How to Sell Tickets – IATA’s New Distribution Capability (NDC): A New Model?

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Always freely and abundantly sharing his ‘immense’ knowledge, John is one of the most respected lawyers I have known since I first met him in Brussels where, at that time, he held office. So, it was a great honour and pleasure when John invited me in 2009 to speak on his panel concerning EU Regulation 80/2009 on the New Code of Conduct for Computer Reservation Systems.1

Subsequent to John’s encouraging words, I followed up on the new developments in this highly versatile environment. For that reason this article, describing the latest development in this field called IATA Resolution number 787, is dedicated to John, who has been a source of inspiration for most lawyers throughout the last decades.

1. The background of IATA Resolution 787

1.1 The need for a new resolution

As do all new proposed techniques which endanger the life of tried, tested and ongoing models, IATA Resolution 787 stirred up controversy in the world of distribution of airline services. A well-oiled operational distribution system is paramount for the survival of an airline, and I am always astonished at how much time is spent on producing a good product, and keeping this product safe.

But even though the airline has a safe product and provides a service as best as it can for the amount of money they want to invest, the airline is still not in business. To start making money, airlines need to be able to sell the products and services they have so meticulously created, because no matter how good your service is, if you can-

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1 CRS stands for Computer Reservation System and GDS for Global Reservation System. They cover both the same concept but in the CRSs are sometimes called GDSs to stress the Global nature of these systems. There are currently 3 global distribution systems: Amadeus, Travelport and Sabre.
not bring it to the attention of the consumer, it will remain unsold. Success in selling tickets largely depends on the airline's ability to bring what it has to offer to the attention of the passenger and make it readily available for easy purchase once the passenger has made his choice.

1.2 The early days

Prior to the introduction of CRS/GDS technology and long before internet, a travel agent who wanted to make a reservation for a passenger on a suitable flight to a given destination, had to search through a catalogue containing all flight schedules for a certain destination, after which he had to contact the airline by telephone to check the price and availability and then manually issue the ticket. Airlines made an effort to automate this retail process to deal with the increasingly competitive and changing environment. Thus, in the nineteen seventies, CRS/GDS technology which was still owned in those days by the airlines themselves was introduced.

A Computer Reservation System (CRS/GDS) historically consists of a database holding information on schedules, seat availability and fares of all its participating airlines. When a quote for a trip is requested and sent to a GDS, the GDS will 'answer' with all possible combinations of schedules and prices of its participating carriers. It will thus give the customer a non-discriminatory choice based, on for instance price, elapsed time of the journey and other items affecting the passenger’s choice.

For nearly two decades, GDSs enjoyed a privileged position in the market of distribution of travel and travel related products. Any newcomer would not only face the insurmountable cost of investment in technology but would also face the impossible task of attracting a sufficient number of travel agents who would use its technology, in order to attract sufficient interest of air carriers. Travel agents generally only use one system since the different CRS operate in different ways and it takes time to learn how to operate the system when making a booking. When a travel agent books a ticket on a certain airline using GDS technology, the airline needs to pay a booking fee per segment to the GDS used by the travel agent. The robust position of the GDSs first trembled when airlines actively started looking for cheaper ways to distribute their services. In the early days, airlines could not afford not to be in the GDSs and they were obliged to pay fairly high booking fees.

Because of existing legislation, GDSs were not allowed to differentiate their charging of booking fees according to the commercial relationship they had with an airline, as only the level of connectivity could play a role, whereas and airlines were obliged to provide identical data with identical timeliness to all the GDSs.

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