

Changes to IATA Fare Construction Rules

As a result of action taken by the IATA Tariff Coordinating Conference under Mail Vote 200 and subsequent government approvals, changes to fare construction rules for IATA fares will be introduced in 2005.

These changes will affect tickets issued **and** travel commencing on **or** after 15 January 2005.

The new rules in effect remove the International Sale Indicators for point of sale in ticket issuance e.g. SIT1 (sold inside ticketed inside the country of origin). They also remove certain fare checks for directional minimum and reduce the scope of the higher intermediate point (HIP) check.

A summary of the main changes is shown in **Attachment A**, and a more detailed technical explanation for those interested is at **Attachment B**.

For Agent enquiries please note that the GDS will have system changes in place on 15 January that should ensure a transparent implementation.

For any further enquiries concerning fare construction principles please contact staatsm@iata.org. Prior to cut-over, online updates will be made available at the IATA Interline Tariff website at www.iata.org/tariffs.

ATTACHMENT A

Summary of Changes of Fare Construction Rules for Implementation on 15 January 2005

- References to the International Sales Indicators (SITI, SITO, SOTI, SOTO) will be deleted.
- All references to "country of sale" have been replaced by "place where traffic document is issued" where traffic document may be an MCO, MPD or a passenger ticket.
- Higher Intermediate Point (HIP) Check:
 - will apply only to stopover points, and will not be related to the country of sale
 - for special fares, an intermediate point to another intermediate point HIP will not be possible
 - HIP exceptions will be amended to remove references to ISIs
- The Country of Origin Minimum Check (COM) will be deleted.
- The Directional Minimum Check (DMC) application will be amended, as this references country of sale. The DMC will now only apply to one way (OW) and normal fare open jaw travel (NOJ) to/from/via Japan for traffic documents issued outside the country of commencement.
- Limitations on Indirect Travel for journeys originating in Europe when the country of payment is Europe: this limitation will be deleted.
- Specified Routings: routings which are ISI-sensitive will be removed.
- Reroutings and Refunds: for totally unused tickets, there is no longer a need to refund original ticket and issue a new ticket. The ticket may be reissued based on latest fares and latest international rate of exchange (IROE) at time of reissue.

Updated Notes on New Fare Construction Rules

Defining the point of sale for electronic transactions is a complex subject having both fare construction, sales reporting and taxation implications. In an effort to start simplifying the pricing process, fare construction rules that referred to International Sale Indicators (ISIs) had to be amended so that the fare calculation formula and accompanying minimum checks remain the same regardless of where a ticket is purchased.

Given this background, effective 15 January 2005, new fare construction rules apply which no longer involve the use of International Sale Indicators (SITI/SOTI/SITO/SOTO). In addition to deleting the ISI references, the Country of Unit Origin Minimum check (COM) no longer applies. Moreover, the Higher Intermediate Point (HIP) check diminishes in scope as it only covers fares to/from intermediate stopover points.

These are just some of the many changes explained in the IATA Interline Tariffs Voluntary Rerouting Guidebook which can be ordered through IATA Publications - Montreal.

BSP Notes:

1. All offices both airline and travel agencies must implement the new fare construction rules effective 15 January 2005 with no exceptions.
2. ISIs will no longer be shown on tickets sold for the first time on/after 15 January 2005, however, there will still be cases where ISIs continue to appear on tickets. These cases will be limited to those tickets that have been issued in exchange for partly used tickets submitted for rerouting which were originally priced using the old fare construction rules. Such partly used tickets must have had a travel commencement date prior to 15 January 2005.
3. There could be a potential increase in split ticketing to take advantage of fares from soft currency countries, e.g. 2 one way (OW) tickets instead of a return (RT), primarily for passengers buying normal fares. This comes as a result of the reduced use of the Directional Minimum Check (DMC).
4. It is also expected that those passengers who bought NORMAL fare tickets prior to 15 January 2005 will return to the ticket offices after the new rules are implemented to avail of refunds (if applicable) as a result of lower fares brought about by the deletion of checks and split ticketing.
5. The new rules de-emphasise the use of terms such as points of sale and ticket issue but a new term has been coined to represent the former, i.e. place where traffic document is issued.
6. The issuance by travel agents of unspecified MCOs continue to be prohibited.
7. Honouring of unspecified MCOs for full or partial payment of tickets are allowed subject to the usual checks, e.g. acceptability of currency and maximum value limits. However, the country of payment of such unspecified MCOs no longer determine the fare construction rules to apply.

8. While PTA handling procedures remain the same, ISIs are not shown in the resulting prepaid ticket. However, most PTAs will no longer have Directional Minimum Checks (DMCs) unless these involve a OW or normal fare open jaw pricing unit to/from/via Japan that do not fall under the exceptions outlined in PTC Composite Resolution 017j.

The new fare construction rules are relatively easier to apply than the old rules.

All Global Distribution Systems (GDSs) are working overtime to reprogramme their systems in order to be ready to implement the new rules by 15 January 2005 while keeping the old fare construction rules for purposes of refunds and certain reissuances.

Although the GDSs are able to provide historical fares of tickets submitted for reissue, such re-pricing is often limited to the NUCs and fares rules and not to the fare construction logic itself. Hence, when voluntarily rerouting partly used tickets issued prior to 15 January 2005 for travel commencing on/after 15 January 2005, historical fares, fares rules and original IATA rate of exchange will be used but re-priced using the NEW fare construction logic.