the system, administered by IATA, which ensures the efficient distribution and sale of international air transportation throughout the world. That system, which has its origins in the inter-governmental meetings that produced the *Chicago Convention* in 1944, is based on the desire of Governments to establish safe, reliable and secure air services for the benefit of people of all nations.
- 1.3 The Programme has evolved over the years, keeping pace with modern developments in international aviation and with technological advances, but the core principles on which it is based have remained constant - the right of all nations and their airlines to participate equally, through IATA conferences, in establishing fair and balanced rules for the efficient administration of international aviation arrangements.
- 1.4 In this submission and the supporting documentation, IATA:
- explains the origins of the agency programme;
 - provides key statistical information to assist the ACCC understand the role of the Programme and how it operates in practice;
 - sets out the Resolutions in relation to which re-authorisation is sought and explains how they work in practice;
 - demonstrates that the Programme continues to deliver substantial public benefit to Australia, particularly for Australian consumers, and explains the nature of those benefits;
 - establishes that the Programme as it exists today is less anti-competitive than it was when the Trade Practices Commission last authorised it in 1984;
 - requests the ACCC to re-authorise the Programme.
- 1.5 For the reasons set out in this submission IATA believes that the ACCC should continue the authorisation which applies to the Programme so that IATA and its members can continue to give effect to this important, efficient and consumer-beneficial system in Australia. As this submission explains, the Programme delivers tangible public benefits which outweigh any perceived anti-competitive aspects of the system. In any event, any anti-competitive aspects of the system are at the minimum level necessary to ensure the integrity of the Programme.

2. Outline of application

- 2.1 This application consists of:
- Form B - Application for Authorisation

- Statement of Facts of Mr Chris Gilbey, Director, Passenger Agency Policy, IATA, which describes the Programme and explains how the Programme works
- Expert's Statement of Dr Michael Tretheway, a noted international aviation economist, which provides an opinion on the economic effects of the Programme in the context of the tests to be applied by the ACCC in determining this application
- This submission in support of the application.

2.2 This application relates to the Programme as it applies in Australia. However the Programme is a global programme equally applicable throughout the world, with sufficient flexibility for it to be tailored to meet local conditions.

3. Background to application

3.1 The IATA Passenger Agency Programme has been authorised under the *Trade Practices Act 1974* since the Act came into force on 1 February 1975, initially by an interim authorisation and subsequently by authorisations A3485, A17020, A30048 and A90408.

3.2 The Trade Practices Commission granted authorisation to the programme, as it was then reflected in the IATA Passenger Agency Conference Resolutions Manual¹, by Authorisation A90408 on 31 October 1984². That authorisation, which was not limited as to time and is currently in effect, was expressed in the following terms:

Authorisation is granted to the IATA system of accreditation of travel agents provided for in Application No A90408, as expressed in the IATA Passenger Agency Conference Resolutions Manual, 4th edition as amended up to 1 February 1984, Resolutions 001aa - 892 (Document 58 on Public Register No A75/452 and Folios 1-3 on Public Register A84/2).

In other words, the Commission authorised the *IATA system* - not just specific resolutions as they stood in 1984.

3.3 As part of its programme of considering long standing authorisations, the ACCC advised IATA in 1998 that it proposed to re-consider the authorisation to determine whether or not there had been changed circumstances. If the ACCC considers that there has been a material change in circumstances since the authorisation was granted it is entitled to revoke the authorisation³.

3.4 The *Trade Practices Act* provides for a process under which a person to whom an authorisation had been granted can apply to the ACCC for a revocation of the authorisation and substitution of a new authorisation⁴. After discussions at a senior level between IATA and the ACCC, IATA agreed to co-operate with the ACCC by making an application for revocation of Authorisation A90408 and substitution of a new authorisation.

¹ 4th edition, 1 August 1983
² (1984) ATPR (Com) 50-084
³ Section 91B(3)(c)
⁴ Section 91C

4. The application

4.1 Accordingly, IATA hereby applies to the ACCC, in accordance with Section 91C of the *Trade Practices Act 1974*, for revocation of Authorisation A90408 from the date on which a substitute authorisation is granted and the substitution of an authorisation in the following terms:

1. *Authorisation for IATA and its members from time-to-time to:*
 - 1) *engage in conduct giving effect to the contracts, arrangements and understandings evidenced by the:*
 - a) *Provisions for the Conduct of the IATA Traffic Conferences, to the extent that they relate to the IATA Passenger Agency Conference, as amended from time-to-time;*
 - b) *resolutions of the IATA Passenger Agency Conference passed in accordance with the Provisions for the Conduct of the IATA Traffic Conferences as amended from time-to-time; and*
 - c) *decisions of the General Assembly constituted by Resolution 816 Section 2.1 (as amended or substituted from time to time);*
 - 2) *meet in IATA Passenger Agency Conferences and pass resolutions amending or modifying or adding to the current resolutions; and*
 - 3) *meet in the General Assembly and make decisions within the jurisdiction of that Assembly.*
2. *Authorisation for IATA, its members and others who, according to IATA Passenger Agency Conference resolutions establishing the Executive Council Australia and other consultative groups relating to the IATA Passenger Agency Programme, participate in consultations within the terms of reference set by the relevant Conference for those groups from time-to-time.*

4.2 The authorisation IATA seeks is consistent with A90408 in an important respect. In this application IATA is seeking authorisation for the system by which airlines meet in conference and pass resolutions consistent with the terms of reference given to Conferences under IATA's Provisions for the Conduct of the IATA Traffic Conferences, and to give effect to those resolutions. This is consistent with the Commission decision in A90408 in which the Commission authorised the *IATA system* - not just specific resolutions as they stood in 1984.

4.3 Authorisation of a specific set of resolutions would be of little utility because changes to the Programme, which have little effect on its overall objectives and structure, are passed on a regular basis. An authorisation of specific resolutions would require IATA to continually apply for re-authorisation as the programme evolved. IATA notes that the ACCC is entitled, under section 88(13) of the *Trade Practices Act*, to grant authorisations expressed to apply to contracts that are in

similar terms to any contract specifically lodged for authorisation and that it has done so in other cases⁵.

- 4.4 In making this application, IATA does so on its own behalf and on behalf of its member airlines from time-to-time, noting that section 88(10) of the Act entitles the ACCC to express authorisations to apply to other persons who become a party to any authorised contract, arrangement or understanding at any time after the authorisation is granted.
- 4.5 IATA recognises that, although the current authorisation is not limited in time, the ACCC's current policy is to place a time limit on authorisations. If the ACCC decides to do so in this case IATA requests a 7 year authorisation. The ACCC will no doubt recognise the significant cost which is incurred each time IATA has to apply for an authorisation and the consistency of the Programme over the years, in terms of issues relevant to competition policy analysis.
- 4.6 There is another authorisation which covers all IATA arrangements for the safe and efficient operation of commercial air transportation. That authorisation, A90435⁶, is a broad authorisation which entitles IATA and its members, subject to certain conditions, to adopt and give effect to resolutions (including passenger agency resolutions) passed at Traffic Conferences convened in accordance with the Provisions for the Conduct of the IATA Traffic Conferences.
- 4.7 IATA is not, in this application, applying for revocation of that Authorisation. However, IATA has informed the ACCC that it will file successive applications for authorisation of those aspects of its programmes and rules covered by Authorisation A90435 which, in IATA's opinion, continue to require immunity in Australia⁷. When that process has been completed IATA will apply under section 91B of the Act for revocation of Authorisation A90435.

