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IATA WPS 2023

November 2023



THE FACTS

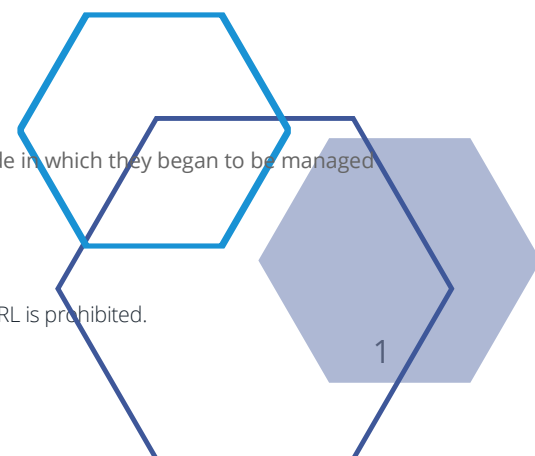
IATA held a series of industry meetings including the World Passenger Symposium in Chicago during the week of 23rd October. This represented a departure from usual proceedings for IATA as it combined various closed industry meetings with both the World Passenger Symposium and the World Financial Symposium at a single venue. T2RL was invited to attend the combined WPS/WFS but in common with all non-airline organisations was excluded from the closed meetings.

THE ANALYSIS

IATA's member airlines have reached a common understanding that they wish to see substantial modernisation in the way that airlines sell and deliver their products. In broad terms the artefacts that have characterised the airline commercial process from the 1960s to the present day are perceived to be unfit for purpose in the third decade of the 21st century¹. PNRs, tickets, EMDs, booking classes, fixed fares, prorates and boarding passes are examples of records and processes that have come under scrutiny as the industry moves to adopt "modern retailing" methods.

So far, so consensual. The desire to modernise is more or less universal, as demonstrated in T2RL's Engage conference in London the month before the IATA event. Where there is still much room for debate is exactly what the new world will look like and, even more challenging, how to get to it from where the industry is today. An event such as the WPS/WFS should be a forum to address those twin challenges.

¹ In fact many of these artefacts date back even further than the 1960s but that is the decade in which they began to be managed using computer technology.
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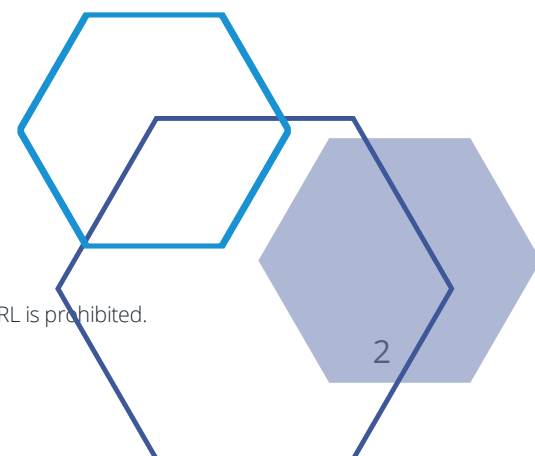




To a degree it succeeded and in the conference room as well as the exhibition area there were presentations of progress towards modernisation. However there were a number of disconnects which give cause for concern.

One such disconnect is between the views of IATA and its member airlines and the large travel sellers that are responsible for the management of most corporate travel. Many of these Travel Management Companies have yet to be convinced that the modernisation that is on its way offers them any substantial benefit to compensate for the cost and disruption inherent in adopting it. This was brought out in a panel session in which a large travel buyer (PWC) and a large travel seller (BCD) appeared at loggerheads over the desirability or feasibility of adopting the new methods. The appearance of one of the newer players in the field of distribution and technology (Spotnana) on the same panel threw the differences into sharp relief. It is T2RL's view that different participants in the value chain need to communicate far better than they have in the past. Responsibility for the failure to communicate is probably shared among all the players, but for the good of the entire industry it needs to improve rapidly.

Another disconnect that has been evident for some time is over estimation of progress on the part of IATA. The New Distribution Capability (NDC) was announced in 2012 and by 2014 IATA was confidently predicting its universal adoption within a couple of years. As of 2022 NDC bookings still represent a single digit percentage of all airline bookings. The reasons for this unrealistic world view are probably many. IATA sees its role at least partly as a cheerleader for the new technologies and takes any opportunity to talk them up. It also does not have to concern itself directly with the complex business of implementing technology. It tends to gloss over such detail in favour of presenting simple slideware and particularly in this case the devil is most certainly in the detail.

