

## AIRLINE COST MANAGEMENT GROUP (ACMG)

### TERMS OF REFERENCE

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#### 1. **MISSION**

- 1.1. The Airline Cost Management Group (“ACMG”) strives to share cost management best practices while providing airline industry platform for effective cost benchmarking.

#### 2. **OBJECTIVES**

- 2.1. The ACMG is a group of airline cost experts, with the overall goal to collect certain airline cost data through IATA on an annual basis, share such data on an aggregated and de-identified basis within the group and make it available to the airline industry as appropriate to encourage open and effectively competitive markets and foster efficient and economical air transport for the benefit of the peoples of the world.
- 2.2. The ACMG is constituted under the auspices of IATA with the following mandates:
  - a) Develop standardized and harmonized definitions of airline cost items (the “Standards”);
  - b) Form an open pool of airlines to share individual operational costs data, broken down by aircraft type or other category, and based on the Standards (“Operational Costs Data”);
  - c) De-identify data collated from Operational Cost Data which contains no names or information that would, in any way, allow identification of the ACMG member submitting it (the “Consolidated Data”);
  - d) Benchmark the Consolidated Data and develop benchmark reports (“Benchmark Reports”) to:
    - i. identify industry trends and major cost drivers, and
    - ii. help ACMG members compare their past performance and with that of the most efficient airlines;
  - e) Conduct industry survey upon request;
  - f) Foster sustainable airlines; and
  - g) Help identifying best practices in reducing costs for its airline members; to achieve profitability.

With the support of the ACMG, IATA will publish the Standards, collate, de-identify and aggregate the Operational Cost Data, produce the Consolidated Data, and develop and publish the Benchmark Reports in accordance with the provisions of these Terms of Reference.

- 2.3. The Benchmark Reports will mainly aim at:
  - a) Providing an analytical reference for carrying out extensive financial benchmarking of key performance indicators by aircraft type;
  - b) Providing an analytical reference for carrying out a wide variety of operational costs analyses to be undertaken; and
  - c) Analyzing the Consolidated Data to allow airlines to improve their efficiency and react to changes in the air transport environment.

The Benchmark Reports will be made available free of charge to all ACMG members contributing to the Consolidated Data pool.

- 2.4. The ACMG members will act as advisors to the ACMG and IATA on all matters relating to the optimization of airline cost drivers, improvement of cost management and reduction of operational costs. Areas of activity include:
  - a) Identify biggest cost drivers;
  - b) Identify industry trends; and
  - c) Identify regional related issues.
- 2.5. IATA and the ACMG members shall use their best efforts to promote to the airline industry the use of Standards adopted by the ACMG from time to time.

### **3. ACMG MEMBERSHIP AND WORKING ARRANGEMENTS**

- 3.1. Membership to the ACMG is open to all airlines duly registered in any jurisdiction of the world, including charter and low cost carriers (the "Airlines") and to any associations of airlines (the "Associations", collectively with the Airlines referred to as the "Members").
- 3.2. Voting rights shall only be exercisable by Airlines who have been appointed or elected in accordance with these Terms of Reference (the "Voting Members"). Each Voting Member shall have only one vote.
- 3.3. Associations shall not have any voting right (the "Non-Voting Members") but may participate to any ACMG meeting and shall get all other benefits of ACMG membership as described hereunder.
- 3.4. Members participating to the Consolidated Data pool will have access free of charge to a key source of annual performance Consolidated Data collected using a controlled and consistent procedure which allow powerful benchmarking capability to:
  - a) Monitor progress on cost reductions and process improvements;
  - b) Compare costs and cycle times within a single airline and between airlines;
  - c) Identify trends and mitigate upward cost pressures; and
  - d) Helps airlines devote resources to reduce operational costs.
- 3.5. All Members must participate in the Consolidated Data pool and provide Operational Cost Data to IATA for the purposes set forth in Section 1 in the manner and timing as prescribed by the ACMG. There will be no maximum period during which a Member may serve and participate to the ACMG. However, the ACMG membership of Members who fail to provide Operational Cost Data and participate in the Consolidated Data pool is subject to the termination in accordance with Section 2.13.
- 3.6. Each Member of the ACMG shall nominate a primary representative to the ACMG and an alternate. The names and coordinates of such primary and alternate representatives shall be notified to IATA in writing.
- 3.7. The ACMG shall be chaired by a Chair and supported a Vice Chair who shall both be elected by the Voting Members in accordance with the provisions hereof. The representatives appointed as Chair

and Vice-Chair of the ACMG may be the same representatives as those appointed as Chair and Vice-Chair of the Steering Committee.