5. Legal context - international

- 5.1 As the Statement of Facts discloses⁸, IATA operates on a world wide basis. The system it administers on behalf of the world's international airlines is essentially a world wide system which has its genesis in the 1944 *Chicago Convention* and bilateral air services agreements entered by most countries around the world.
- 5.2 The *Trade Practices Act 1974* has, to some extent, an extraterritorial operation. In addition to applying to conduct in Australia, it extends to conduct outside Australia by:
- bodies corporate incorporated in Australia - all Australian airlines which are members of IATA or which participate in the BSP in Australia (Ansett, Flight West, Hazelton, Impulse, Kendell and Qantas); and

⁵ For example, *Re IATA* (1986) ATPR (Com) 50-101

⁶ Dated 23 December 1985, see (1986) ATPR (Com) 50-101

⁷ Broadly, IATA will not be seeking authorisation for trade association activities. It will only seek authorisation for regulatory functions which derive originally from Government requirements: see Statement of Facts para 5.5.

⁸ See Statement of Facts paras 5.1-5.11

- bodies corporate carrying on business in Australia - IATA and all of its member airlines which operate services to/from Australia or which have sales offices in Australia.

- 5.3 Conduct by any of the corporations referred to in para 5.2, wherever that conduct takes place, which is likely to have an effect on competition in any market in Australia is therefore potentially covered by the *Trade Practices Act 1974*.
- 5.4 Given the extent and complexity of the world wide agency system which the Programme represents, any authorisation for conduct covered by the Programme needs to encompass not only the Programme as it applies in Australia, but also the Programme as it applies in other parts of the world to the extent that the Programme could have an effect on competition in Australia.

6. Requirements for authorisation

- 6.1 In the context of an application under section 91C of the *Trade Practices Act 1974*, IATA appreciates that, after public enquiry, the ACCC has two alternatives open to it. It may either:
- decide not to revoke the current authorisation; or
 - revoke the current authorisation and grant another authorisation in substitution for the revoked authorisation, in which case the new authorisation is to be in such form as the ACCC thinks appropriate.

In this case IATA is inviting the ACCC to substitute a new authorisation in terms set out at para 4.1 for the current agency programme authorisation (A90408) and revoke that authorisation.

- 6.2 IATA acknowledges that, for the ACCC to grant the new authorisation that IATA and its members are applying for, the ACCC will need to be satisfied that the contracts, arrangements and understandings constituted by the IATA Passenger Agency Programme for which the new authorisation is sought:
- have resulted, or are likely to result in a benefit to the public; and
 - that benefit outweighs the detriment to the public constituted by any lessening of competition that has resulted or is likely to result from giving effect to the Programme.
- 6.3 In IATA's submission the Programme clearly satisfies the two tests and should be re-authorised in the terms IATA proposes.

7. Public benefits - an overview

- 7.1 IATA notes that the term '*public benefit*' has been interpreted, in the context of the Act, as meaning '*anything of value to the community generally*'⁹ As the Trade Practices Tribunal has explained¹⁰, public benefit includes '*any contribution to the*

⁹ *Re 7-Eleven Stores Pty Ltd* (1994) ATPR 41-357

¹⁰ *Re Queensland Co-operative Milling Association; Re Defiance Holdings Ltd* (1976) 25 FLR 169

aims pursued by society including as one of its principal elements (in the context of trade practices legislation) the achievement of the economic goals of efficiency and progress'. In determining what might be a public benefit the Tribunal considers benefits to the participants in the relevant market as well as benefits to society at large¹¹.

7.2 IATA also notes that the Trade Practices Commission¹² has listed a wide range of matters, not intended to be an all inclusive list, that might be considered in assessing whether any particular arrangement delivers public benefits. They include:

- fostering business efficiency
- expansion of employment or prevention of unemployment in efficient industries
- employment growth in particular regions
- assistance to efficient small business, such as guidance on costing and pricing or marketing initiatives which promote competitiveness
- expansion of consumer choice
- supply of better information to consumers and businesses to permit informed choices in their dealings
- promotion of equitable dealings in the market
- growth in export markets.

7.3 The Commission found, in 1984, that the IATA Passenger Agency Programme delivered public benefits and it is IATA's submission that the Programme continues to do so.

7.4 The following section of the submission addresses the public benefits which the IATA Passenger Agency Programme delivers, in terms of each of the criteria set out above.

8. Public benefits - the specifics

fostering business efficiency

8.1 The Programme fosters business efficiency for both travel agents and the airlines.

8.2 Travel agents who participate in the Programme have the benefit of:

- *an efficient method of appointment* to represent IATA member airlines and other BSP participants providing access to a large number of airlines and travel destinations without the need to negotiate separate agency arrangements with each airline. As explained at sections 3.1 and 3.2 of the Tretheway report, the IATA system reduces the cost of entry into the travel agent industry. The diagrams at

¹¹ *Re Australasian Performing Rights Assn* (1999) ATPR 41-701 at para 294.

¹² *Re ACI Operations Pty Ltd* (1991) ATPR (Com) 50-108

paras 11.2 and 11.3 of the Statement of Facts illustrate the complexity of multiple airlines appointing multiple agents bilaterally and the simplicity of appointment through the IATA system. Paras 9.1 - 9.38 of the Statement of Facts set out the appointment process and demonstrate its simplicity and cost effectiveness when compared with the alternative of each airline having to establish its own criteria and a separate system for accrediting agents itself. The fact that over 1,500 agents currently have IATA accreditation¹³ and there is a steady number seeking and obtaining accreditation each year¹⁴ attest to the openness of the system.

- *efficient credit arrangements* under which the travel agent undergoes one assessment and is required to meet a single credit standard, rather than having to meet a variety of credit requirements which individual airlines might set. As explained at paras 13.1 - 13.16 of the Statement of Facts, once an agent is accredited the agent can sell tickets on IATA airlines and BSP participants which appoint it for travel to or from anywhere in the world using neutral IATA ticket stock to consumers. The agent does not have to enter separate credit arrangements with each airline on which the agent sells tickets. This is all taken care of through the IATA system. Table 4 at para 9.19 of the Statement of Facts shows that, taking 2000 as an example, only 25% of applicants that year were required to provide a bond or guarantee as security for the credit extended to them under the system, and the average amount of security required from them was \$33,333.
- *an efficient method of issuing tickets* on any of the airlines the travel agent represents, though use of the neutral IATA ticket stock, rather than having to carry ticket stock for a multitude of airlines. Paras 12.1 - 12.3 of the Statement of Facts describe the ease with which tickets can be issued by accredited travel agents through the IATA system using neutral IATA ticket stock. As those paragraphs explain, 56,900 accredited travel agent locations world wide, including 2,300 in Australia, can write tickets on up to 270 airlines in their own agency premises and issue the ticket on the spot to their customers.
- *an efficient method of accounting* to the airlines for tickets sold, through the Billing & Settlement Plan, rather than having to account separately to each airline. Paras 13.6 - 13.8 of the Statement of Facts describe the ease with which accredited travel agents report, through IATA's BSP, on the tickets they have sold. Without the IATA system each travel agent would need to report separately to each airline for whom it sold tickets and comply with the individual reporting requirements of each separate airline.
- *an efficient payment method*, requiring one payment to IATA covering all sales made in each reporting period, rather than separate payments to each airline. Paras 13.9 - 13.16 of the Statement of Facts describe the ease with which accredited travel agents account to the airlines for the proceeds of those sales. Without the IATA system each travel agent would need to account separately to each airline for whom it sold tickets and remit sales receipts separately to each airline.

