

Date: 27th April, 2021To,
Board
Nepal Airlines Corporation

केड सचिवालय
यसमा उल्लेखित विषयवस्तु एड प्रिस्वित
रूपमा उल्लेख गरी (नेपालीमा) केड प्रस्ताव
तयार गर्नुहोला।
०२-०५-२०२१

Subject: Report on the issues related to Global Distribution System (GDS) contract agreements for POS
(Point Of Sales) Nepal

This is in line to the letter received Ref: BS/04/164/2077-78 dated January 25 regarding the issues related to the GDS.

As per airlines commercial aspect, GDS plays a vital role in distributing the ticketing sales amongst all the channels which covers approximate up to 80 percent of our ticketing sales volume in case of our organization. NAC has appointed multiple GDS providers M/S Sabre, M/S Amadeus, M/S Travelport and M/S Infi as per the market requirement on different territories.

As per our management decision in the year 2018, NAC had decided to begin with the Ticketed Segment fee concept and cancel the Booking fee concept for the point of sales in Nepal. On the same, Request for Proposal (RFP) was issued on dated 2018/03/11 for 30 days with below mentioned criteria's:

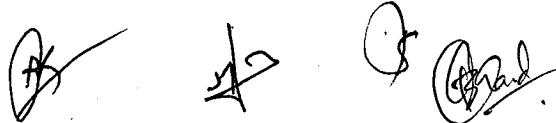
- Single fee on the basis of ticketed segment including all taxes applicable in Nepal for POS Nepal for the period of two years.
- Applicable TDS as per law of Nepal shall be withheld on the payment.
- The NAC reserves the right to enter into agreement after negotiation to any or multiple or all service provider without assigning any reasons what so ever.

In response to above RFP notice, two applicants namely M/S Amadeus and M/S Travelport applied for providing service.

M/S Amadeus proposed below rate for POS Nepal in response to our RFP

Market Share	Fee Level
Up to 15%	Std GDA Rates
Between 15.1% to 40.0%	US\$5.10
Between 40.1% to 70.0%	US\$4.85
Between 70.1% to 90.0%	US\$4.50
90.1% and above	US\$3.95

In the negotiation held by the GDS selection evaluation sub-committee report dated 2075/4/11, it was mentioned to enter into agreement with 33% market share assurance with both the GDS vendors M/S



Travelport and M/S Amadeus not exceeding USD 4.9 per ticketed segment, the then executive head approved for entering into contract with the parties "at the rate not exceeding USD 4.9", however agreement with M/S Amadeus was entered as follows:

Amadeus Market Share	Fee per net booking
Below 33%	Applicable GDA Booking Fee
Between 33.1% to 90%	US\$4.90
90.1% and above	US\$4.20

After entering into the agreement, M/S Amadeus charged NAC at the rate of USD 4.9 from Jan 2019 to Oct 2019. However, from Dec 2019 onwards, party charged NAC at the rate of USD 5.10 citing reason of its market share being below 33%. Those invoices were rejected by the Finance Department on January 2020- P3 billing period mentioning that in our RFP for GDS such conditions were not mentioned. However, M/S Amadeus has re-billed same rejected invoice on October 2020 P1 billing period through correspondence invoice. NAC also re-billed the rejected invoice on October 2020 P3 billing period.

M/S Travel ports' proposal

As per RFP clause, single fee needs to be quoted for two years period, however while entering into agreement with M/S Travelport agreement was entered with the condition of increment of annual price increment with the discounted net ticketing fee of USD 4.9 on ticketing fee charge based on net (inclusive all premiums) cap for Nepal market and abroad.

M/ Sabre

Although, M/S Sabre didn't participate in the RFP process but later they send a letter on 22nd October 2018, mentioning the following

"we refer to the previous RFP of Nepal Airlines regarding agency distribution in Nepal. As advised previously per Sabre International practice, there was no provision on invoicing on ticketed segment and the time given was also insufficient for us to respond with the proper proposal. Hence, we were unable to respond to the RFP at that time but Sabre has every intention to partner Nepal Airlines to support your sales in Nepal and globally."

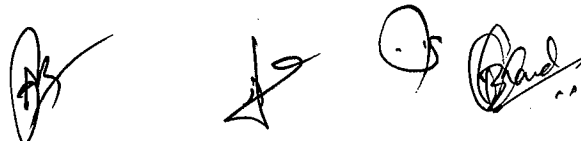
They further mentioned as follows:

"We are now ready to work with Nepal Airlines on new commercials based on ticketed basis".

M/S Sabre also notified RA to discontinue the GDS services for all other territory in case if they were prohibited GDS Point of sales services for Nepal. M/S Sabre was also included for the GDS services for POS NP at the rate of USD 4.9 with the recommendation of Director, GSPMD dated 20/08/2075 and approval of The Executive Chairman dated 24/08/075.

As the terms of agreement were not in compliance with RFP criteria, letter was send to the legal division on below mentioned points by the department on 04 January 2021 for the necessary legal opinion.

