



Multilateral Interlining without Antitrust Immunity: Adapting to a New Regulatory Environment

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A New Regulatory Environment

- 1. Introduction
 - How/why IATA became involved in Tariffs
 - The Multilateral Interline system
- 2. Competition law
- 3. IATA's search for alternatives
- 4. IATA's solutions
 - E-Tariffs & FlexFares

What is Multilateral Interlining?

- A joint product that no single airline, or airline alliance can duplicate
- Airlines combining their services providing a seamless product expanding consumers' choice with access to the widest range of carriers' schedules
- Payment for a journey, regardless of the number of airlines or flights, in a single transaction, in one currency and as a single contract

Interlining

Four pillars

- Agreed Interline fares and related conditions
- MITA
- Prorate agreements
- Settlement

Traffic Activities

- Bermuda delegated the determination of tariffs to IATA
- IATA authorised to hold meetings for this purpose
- IATA tariffs would only become effective ***once approved by governments***
- All IATA Members were Conference Members
- Conferences also dealt with Agency and Services matters

Traffic Activities

- 1st world-wide *Traffic* Conference held in Rio de Janeiro in 1947
- Unanimous agreement reached on 400 Resolutions dealing with
 - Fare Construction rules,
 - Baggage allowances
 - Tickets and Waybills
 - Agency appointment procedures

Tariff Consultations

Agreed tariffs

- Designed to support the multilateral interline system
 - Providing consumers and shippers with flexible joint transport from everywhere to everywhere
 - Permits the producers of the joint product to establish the terms and conditions of its sale.
- Participating airlines meet regularly to establish;
 - Interline fares and rates
 - Related conditions
 - Fare Construction, Baggage, Currency and Mileage Standards

MITA

Multilateral Interline Traffic Agreement

- Integrates the routes of individual airlines into a coordinated worldwide network
- Agreement to accept each other's tickets
- Sets out responsibilities when things go wrong
- Both Cargo and Passenger Versions
- Over 350 airlines (IATA and non-IATA) participate today

Proration

Multilateral Prorate Agreements

- Agreements on the sharing of joint fares and rates
- Mileage based
 - Passenger agreement uses weighted mileages, based on actual operating costs
- Both Cargo and Passenger Versions
- Managed by IATA, but involves many non-IATA airlines

Settlement

IATA Clearing House

- Settling of interline accounts
- One single payable or receivable amount.
- High credit and currency protection to its users.
- Works with US based Airlines Clearing House for global reach.
- Open to both IATA and non-IATA airlines

2001

The European Commission – Cargo Tariffs

- In 2001 the European Commission removed the immunity given to the Cargo Tariff Conferences
- Because of the limited authority, the removal of immunity only involved routes within the European Union
- Immunity was removed because the Commission;
 - Did not believe the tariff conferences were necessary to promote interlining
 - The amount of interlining on European routes was very low

Competition Law

- In many countries it is *illegal* for competitors to agree on prices or related conditions.
- Tariff Conferences have required Anti-Trust Immunity in:



Exemptions under Challenge



In the EU:

- 1 May 2004; European law changed
- DG-COMP's evaluation of IATA's exemption request very negative
- Even a success for IATA would have been time limited

Exemptions under Challenge



In Australia:

- The ACCC had initiated a review of IATA's authorisations
 - Authorisation considered too broad – covered all IATA activities, many of which did not require exemption.
 - New authorisation is for 5 years before it would need to be renewed.

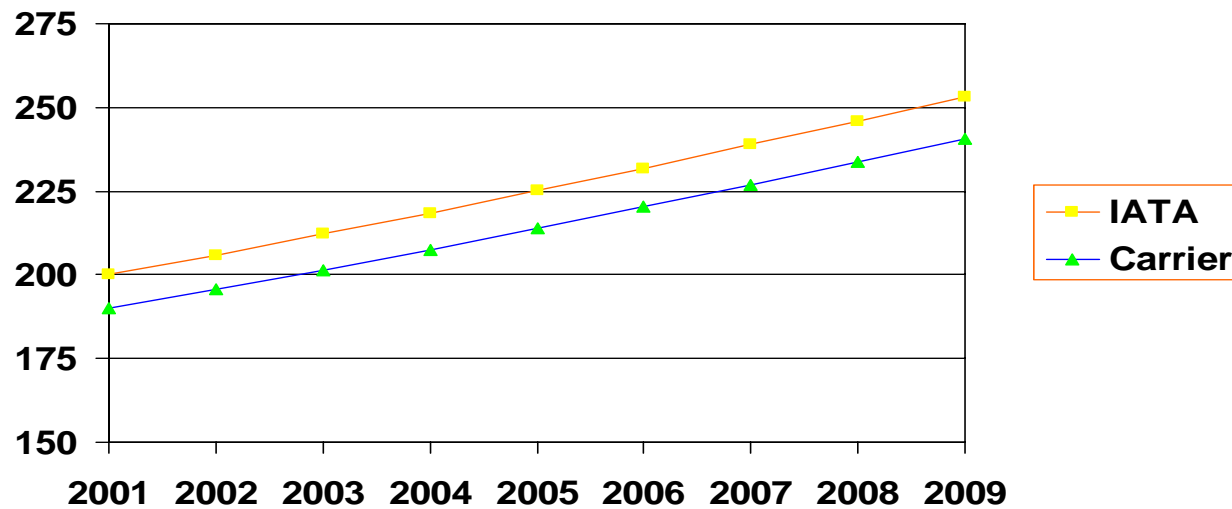
Exemptions under Challenge



In USA:

- The DOT no longer interested in regulating the IATA Conferences
 - Delays in implementing agreed standards and procedures
 - Removal of immunity on two routes

Regulators Concern #1



Agreements in IATA were extended to other fares

Despite lack of empirical evidence

Regulators Concern #2

IATA Tariff Conference meetings are a perfect opportunity for airlines to reach agreements on other matters!

Despite lack of empirical evidence

IATA's Board of Governors

In June 2006 the Board of Governors determined that:

- The benefits of exemptions no longer justified the expense
- Exemptions, where available, were likely to be only for limited duration
- Exemptions would be required in other jurisdictions
- Membership best served by changing to an environment where exemptions are no longer required.

IATA's immunity

- In the European Union
 - Expired 31 December 2006 within EU
 - Expired 30 June 2007 between EU and Australia/USA
 - Expired 31 October 2007 between EU and rest of world
- In the USA
 - Expired 30 June 2007 between USA and Australia/EU
- In Australia
 - Expired 30 September 2008 on routes to/from Australia world-wide
- In Japan
 - Expires

IATA Strategy Moving Forward

- Standards & Procedures (Composite)
 - Removed agreements that concern pricing
 - Maintain strict competition law compliance procedures

- Fares and Rates
 - No more face-to-face meetings (e-Tariffs)
 - Have market fares drive IATA fares (FlexFares)

Thank you

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