8.3 Airlines benefit from the Programme, in terms of business efficiency, through:

¹³ See Statement of Facts paras 1.1 & 3.3

¹⁴ See Table 5 at para 9.31 of the Statement of Facts

- one central credit assessment and accreditation mechanism rather than each airline having to separately accredit travel agents. The diagrams at paras 11.2 and 11.3 of the Statement of Facts and paragraphs 3.5.1-3.5.3 of the Tretheway report illustrate the complexity of the process without the Programme and the efficiency of the process with it;
- access to a greater spread of agents than it would be economically feasible, especially for overseas airlines, to appoint if the airlines had to appoint each agent separately. This is explained at para 12.6 of the Statement of Facts and paragraphs 3.5.4-3.5.5 of the Tretheway report, and illustrated by Case Study 4 in the Statement of Facts;
- neutral IATA ticket stock avoiding the need for each airline to provide each agent with its own ticket stock and manage the inventory;
- an efficient, centralised method of accounting to the airlines for tickets sold and for collection of funds due for those tickets, avoiding the need for each airline to manage the credit and collection arrangements with each travel agent the airline deals with.

- 8.4 In a broader context, Australia benefits from participation in a standardised distribution system which operates throughout the world, developed to ensure that international airline tickets are distributed as broadly and efficiently as possible, anywhere in the world. As the Statement of Facts explains at para 12.4 and illustrates in Case Study 3, Australia is part of a system in which up to 56,900 travel agents throughout the world¹⁵ are available to sell Australia as a travel destination.
- 8.5 IATA's standardised global system and documentation is available for the benefit of both airlines and accredited travel agents in Australia on the same basis as in other countries. Australian airlines contribute to the costs of developing and improving the system, including utilisation of new technologies, rather than having to bear the cost of developing a uniquely Australian system.
- 8.6 Australia also derives benefit from the opportunity its airlines have to sell tickets in other parts of the world where they may not be well established or well known, through a system which they understand because it operates world wide. They do not have to bear the expense of establishing their own agency networks throughout the world nor do they have the problem of managing credit and currency risks in a multitude of countries.
- 8.7 The Commission considered whether or not the programme, in the form which it took in 1980, delivered public benefits in terms of business efficiency and stated¹⁶:

Joint accreditation ... that avoids the duplication of effort involved in individual selection, appointment, ... and monitoring of each agent by each airline has obvious cost savings to airlines and agents and, through them, to the public. The Bank Settlement Plan, involving the efficiency of standardised tickets,

¹⁵ These figures do not include agents in the USA. In that country an IATA company, IATAN, accredits agents on a basis similar to the system that applies elsewhere in the world and the equivalent of the BSP in the USA is managed by ARC (Airlines Reporting Corporation), a non-profit corporation of which airlines participating in the settlement process are members.

¹⁶ *Re IATA* (1980) ATPR (Com) 50-100 para 71. See also *Re IATA* (1984) ATPR (Com) 50-083 para 38

consolidated accounting procedures and monitoring of agents ... also make their contribution in those regards. These cost savings and efficiencies are benefits to the public.

- 8.8 In IATA's submission those conclusions are as valid in relation to the Programme in 2001 as they were in 1980 and 1984.

expansion of employment

- 8.9 Participation in the Programme enables accredited travel agents, large and small, efficient access to the right to sell airline tickets no matter whether they are located in city, suburban or regional Australia. It provides the opportunity for greater employment in travel agencies than would otherwise be the case.
- 8.10 As para 12.2 of the Statement of Facts confirms, 1,590 travel agencies in Australia participate in the IATA Passenger Agency Programme through 2,028 separate travel agency outlets. They sold over 15 million airline tickets through the BSP in 2000 accounting for revenue of over \$A8 billion¹⁷. There are no statistics available on employment in accredited travel agencies¹⁸ but the industry employed over 24,400 people at 30 June 1997¹⁹. Each of the agencies listed in Table 2 of the Statement of Facts holds IATA accreditation.
- 8.11 Not all travel agents choose to become IATA accredited agents, as Table 1 at para 3.3 of the Statement of Facts shows. However, many non-accredited travel agencies buy international airline tickets through the larger accredited agents²⁰. Correlation of the total turnover of the IATA BSP with the ABS statistics for total travel agency sales, noted at para 3.8 of the Statement of Facts, supports the proposition that many non-accredited travel agents depend to some degree on accredited agents for their international airline ticket sales.

assistance to efficient small business

- 8.12 Participation in the IATA Passenger Agency Programme provides smaller travel agencies with exactly the same access to an efficient system for booking and selling airline tickets as larger agents have. They also have the same opportunity to access up to 70 airlines and offer customers tickets on those airlines.
- 8.13 This allows smaller travel agencies to compete more effectively with larger travel agencies. The size of travel agencies varies enormously with 97% employing less than 20 people and the largest Australian agency having a market capitalisation of over \$A2 billion²¹.
- 8.14 As para 10.4 of the Statement of Facts confirms, each of the major IATA airlines serving Australia has filed a General Concurrence permitting IATA to appoint all accredited travel agents in Australia as an agent for them. Diagram 3 at para 12.10 of the Statement of Facts discloses that 82% of accredited agents hold carrier

¹⁷ Statement of Facts para 3.8

¹⁸ The only available statistic is that 9,670 people hold IATA travel agent identity cards (these cards are available to full-time employees of accredited agencies - see Statement of Facts para 3.2)

¹⁹ Statement of Facts para 3.2

²⁰ Statement of Facts para 3.6

²¹ See Statement of Facts para 3.5 and Table 2 at para 3.7.

identification plates enabling them to write tickets on more than 10 out of the 70 international airlines which participate in the BSP in Australia and more than 47% hold plates for over 20 of those airlines.