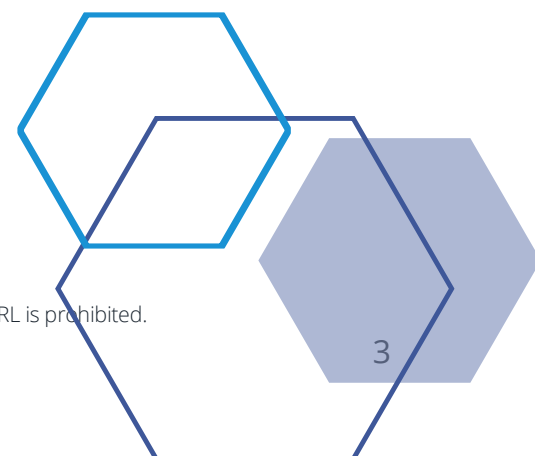




This disconnect was evident at WPS once more. As an example, IATA staff repeatedly claimed from the stage that “Interline NDC is already working”. Any knowledgeable observer would realise that this was at best naïve and at worst deliberately misleading. Some airlines have contrived to include conventionally sourced interline components in their NDC offers but this is no more interline NDC than putting a Big Mac on a plate would make it a home-cooked meal. Until industry players come together to agree on definitions of “done” for important functionalities such as NDC interline (rather than headline grabbing statements), these disconnects, which foster mistrust and slow the transformation, will persist.

Another area of concern is the slow progress towards establishing the standards that will allow a modular approach to the new technologies. The IATA Retailing Consortium of airlines has published an architecture document that presents the new world as a collection of 60 capabilities grouped into nine categories and surrounded by channels and data artefacts. If the aspiration to achieve modular solutions with components supplied by different vendors is to be realised then the interfaces between some or all of these components must be described in a robust manner. As of now there is not even a standard process for converting an Offer to an Order.

There is no doubt that IATA is restricted in its ability to get into the details. To do so would risk straying into areas of discussion that are precluded by its anti-trust immunity. However the details do matter and somehow they need to be thrashed out. If not by IATA then by whom?



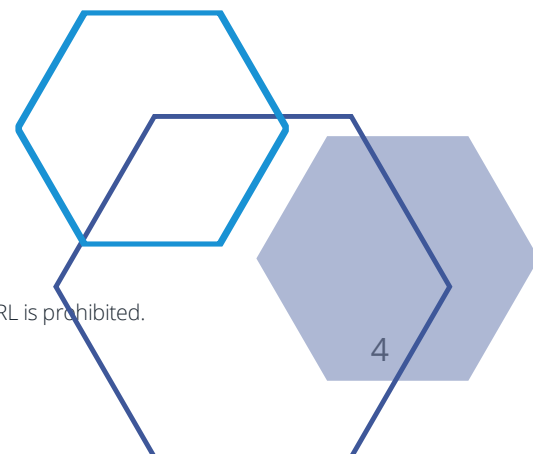


THE SPECULATION

While there is no doubt that the industry is committed to modernisation the exact path it will take is far from clear. The need to manage a transition which will likely extend over many years suggests that incumbent suppliers like Amadeus and Sabre start at a huge advantage. Only they have the ability to provide continuity of service from the legacy platforms as they are gradually superseded by Offer/Order/Settle/Deliver.

Aspiring new entrants to the market will have to create bridges to the legacy world. From a technology perspective this should be manageable as it will depend on very well-established standards. Where it may prove challenging will be the commercial demands of the incumbent suppliers if they are required to keep legacy systems running purely so that airlines can move away in their own good time.

Whether IATA can play an effective role in the next stages of the process is not clear. It seems to us to be unlikely that it will be a significant influence on the technical standards that must emerge over the next few years. What it can and should do is to continue setting expectations and providing a forum for the development of the new business processes that will be supported by technology. Another vital role is to lobby governments and other regulators in support of the new ways of working. As of the fourth quarter of 2023 there are still many regulations controlling what airlines must do with tickets and PNR data. These will be difficult to enforce in a world without either tickets or PNRs. In response to a question from T2RL Willie Walsh, the Director General of IATA, acknowledged that it is his organisation's responsibility to educate governments and to move the regulations along to fit the realities of modern airline commercial behaviour.





T2RL is an independent research and consulting company that specialises in the market place for airline IT systems. Based on data gathered and analysed since the year 2000 it has defined and tracked classifications of airlines and their IT providers. Its research is used by airlines to enable them to make informed choices of systems and vendors and by the vendors to help them develop products that best meet the current and future needs of the airline industry. For further information, visit our website at www.t2rl.com.

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