

## Provision One Survives

**R**EGULATION OF INCLUSIVE-TOUR TARIFFS must continue, and Provision One, for all its shortcomings, remains the best regulatory instrument—this is the view of the Air Transport Licensing Board in a statement issued recently explaining its decisions on licence applications for 1969. Ironically enough, all the alternatives to Provision One suggested by the applicants were based on the IATA fare structure, because they felt that the ATLB was so wedded to it that it would not look at anything more radical—while the ATLB seems to suggest that it would have been only too glad to consider some entirely new regulatory measure. The fact that the ATLB did not go so far as to suggest a measure of its own bat seems to indicate that it is hesitating to initiate anything that might be reversed by the recommendations of the impending Edwards Report. A brief account of the ATLB statement was given on page 766 of *Flight* last week.

Part of the ATLB's decisions refer to 13 "test cases" brought earlier in the year at the instigation of tour operators, and designed to point up the difficulties and inconsistencies of present tariff regulation.

Provision One is applied to British IT licences to write into them the underlying principle framed by IATA in its Resolution 045—that a member airline should not dispose of all the seats in an aircraft by charter unless the rate per seat is at least as high as the equivalent IATA scheduled fare. Resolution 045 has been approved by the British Government, and the ATLB says that their intention is therefore presumably that departures from it should be the exception rather than the rule.

### Principles involved

"One thing we had to consider," says the ATLB with regard to the test cases, which were submitted by airlines which were not IATA members, "was whether we should bind them to the same obligations [as members] still with the object of preventing the under-cutting of scheduled fares. But the real issue was much broader. We had to consider whether it was necessary, given the existing differences of international practice, that charges for inclusive tours using charter aircraft should be controlled at all.

"For some of the tour organisers who gave evidence," says the ATLB, "the attack on Provision One was to be understood as an attack on the whole principle of minimum charges for inclusive tours. They could see no reason why they should not be free to provide holidays for the public at the lowest possible price. The cost of providing inclusive tours was being brought down all the time, as a result of the growth of the market, the increased scale of operations, the more intensive use of aircraft and hotel space, and the standardisation of the product. Prescribed minimum prices prevented tour organisers from passing these cost reductions to the public."

This the board admits to be a powerful argument, but it finds four reasons for the retention of price control. The first is that price cutting could lead to a deterioration in the standard of holiday provided, in particular through the entry into the business of less scrupulous tour organisers looking for quick profits. The second is that pressure on profit margins could, in a poor season, lead to the collapse of companies having big programmes but small financial resources. The third is that depressed prices could lead to financial difficulties for airlines, or jeopardise operating standards and ultimately the safety of the public. Lastly, there might be significant diversion of scheduled traffic which could result in the unprofitability and closure of scheduled services to holiday areas, to the detriment of the individual traveller.

"These risks are by no means remote possibilities, and if price control were abandoned they could quickly become a threat to the tour industry, to the public and to the stability of British civil aviation."

As to the appropriateness of Provision One as a method of

control, the ATLB points out that no considered alternative was proposed by the applicants. The suggestions were based on IATA fares, past or present, or on some percentage of them—"the applicants told us that they thought we were so wedded to the IATA fare structure that remedies of this kind would be more acceptable to us than others with a more logical basis. In consequence the solutions we were asked to approve had an even more artificial air than Provision One itself, and we were left with no real alternative to consider."

An additional argument for retaining Provision One was the Board of Trade decision that 1969 tour prices should again be subjected to it, although 1968 tours had been allowed to remain at pre-devaluation levels. "It was submitted to us that in the exercise of our functions we should disregard Government statements of policy. This may be true as a general proposition. But we have pointed out that any licence we grant for an international air service is of no effect until its tariff provisions have been approved by the Board of Trade; and the Board of Trade's own decision must take account of agreements made with other national administrations about airline fares and rates." It is clear, the ATLB adds, that exceptions are possible, but "we regard the general case for Provision One as so strong that departures from it would at the present time be justified only by convincing proof of need."

The ATLB takes a sympathetic line towards the difficulties caused to the tour operators by anomalies in the IATA fare structure, especially with regard to creative fares devised for specific routes, fares which "may seem incomprehensible and frustrating to tour organisers and non-IATA airlines, who are concerned only with their own operations and their particular market."

The resolution of these anomalies, says the ATLB, should in the first instance be attempted within IATA by a British member of the association; and only if this has failed can some attempt be made to find a solution on a basis other than that of the related scheduled fares.

### Fare changes

The 13 test cases, says the ATLB, embodied eight principles, and of the solutions offered by the applicants, only one was considered to be convincing. This related to the fact that tour organisers' plans are liable to be considerably disarranged when IATA fare changes are promulgated after a season's IT programme has been finalised. Brochures may already have been printed and selling may already have begun when tour prices have to be changed. The ATLB says that the tariff applied to licences now being granted for holidays in the European area will be that which applied under Provision One at the time the applications were heard.

In the case of tours to more remote destinations, the ATLB agrees that Provision One gives a more than adequate margin, making such tours relatively more expensive than short-distance ones. It does not accept the solution proposed in the test case—application of the IATA one-way fare instead of the return fare as a basis—which, it says, goes too far and is not flexible enough. As in the past, such cases will continue to be treated on their merits.

One test case was concerned with the anomaly by which, under Provision One, the cost of a holiday of a week or 12 days is as high as those of longer periods. The shorter holidays are important to the travel trade for the mid-week aircraft utilisation which they afford, and because many people cannot take more than two consecutive weeks away from work. But, says the ATLB, some relief is provided "almost fortuitously" by the fact that while 15-day tours usually involve weekend flights in both directions, 11- and 12-day tours involve weekday flights in at least one direction, and the IATA creative fare

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