- 8.15 The Programme also provides agencies, large and small, with the same efficient system for accounting and remitting payment to the airlines, providing an opportunity for smaller agencies to access an efficient reporting and payment system which would not otherwise be available to them.
- 8.16 All accredited travel agents use the same documentation to report sales and remit payment in exactly the same way. They do not have to fill in a multitude of forms to report to different airlines or remit separately, in different currencies and by different methods to each airline. They do so once only for all airlines rather than separately for each. Furthermore, they are able to report the majority of their sales electronically.
- 8.17 All accredited travel agents are able to use the IATA logo, under licence. For smaller agencies this means that they benefit from being associated with the organisation which is well recognised throughout the world as representing the world's airlines.
- 8.18 As paras 3.5 and 3.7 of the Statement of Facts discloses, travel agencies tend to be small, employing less than 20 people but they compete with some very large agencies with high turnovers. If the IATA agency system did not operate in Australia it is likely that many of the airlines would not deal with many of the smaller travel agencies and some of the airlines would not find it efficient to deal with any of them.
- 8.19 Finally, by having access to a wide range of airlines, accredited travel agents have less risk that changes made by airlines will impact adversely on their businesses. As para 2.8 of the Statement of Facts indicates, airlines can and do withdraw from routes. If travel agents depended on a small number of airlines prepared to enter agency agreements with them bilaterally their businesses could be seriously affected if one of the airlines withdrew from Australia.

expansion of consumer choice

- 8.20 The IATA Passenger Agency Programme materially increases consumer choice in 3 respects:
- As discussed at paragraphs 3.6.2, 3.6.6 and 3.7.5 of the Tretheway report, consumers have a wider choice of destinations, airlines, and ticket flexibility. Consumers do not have to go to different travel agents to access different airlines, and businesses which choose to use a single agent can still have access to multiple carriers. IATA accredited travel agents have immediate access to up to 70 international airlines and to Australia's domestic airlines and can quote a price for travel and sell tickets on those airlines to their customers without difficulty or delay. As already noted, Diagram 3 at para 12.10 shows that more than 80% of accredited travel agents are able to write tickets on more than 10 airlines on demand from their customers.
 - Consumers in country areas gain particular advantage from the IATA Passenger Agency System because their travel agent can provide immediate access to a large

range of airlines from which to choose. As Table 3 at para 3.9 of the Statement of Facts illustrates, there is a wide geographic spread of accredited travel agencies throughout Australia. 43% of accredited travel agency locations in Queensland are in country areas, 46% in Tasmania and 24% in NSW.

- The IATA Agency Programme facilitates consumer choice by enabling, through one efficient centralised system, new entrant airlines and airlines whose level of business in Australia may not justify establishing sales arrangements in Australia, to distribute their product and for consumers to have access to that product. Case Study 4 at para 12.6 of the Statement of Facts illustrates this point.

supply of better information to consumers and businesses to permit informed choices in their dealings

- 8.21 As explained at paragraph 3.6.3 of the Tretheway report, agents provide better information to consumers because they are able to sell tickets on a number of competing airlines. IATA accredited travel agents have immediate access to up to 70 international airlines and to Australia's domestic airlines. As already noted, Diagram 3 at para 12.10 shows that more than 80% of accredited travel agents are able to write tickets on more than 10 airlines on demand from their customers.
- 8.22 Training provided by IATA and the educational institutions authorised by it to do so aims at ensuring that employees of travel agencies are well trained in the complexity of international fares, in booking and ticket issuing procedures and in the BSP reporting and remittance requirements. Paras 28.1 - 28.4 of the Statement of Facts describe briefly the training which is provided in Australia by IATA, both alone and in association with recognised tourism and travel agents' bodies.
- 8.23 This training includes training on the complexities of international fare construction and ticketing, both important matters for ensuring that consumers are properly informed on the choices of routing and fares available no matter where in the world they wish to travel and for ensuring that consumers are issued tickets that will be accepted without question at almost any airline check-in counter in the world.

promotion of equitable dealings in the market

- 8.24 Equitable dealings are promoted by the IATA Passenger Agency Programme in the following respects:
- As explained at paragraphs 3.3.1 - 3.3.6 of the Tretheway report, agents have access to a transparent and neutral accreditation scheme, entry to which is open to any travel agent who meets the objective criteria;
 - Accredited travel agents have an equal opportunity to sell airline tickets on a large range of airlines no matter whether they are large or small agencies and regardless of whether they are located in cities, suburbs or country areas in Australia (see paragraph 3.4.1 of the Tretheway report). This enhances the opportunity for accredited travel agents to compete on price and service;
 - International airlines from other countries have access to the 2,000 accredited travel agency outlets on the same terms and conditions as all airlines, large and small, simply by placing their carrier identification plates in those travel agencies.

They are able to compete for the sale of airline tickets on an equal footing with all other airlines. As para 2.5 - 2.7 of the Statement of Facts discloses, there are over 70 international airlines serving Australia and about 27 of them are off line carriers. They range markedly in size and route network and operate on very fine margins. Without the IATA agency system many of them would most likely not find it financially viable to compete in the Australian market;

- Accredited travel agents, large and small and wherever located in Australia, have credit from the IATA airlines and other BSP participants on the same basis and to the same extent, all report sales on the same basis and all remit sales proceeds to the airlines through the same efficient system;
- The requirement for unanimous approval for changes to the Programme rules and the worldwide operation of the Programme means that the potential influence of airlines over the rules in their home markets is neutralised (see paragraph 3.3.3 of the Tretheway report).

growth in export markets

8.25 International tourism makes a significant contribution to the Australian economy, contributing over \$A5 billion per annum²². As explained at paragraphs 3.7.1-3.7.4 of the Tretheway report, the IATA Passenger Agency Programme aids inbound international tourism by:

- Providing travel agency facilities throughout the world for the efficient promotion of Australia as a travel destination and distribution of airline tickets for travel to Australia. Every accredited travel agent throughout the world can sell Australian destinations and ticket customers without difficulty or delay because of the world-wide IATA system.
- Facilitating Australian airlines promoting and selling Australia as a travel destination by providing them with access to over 56,000 travel agency outlets throughout the world merely by delivering carrier identification plates and marketing literature to any of those agents the airlines choose to deal with. Furthermore, those agents can issue tickets on the Australian airlines without any difficulty or delay and the Australian airlines do not have to concern themselves with credit or currency risk because these matters are taken care of by the IATA system.

Overall consumer benefit

8.26 It will be clear from the above discussion and the opinion of Dr Michael Tretheway, that the IATA Programme delivers significant overall benefits to consumers in Australia. These include:

- lower costs of travel as a consequence of an efficient distribution and credit system;

²² See Statement of Facts para 2.4.

- ready access to a wider distribution of travel agent locations throughout Australia each able to sell travel on a wider range of airlines, and particularly direct access to airlines that may only have a minor presence in Australia
- the opportunity to buy travel from one convenient location in one currency and receive a ticket which will be accepted without question by any airline participating in the programme anywhere in the world;
- the benefits of competition between airlines enhanced by an accessible neutral distribution and system; and
- better information about the range of available travel options and costs and the opportunity to choose from a wide range of travel destinations.