1. Amadeus: The agreement entered with Amadeus is different with RFP and receipt of proposal.



2. Travelport: The notice for proposal mentioned "the proposal shall include a single fee on the basis of ticketed segment that shall include all taxes applicable in Nepal for point of sales for the period of two years". However, as per the agreement entered with travelport, it is mentioned that "3% increment in rate on the first day of calendar year for Nepal market".
3. Sabre Asia Pacific: later, Agreement was also made with Sabre Asia Pacific. To calculate TDS, Nepal market's transactions are necessary but invoice provided by Sabre Asia Pacific does not separate territory wise. From March 2019, Sabre has stopped providing us Nepal data through email despite regular follow up due to which TDS amount could not be calculated. At the same time, TDS has also been rejected by Sabre.

Subsequent follow up letters was also sent dated 14 February 2021 and 04 April 2021 regarding the legal opinion on the above subject matter as per the rule but legal opinion is yet to be obtained.

GDS Expenses

Below are the details of GDS expenses segregated according to i) POS Nepal in USD ii) Global including POS Nepal in USD

i) Total GDS expenses for POS Nepal in USD

Year	2017	2018	2019	2020
Sabre	330,405.80	336,967.30	118,936.00 (Jan-Mar)	
Amadeus	291,724.42	260,880.33	222,464.09	222,464.09
Travelport	364,309.40	515,239.20	717,384.35	241,763.48

ii) Total GDS expenses for Global including POS Nepal in USD

Year	2017	2018	2019	2020
Sabre	759,827.51	727,372.84	510,856.62 (Jan-Jul)	
Amadeus	1,337,230.07	1,080,045.94	1,995,964.11	1,108,845.94
Travelport	656,911.52	955,985.05	1,854,548.09	646,254.88





Inter Office Communication

M/S Amadeus				M/s Travel port				M/s Sabre	
For POS Nepal		Amount in USD inclusive of Group Booking		Rate in USD		Quantity		Amount (USD)	
Year 2017	Rate in USD	Quantity	Amount in USD inclusive of Group Booking	Year 2017	Rate in USD	Quantity	Amount (USD)	Amount in USD	Year
Booking	4.85	51,468		Booking	0			330,405.8	2017
Cancellation	0			Cancellation	0			336,967.3	2018
Ticketing	0		602,832.95	Ticketing	4.2	86,873	364,309.4	118,936	2019 Jan-Mar
Year 2018				Year 2018					
Booking	5.09	48,371		Booking	0				
Cancellation	0			Cancellation	0				
Ticketing	0		291,724.42	Ticketing	4.41	116,909	515,239.2		
Jan-Oct 2019				Jan-Mar 2019					
Booking	4.9	5,549		Booking	0				
Cancellation	0			Cancellation	0				
Ticketing	0			Ticketing	4.63	126,64.42			
Nov-19				Apr-19					
Booking	5.11	6,508		Booking	0				
Cancellation	0			Cancellation	0				
Ticketing	0		295,44.6	Ticketing	5.22	2,490	12,994.76		
December-2019				Ticketing	5.28	2,008	10,610.18		
Booking	5.11	6,059		May-December 2019					
Cancellation	0.44	12,465		Booking	0				
Ticketing	1.26	5,301		Cancellation	0				
Year 2020				Ticketing	5.05	99,775	50,3426.83		
Booking	5.2	26393		Year 2020					
Cancellation	0.47	65,644		Booking	0				
Ticketing	1.26	23,980	222,464.09	Cancellation	0				
				Ticketing	5.2	46,670	241,763.48		

45

Validity of the GDS for POS Ex Nepal


- M/S Amadeus valid remains in effect for a period of three years and shall continue thereafter, unless or until terminated by either party with prior written notice of at least six months at any time after six months before the end of the initial term.
- M/S Travelport valid until prior written notice of ninety days by any party.
- M/S Sabre with six months prior written notice to terminate the contract.

Validity of the GDS for POS Nepal is as follows:

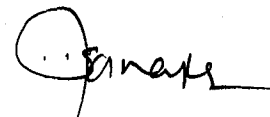
- M/S Amadeus is valid until 31 December 2021
- M/S Travelport is valid until 31 September 2021
- M/S Sabre is valid until 31 December 2021.

Conclusion:

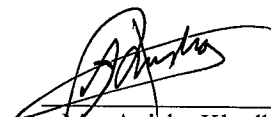
As the agreement with three GDS provider is not in compliance with the provision of floated RFP for POS Nepal, and taking into consideration of legal aspect of the above matter, report is hereby submitted for kind information and necessary instruction, please.




Mr. Jiban Kumar Bhattarai
Actg. Director, GSPM Dept.



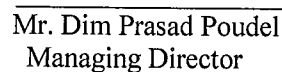
Mr. Janak Raj Kalakheta
Director, Commercial Dept.



Ms. Anisha Khadka
Actg. Director, Finance Dept.



Mr. Ganesh Bahadur Chand
Deputy Managing Director (A)



Mr. Dim Prasad Poudel
Managing Director