Summary of public benefits

8.27 In summary, the Statement of Facts describes a system which:

- alleviates and simplifies work for accredited agents and airlines by the use of standard traffic documents, standard reporting and standard remittance procedures;
- centralises the source of traffic documents and automates their provision to accredited agents;
- simplifies paper work and reduces overhead costs for accredited agents and airlines by replacing multiple sales reports with an abbreviated listing sent to one central address (the BSP) and through the use of standard administrative forms utilised by all airlines participating in the Programme;
- increases efficiency by establishing one central point (the BSP) to which reports and remittances are sent;
- facilitates the sale of Australian airline tickets in overseas countries through a well understood, efficient, international distribution system;
- facilitates and encourages the use of the most modern automated ticketing systems;
- provides consumers with an easily recognisable and acceptable airline ticket which, absent fraud, will be accepted by IATA and BSP participating airlines throughout the world;
- simplifies training on booking and ticketing procedures for the staff of agencies and airlines;
- enables accredited agents to compete for business no matter what their size happens to be;
- provides real choice of airlines for consumers no matter where the consumer lives and no matter where in the world the airline is based.

8.28 In summary, the Tretheway report concludes that the Programme provides a valuable industry facilitation service for the following reasons:

- the existence of the agency industry, as sales intermediary service, is a valuable alternative to direct airline sales;
- the Programme is of lower cost to the airline and agency industries than individual accreditation programmes between airlines and agents would be. That cost is ultimately reflected in the price of travel to consumers,
- Without the Programme, the resulting higher cost of individual accreditation would give a price advantage to large agents with the likely result of some consolidation of smaller agents;
- Without the Programme, the resulting higher cost of individual accreditation would result in airlines using fewer agents;
- Without the Programme, the resulting access to fewer agents would reduce the sales of airlines with a small presence in Australia and probably result in some cancelling their services in Australia. Likewise, airlines only indirectly serving Australia through interlined travel would be likely to cease selling their Australian product. The overall effect would be to favour the Australian airlines and their alliance partners;
- By enabling agents to sell the services of multiple airlines and by facilitating greater numbers of both agents and airlines, the Programme increases consumer choice both in terms of choice of agent and choice of air service.;
- As the Programme is a global programme, by enabling agents worldwide to sell the services of multiple airlines it facilitates the sale of travel to Australia and as a result is a significant benefit to Australian tourism and commerce.

9. Effect on competition

9.1 IATA recognises that the public benefits of the IATA Passenger Agency Programme, strong as they are, nevertheless must outweigh any detriment to the public constituted by any lessening of competition that is likely to result from giving effect to the Programme.

9.2 IATA submits that the ACCC should be satisfied that:

- the lessening of competition likely to arise from the Programme in its current form is less than when the Commission authorised the programme in 1984; and
- the public benefits inherent in the Programme clearly outweigh any detriment likely to arise from aspects of the Programme which might lessen competition.

9.3 Although the Commission granted an authorisation to IATA for the passenger agency programme in its then form, the Commission's 1984²³ determination

²³ A90408 (1994) ATPR (Com) 50-084

identified a number of specific respects in which the Commission concluded that the programme was anti-competitive.

- 9.4 Schedule 1 to this submission provides an overview of the major changes in the current form of Resolution 816 compared to its 1984 form (former Resolution 806). Schedule 2 contains a comparison of all of the resolutions constituting the programme in its 1984 form (other than Resolution 850 constituting the BSP) with the current form of those resolutions. The ACCC will note that, while the resolutions have changed over the period, many of the changes have been changes in expression or technicalities only, not affecting the substance of the system. Where changes of substance have been made those changes have largely been directed to liberalising or opening up the system.
- 9.5 There were a number of resolutions with which the Commission was particularly concerned in 1984. The current position with those resolutions is as follows:

<i>Resolution</i>	<i>Subject matter</i>	<i>Current status</i>
<i>016a</i> ²⁴	Fixed the rate of commission payable to accredited agents.	This resolution has been repealed (See para 14.11 of the Statement of Facts).
<i>806B(3)</i>	Required member airlines to only pay commission to accredited agents.	This resolution has been repealed. There is no restriction on airlines paying commission to any agent outside the programme if they wish to do so. As noted at para 15.12 of the Statement of Facts, member airlines are entitled to deal with travel agents who are not accredited if they wish to do so.
<i>806G(2)</i>	Prevented member airlines paying commissions to non-accredited agents, and accredited agents from passing commission on to the public in the form of reduced fares.	This resolution has been amended (see paragraph 9.2.1.1 of Resolution 816). The prohibitions on paying commission to any agent outside the programme and passing commission on to the public no longer apply in Australia. However, they do apply in part in some other countries (eg India).
<i>806G(3)</i>	Permitted member airlines to pay commission to agents while waiting for their accreditation to be processed, as an exception to the prohibition in 806G(2) above against commission being paid to non-accredited agents	This resolution continues to apply (see paragraph 9.2.1.2 of Resolution 816) but its application is no longer in the context of a prohibition on paying commission to any agent outside the programme.

- 9.6 In 1984 the Commission regarded the main anti-competitive detriment in the accreditation system as the detriment which is inherent in the system itself '*... that is, that an applicant for accreditation must satisfy certain conditions, or not be accredited. Accreditation is not there for the asking, and not all applicants will be accredited.*'²⁵ The Commission nevertheless authorised the programme.

²⁴ Resolution 016a was a Tariff Conference resolution
²⁵ Re IATA A90408 para 36 (1984) ATPR (Com) 50-084.

- 9.7 Travel agents who are accredited by IATA are given credit, in the form of the right to write airline tickets, by the airlines which place carrier identification plates with the agent (for paper ticketing) or authorise the agent's connection to an automated ticketing system. In IATA's submission, sensible pre-qualification requirements before a travel agent can access that credit and sensible security arrangements for the safe keeping of neutral ticket stock are necessary ingredients of an effective credit system.
- 9.8 The qualifications for accreditation set out at paras 9.1 - 9.29 of the Statement of Facts are sensible, the process fair and the cost of obtaining accreditation is reasonable. Para 9.37 of the Statement of Facts confirms that no applications for accreditation have been rejected for many years. Table 4 at para 9.19 confirms that 130 new locations were approved in 2000, with only 25% of applicants required to provide guarantees or bonds. The average amount of those guarantees or bonds was \$A33,333.
- 9.9 Furthermore, there is an appeal mechanism for any applicant who feels aggrieved by a decision to reject the application. This is described at para 9.37 of the Statement of Facts.

10. Features of the programme

- 10.1 IATA recognises that the ACCC, in considering an authorisation application in relation to rules which govern accreditation will want to be satisfied that the rules are fair and balanced. This section of the submission demonstrates that the Programme is fair and balanced, having regard to the following indicia:
- sensible rules for accreditation which are not unduly restrictive in practice;
 - fair rules for dealing with default, including rights of re-hearing;
 - rules of expulsion that are fair and reasonable and include independent review rights; and
 - opportunity for key stakeholders to have appropriate involvement in governance of the system.

Sensible rules for accreditation

- 10.2 The ACCC should be satisfied, based on the Statement of Facts, that the Programme has sensible rules for accreditation which are not unduly restrictive in practice.
- 10.3 The accreditation process is described in paras 9.1 - 9.38 of the Statement of Facts and the detailed prudential requirements are set out in Schedule 4 to the Statement of Facts. They describe sensible rules, previously accepted by the Commission, for the accreditation of travel agents to whom credit is advanced by the airlines under the Programme.
- 10.4 The accreditation process is managed by IATA independently of any airline, with the objective of ensuring that as many travel agents as wish to seek accreditation are able to achieve it. Although the airlines theoretically have a right to oppose an agent's application in the last stages of the accreditation process, para 9.33 of the Statement

of Facts confirms that no airline has ever exercised that right in relation to accreditation of an agent in Australia.

- 10.5 Furthermore, as para 9.37 of the Statement of Facts discloses, no agent in Australia has been rejected for many years and Table 4 of the Statement of Facts shows that, of the 130 locations approved in 2000, over 70% were approved without requiring either bank guarantees or insurance bonds. Those requiring guarantees or bonds were required to only provide guarantees or bonds of \$33,333 on average.
- 10.6 Finally, if an agent were ever refused accreditation, as para 9.37 of the Statement of Facts states the agent can have the rejection independently reviewed by the Travel Agency Commissioner, a person jointly appointed by IATA and UFTAA²⁶.

Fair rules for dealing with default

- 10.7 The Programme has fair rules for dealing with default, including rights of re-hearing.
- 10.8 As paras 18.1- 19.8 of the Statement of Facts discloses, there is a transparent set of procedures to deal with accredited agents who do not report or remit funds due to the airlines in accordance with the rules.
- 10.9 The procedures are managed by IATA, independently of individual airlines. This independence means that the procedures will not be used to resolve commercial disputes between a particular airline and an accredited agent²⁷.
- 10.10 Different types of non-compliance or error lead to different responses under the system. An agent who omits to report or remit by the due date is notified of the oversight and given an opportunity to remedy the position promptly without necessarily leading to any further action. Through the concept of accumulated non-compliances described at paras 20.11 and 21.2 of the Statement of Facts, there is a graduated scale of default action in relation to accredited agents who do not comply with the rules. In more serious cases, such as failure to remit following notification of non-compliance, the procedures provide for default action to be taken immediately.
- 10.11 Where default action has to be taken, the agent is initially suspended rather than terminated and can deal on a cash basis pending investigation and any review the agent wants to have undertaken by the Travel Agency Commissioner²⁸.
- 10.12 Not only are agents who wish to have their case reviewed entitled to have an independent review by the Travel Agency Commissioner, there is a further entitlement, if the agent wishes, to refer the matter to arbitration under International Chamber of Commerce Rules²⁹.
- 10.13 Table 8 at para 22.1 of the Statement of Facts shows that, in the past 3 years, default action has had to be taken against only 1% of accredited agents in Australia. Since

²⁶ See Statement of Facts para 23.1

²⁷ See Statement of Facts para 21.6

²⁸ See Statement of Facts paras 21.4 - 21.11

²⁹ See Statement of Facts para 24.9 & Schedule 7.

1990 Australian accredited agents have only felt the need to refer matters to the Travel Agency Commissioner on three occasions³⁰.

Rules of expulsion that are fair and reasonable

- 10.14 The rules of expulsion are fair and reasonable and include independent review rights.
- 10.15 As Diagram 7 at para 21.11 of the Statement of Facts shows, an accredited agent will only have its appointment terminated in the most serious of cases and after due process. There are clear and transparent processes for review by the Travel Agency Commissioner. Any agent who wishes to do so may also refer the case to independent arbitration under the International Chamber of Commerce Rules³¹.
- 10.16 In the Australian context, as Table 8 at para 22.1 of the Statement of Facts indicates, for 99% of accredited agents default action is a theoretical possibility because they comply with the requirements of the system.

Opportunity for key stakeholder involvement

- 10.17 Although the IATA Passenger Agency Programme is the airline industry's distribution system - a system of crucial importance to airlines throughout the world distributing their product in a commercially prudent manner - nevertheless the airlines recognise the importance of accredited agents and their national and international representative bodies having input to governance of the Programme.
- 10.18 IATA has formal processes, described in the Statement of Facts, to encourage accredited agents to participate in an appropriate manner in continuous improvement of the Programme and in ensuring that it operates in a fair and equitable manner.
- 10.19 As para 27 of the Statement of Facts indicates:
- The Global Consultative Committee, which has direct input to the Passenger Agency Conference, has 8 of its members nominated by the international travel agents' bodies, UFTAA and ECTAA. In addition the secretaries-general of UFTAA and ECTAA serve ex-officio on the committee;
 - The General Assembly for the area which includes Australia has established, at a national level, an Executive Council, 50% of the membership of which is nominees of the Australian Federation of Travel Agents³². The Executive Council provides advice to the General Assembly which is empowered to make final decisions on certain matters concerning the operation of the Programme in Australia, including the qualifications for accreditation. The General Assembly may, and does, make recommendations to the Conference for improvement of the Programme³³.
 - There are a number of other opportunities for stakeholders, including in particular accredited agents, to have formal input to the Programme, including through the Joint Agent Liaison Working Group.

³⁰ See Statement of Facts para 24.11

³¹ See Statement of Facts para 24.9

³² See Statement of Facts para 27.11

³³ See Statement of Facts paras 27.5 & 27.6

II. Conclusion

- 11.1 In *Re Australasian Performing Rights Association*³⁴ the Australian Competition Tribunal said of the APRA system that:

... bodies like APRA that engage in the collective administration of performing rights in music are considered as necessary and desirable to ensure the proper enjoyment by writers and publishers of their copyright interests and to provide, in the vast majority of cases, an efficient, cost effective means of enabling users of music to obtain lawful access to a virtually unlimited repertoire. The achievement of these ends is recognised as being strongly in the public interest.

- 11.2 IATA submits that the Tribunal's statement is equally applicable to the Programme. IATA engages in the collective administration of a world wide programme necessary and desirable to ensure that airlines and travel agents have an efficient, cost effective distribution system for the sale of airline tickets.
- 11.3 IATA submits that the achievement of these ends should be recognised by the ACCC as being strongly in the public interest. The ACCC should grant IATA and its members an authorisation in the form set out a para 4.1 of this submission to replace Authorisation A90408.

Dated:



Lorne Clark
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International Air Transport Association
Geneva, Switzerland

³⁴ (1999) ATPR 41-701 at para 307

SCHEDULE 1

OVERVIEW OF MAJOR CHANGES IN COMPARISON OF RESOLUTION 806 (1984) & RESOLUTION 816 (2000)

1. TECHNICAL CHANGES		
Former paragraph	Current paragraph	Description
Various	Various	Changes reflecting restructuring of BSP management (see resolutions 850 and 850e) under which responsibility for the management and operation of the BSP now rests with ISS Management (with input from the Global Customer Advisory Committee and the Local Customer Advisory Groups) rather than being split between the former BSP Committee, BSP Panel and Plan Management. The responsibility for the action to be taken on agent non-compliance with BSP reporting and remitting requirements has been transferred from the former Plan Management to the Agency Administrator.
	Various	<p>Previously for specified breaches of the rules, the Agency Administrator referred the matter to the Travel Agency Commissioner for a decision on whether the sales agency agreement or branch office approval should be terminated. Instead of that process, the Agency Administrator now terminates the sales agency agreement or branch office approval but with the agent given the opportunity to rectify the breach before termination takes effect. The agent also has a right of review of the termination decision by the Travel Agency Commissioner. Applies as follows:</p> <ul style="list-style-type: none"> • failure to continue to comply with accreditation qualifications after accreditation (Resolution 816 paragraph 3.2 and former Resolution 806 section C) - before the agent is terminated the Agency Administrator first conducts a review and provides an opportunity to rectify any deficiencies; • failure of agent in default who has settled all outstanding amounts to demonstrate it meets the financial criteria for accreditation (Resolution 816 paragraphs 8.3.2 & 8.5 and former Resolution 806 paras FFF(1)(c) & (d)); • failure to notify change of name or location (Resolution 816 paragraph 10.15 and former Resolution 806 paragraph H(9)(c)); • failure to comply with notice to rectify deficient security standards (Resolution 816 paragraph 11.5 and former Resolution 806 paragraph I(5))
	3.3	<p>A sanction is now imposed for making a material inaccurate/incomplete statement in an application for accreditation in relation to past violations of fiduciary obligations or involvement in defaulting agents (if warranted the agent can be placed on cash basis and the sales agency agreement or branch office approval terminated - the agent can avoid termination if the deficiency is rectified or the agent establishes that it can be relied upon before the termination takes effect).</p> <p>Previously the matter would have been referred to the Travel Agency Commissioner with the likely outcome being termination. The agent would then have had to reapply for accreditation.</p>
C(1)	3.4.1	Financial criteria for accreditation expanded and clarified, and physically moved to the Travel Agents Handbook
C(1)(d)(i)	3.4.1(a)(i)	<p>A sanction is now imposed for failure to provide documents required for periodic financial examination by due date (the agent is placed on cash basis and the sales agency agreement terminated - the agent can avoid termination if the agent demonstrates compliance with the financial criteria before the termination takes effect.)</p> <p>Previously this would have been dealt with as a failure to continue to meet the qualifications for accreditation under para C(1)(d)(ii)</p>

1. TECHNICAL CHANGES		
Former paragraph	Current paragraph	Description
C(4)	3.4.5	Name restrictions expanded (designed to ensure misleading and deceptive conduct does not occur)
C(7)(a)	3.4.8	An accredited agent cannot be a GSA for any air carrier rather than just one in Australia
	3.4.10 & 13.7	Statutory compulsory licensing schemes for Australian agents recognised by incorporating those licences as a requirement for accreditation
	Various	Changes reflecting incorporation of electronic ticketing (see especially para 3.6)
	Various	Changes reflecting incorporation of satellite ticket printing facilities (see especially para 3.5)
	Various	Changes reflecting provision for agents to be allocated more than one IATA numeric code - designed to assist in agents' record keeping (see especially para 4.3.5)
	4.6	Requirement for IATA members and BSP participants to indemnify IATA
F(1)(a)	6.1.1	<ul style="list-style-type: none"> When an agent becomes insolvent normal remittance rules no longer apply and all monies owing are payable immediately A member airline can demand immediate settlement if an agent's financial position means its ability to pay might be prejudiced
	6.1.2	<ul style="list-style-type: none"> Agents obliged to issue ticket as soon as payment received from a customer (note: resolution 824d allows a receipt to be issued instead for amounts less than USD80) Clarification that such monies deemed due and payable under the programme's reporting and remittance rules in section 6 of the resolution
	Various	Changes reflecting changes in technology such as electronic reporting of automated ticketing data to the BSP (eg 6.3.2) and new methods of payment (eg 6.8.6)
	6.6	Introduction of cost recovery charges for agent non-compliance with reporting and remitting rules
F(6)(a)	6.7	Requirement for agents to authorise the BSP to direct debit agent's bank account
F(7)(d)(v)	6.8.3.1	An unreported transaction detected by an airline is now rectified by the agent reporting it in time for it to be included in the current billing rather than remitting payment within 10 days of being notified of it
F(9) & FF(6)	6.10.1.5 & 7.6.2	<ul style="list-style-type: none"> Previously IATA was required to rule out any dispute between a BSP member or airline and an agent <u>before</u> taking default action against the agent. This is no longer required, however, the default action must be <u>withdrawn</u> (rather than just not acted upon as was previously the case) if the Agency Administrator becomes aware of such a dispute The onus of proof not previously specified but for disputes over transactions through the BSP it is now placed on the agent
FF(1)(a)	7.1.1	Monies payable immediately to non-BSP participant member if an agent's normal business operations are suspended by bankruptcy etc or if poor financial position puts normal payment at risk
FF(5)(a)	7.5.1	Due date for agent's rectification for overdue remittance now linked to issuing of notice of irregularity (in line with corresponding changes at paras 6.8.5.1 & 6.8.5.2) rather than a set period of 10 days from original due date
FFF(2)	8.3	Agents in default now formally obliged to supply any documents requested for their financial review with a sanction imposed for failure to provide those documents (the sales agency agreement is terminated). The sanction is the same as that for failing to demonstrate compliance with the financial requirements. As a result there is no practical change as under the former rules, failure to

1. TECHNICAL CHANGES		
Former paragraph	Current paragraph	Description
		provide financial documents would have meant failure to demonstrate that financial requirements were met in any event.
H(1)	10.1 & 10.2.2.2(b) & (c)	Agents now also required to inform IATA of changes in legal status
H(8)	10.9	<ul style="list-style-type: none"> Agents obliged to notify death of owner, partner or major stockholder The death of any member of unincorporated firms, rather than just one with control or more than 30% of the stock, must now be notified, and, is now covered by provisions relating to sole owners rather than corporate bodies For sole owners & unincorporated associations any temporary sales agency agreement is terminated immediately if financial situation unsatisfactory (instead of Travel Agency Commissioner review first) A temporary sales agency agreement will now also be terminated if the business ceases to be carried on at the relevant location For corporations a simplified financial review is now conducted by the Agency Administrator rather than the Travel Agency Commissioner
H(9)	10.11	<ul style="list-style-type: none"> Notification of change of location now required in advance plus photographs of the new premises Application fee required On disapproval of a change, the sales agency agreement or branch office approval is terminated rather than the agent being placed on a cash basis (see former para 9(c)) and the matter being referred to the Travel Agency Commissioner for review (although the agent does still have a right of review to the Commissioner under para 10.11.2(c)).
	10.14	Clarification that sale of a branch office to a non-accredited agent requires a new sales agency agreement (this scenario not previously covered)
Section J		This section previously set out a fairly convoluted process for sanctions for breaches of a sales agency agreement or any provisions of the resolution itself which did not prescribe their own sanction. This consisted of investigation by a Compliance Office and further investigation by the Agency Administrator, followed by referral to a Compliance Board if further action to be taken, which could then refer the matter for arbitration. The entire section has been deleted as the applicable sanctions are now set out with the relevant provisions - generally the agent is given an opportunity to rectify any breach, with termination on failure to do so unless rectified in the meantime, plus an option for the agent to have the matter reviewed by the Travel Agency Commissioner.
I(2)(c)	11.2.3	Quota for reserve supply of ticket stock reduced from 4 to 3 months average usage but offset by ability for an alternative quota to be set locally
I(2)(f)	11.2.6	Additional compulsory features for safes specified but provision introduced allowing for some flexibility in requirements overall
I(7)(B)	11.6.2	A specific sanction (review by Travel Agency Commissioner) introduced for failure to report security breaches
	13.4.3	Procedures to apply when an agent is on a cash basis now set out
	14.3.3	Agents and IATA can now be required to pay the estimated cost of an arbitration up front
P(2)	15.2	Annual agency fees can now be required to be paid through the BSP

2. LIBERALISING CHANGES		
Former paragraph	Current paragraph	Description
B(2)		Restriction to appointment of accredited agents only removed
B(3)		Restriction to payment of commission to accredited agents only removed
806c	2.2 & 2.2	Former Australia Agency Programme Joint Council had 3 agent members out of a total of 7 members, and could make recommendations to the PAConf in relation to operation of the programme. Replaced by Executive Council Australia which has equal agent representation and can make recommendations to the PAConf or to the General Assembly SWP, a new body which has direct authority over some aspects of the programme
Section C	3.2	Now only General Assembly members, rather than IATA members, can request review of an agent that appears not to be continuing to meet the qualifications for accreditation
C(2)	3.4.2	Requirement for qualified staff reduced from two to one
C(3)		No longer any prohibition on accredited agents being located at airports
C(3)(b)	3.4.3.4	Restrictions on in-house accredited agents relaxed (no longer any requirement for a separate telephone number or that the agency be staffed exclusively by the agent)
C(3)(c)	3.4.3.3	Prohibition on an accredited agent having joint office space with airlines or other agents relaxed
C(7)(a)	3.4.8	No longer any restrictions on an accredited agent having any interest in a GSA and vice versa
	6.8	Sanctions for non-compliance with reporting and remittance requirements will not apply where there is evidence that the agent sent the material on time and the delay in receipt was due to outside factors
	6.8.3.1(c)	Sanction introduced for unreported sales detected by IATA (the rules previously only provided for those detected by an airline)
F(7)(f)	6.8.6	Agents liable for any cost incurred by BSP as result of dishonoured payment
F(7)(j)	6.8.10.1(b)	An agent placed on cash basis and whose approval is referred for review by the Travel Agency Commissioner as result of accounting irregularities detected during an audit or investigation, is now first entitled to an interlocutory review by the Commissioner.
F(9)(b)(iv) & FF(6)(b)	6.10.1.2(b) & 7.6.1(a)(ii)	The requirement for immediate accounting and settlement on declaration of default is now restricted to the location where the default occurred
F(9)(d) & FF(6)	6.10.1.4 & 7.6.1(b)	Cash basis on declaration of default now limited to the location of the agent where the default occurred unless otherwise notified
FF(5)(e)	7.5.4.1	No longer any requirement for agents to provide written explanation of any omission of a transaction from a sales report
	7.7	The allowance made for delayed remittances to the BSP caused by official government action now extended to delayed remittances direct to airlines
G(2)(a)		No longer any prohibition on payment of commission to non-accredited agents
G(2)(b)		No longer any restriction on agents passing on part of their commissions to passengers
G(8)(a)		No longer any restrictions on agents paying part of their commissions to employees/other accredited agents/sub-agents
	10.2.1.1(b) & 10.2.1.2(a)	Previously a new agreement may have been required if business transferred to another accredited agent or there was a reduction in capital - there is no longer any such requirement
Section H	Section 10	<ul style="list-style-type: none"> Time for lodgment of application for approval of change of agent's

2. LIBERALISING CHANGES		
Former paragraph	Current paragraph	Description
		<p>ownership, legal status, name or location reduced from 45 to 30 days before relevant change</p> <ul style="list-style-type: none"> • Introduction of provisional approval arrangements allowing assessment of application to continue after change occurs • Approval now effective from date of change not date of approval (allowing former provision for joint liability of old and new agents if approved after change occurs to be dropped) • Introduction of independent 'second opinion' in form of review by Travel Agency Commissioner before decision to reject application made • Procedure on rejection of application for approval spelt out
H(9)	10.11	<ul style="list-style-type: none"> • Time for airline protest against approval of change of location reduced from 45 to 30 days • Clarification that accredited status continues in intervening period
H(9)(c)	10.15	<p>Consequences on failure to notify change of name/location clarified:</p> <ul style="list-style-type: none"> • Now given 30 day grace period after change made before commissionable cash basis applies • Where change relates to a single location then consequences apply to that location only
I(2)(i)	11.2.9	Restriction on numbers of tickets in a ticket issuing device only applies when device itself, rather than whole premises, is unattended
I(5)	11.5	Where deficiency in security standards relates to a single location then clarified that consequences apply to that location only
I(9)(c)(ii)	11.8.3.2	Where agent reviewed in relation to failure to meet security requirements, now only notified to those members with an interest in the matter rather than all
O(5)(a)	14.5	Arbitration location extended to anywhere in same country as location concerned rather than within 1000km radius
Resolution 806e para 1(v)	Resolution 816e para 1.1.5	Accredited agents right of review of removal from the agency list extended from removals for <u>default</u> under former section FFF (now section 8) to all removals

3. OTHER CHANGES		
Former paragraph	Current paragraph	Description
	3.4.1(a)(ii)	Periodic financial examinations can now include an on site inspection of documents at an agent's premises
C(1)(d)(ii)	3.4.1(a)(iv) & (vi)	<ul style="list-style-type: none"> • The period for rectifying any notified deficiencies after a financial examination has been reduced from 60 to 21 days • If this is not complied with, after being placed on a cash basis, the sales agency agreement is now terminated rather than the matter being referred to the Travel Agency Commissioner (with the agent now instead having a right of review to the Commissioner) • If warranted, an agent can now be placed on a cash basis at the beginning of the rectification period
	3.4.11	Automated ticketing facilities now a requirement for accreditation
F(3), F(5) & F(6)(c) & (d)	6.3, 6.5 & 6.7.3-4	Maximum reporting period reduced from 16 days to 7 days, billing and remittance frequencies increased to weekly
F(6)(e)	6.7.5	If a billing is not sent to an agent by the remittance date, the agent must now pay the amount it estimates is due instead of the due date for payment being extended
F(7)(c)	6.8.4	Accumulated late reported sales as well as accumulated overdue or incomplete sales reports can now result in a notice of irregularity
	6.8.11	Action can now be taken on a belief that the ability to collect monies from an agent may be prejudiced which is sourced from outside written information (the rules previously only provided for that obtained through IATA's own investigations)
FF(5)(e)	7.5.4	In effect previous grace period of 10 days after reporting/remittance date to rectify any omissions in sales report before it amounts to an irregularity has been removed
I(9)(b)	11.8	Review of agent for theft where no evidence of burglary or where security standards not complied with extended to include CIPs as well as ticket stock
L(2)	13.2	Provision for setting minimum period before notice of removal from agency list can take effect removed
N(2)		Provision for complaints by agents against IATA airlines to Agency Administrator removed
P(4)		No longer any provision for refunds of fees paid by terminated agents