- 3.8. The secretary of the ACMG will be IATA (the “Secretary”) who shall nominate a representative for that purpose and as such, IATA shall have the responsibility to coordinate meetings of the ACMG including the preparation of the agenda, reports of the meetings, and arrange for appropriate support services (e.g. legal and technical support). IATA shall have no voting right.
- 3.9. There will be at least one scheduled meeting of the ACMG per year (“Scheduled Meeting”). Additional meetings (“Interim Meetings”) may be called by the Chair of the ACMG at its discretion (e.g. every quarter) or in accordance with a request from a Voting Member, provided that the Secretary shall have first circulated such request to the Voting Members and an absolute majority (50+1) of the Voting Members agrees that the meeting shall be convened. Interim Meetings may be held by telephone or videoconference. The Members will meet at the Scheduled Meeting, and any Interim Meeting as necessary, to present any updates on the Standards and Benchmark Reports and any take strategic decisions or review or approve any matter as may be recommended by the Steering Committee or any Member.
- 3.10. The quorum for any ACMG meeting shall be the absolute majority of the Voting Members.
- 3.11. Changes to these Terms of Reference shall be adopted by a two-thirds majority of the Voting Members present at the meeting.
- 3.12. The ACMG may invite the participation of industry experts at its meetings from time to time as observers, including in priority the International Civil Aviation Organization (ICAO), aircraft manufacturers and other original equipment manufacturers (OEMs) and technology suppliers who are member of the IATA Strategic Partnership programme, and any other relevant stakeholder of the air transport industry (the “Observers”).
- 3.13. The membership of any Member may be terminated immediately upon notice of the Steering Committee in the event a Member materially fails to comply with any provision of these Terms of Reference (including to participate in the Data pool and provide Data to IATA in the prescribed manner and timing), and such failure is not remedied by the Member within thirty (30) days after receipt of written notice requiring it to do so.
- 3.14. ACMG meetings shall be conducted in accordance with competition law guidelines established by IATA. In particular, ACMG Members shall not exchange Operational Cost Data directly with each other. They shall do so only through IATA, which will adopt the required procedures for de-identification and, where applicable, aggregation of the Operational Cost Data before it is distributed.

#### **4. STEERING COMMITTEE AND WORKING GROUPS**

- 4.1. The ACMG will be represented by a Steering Committee (“SC”) who shall act as its executive body. The members of the SC will include a minimum of five (5) and a maximum of ten (10) members

elected amongst the Voting Members. Executives of each SC member will nominate their respective representative on the SC.

- 4.2. The initial membership of the SC shall be determined on a first come, first served basis, subject to the discretion of IATA to ensure a fair geographical representation of airlines. Initial membership to the SC shall be valid for two years.
- 4.3. At the expiry of the initial membership, the regular membership of the SC shall be determined by election amongst the Voting Members. Regular membership to SC shall be valid for two years from the date of election, upon the expiry of which members shall be eligible for re-election. There will be no maximum period during which a member may serve on the SC.
- 4.4. The SC shall be chaired by a Chair supported by one Vice Chair who shall both be elected by the Voting Members. The Secretary of the SC will be IATA who shall nominate a representative for that purpose.
- 4.5. The SC shall meet at least once a year, or in any event with sufficient frequency to ensure that it can fulfill its responsibilities, as may be determined by the SC members in consultation with the ACMG. The SC members will manage the programme working with the Secretary and will meet as often as necessary to take any operational decisions and prepare recommendations on strategic decisions to be presented to the ACMG Members.
- 4.6. The quorum for any SC meeting shall be the absolute majority of the SC members.
- 4.7. The SC may invite the participation of any Observers at its meetings from time to time.
- 4.8. In the event that a member of the SC fails to attend two (2) consecutive meetings of the SC, its membership shall be terminated except in the event of exceptional circumstances, the existence of which shall be determined reasonably by the SC in consultation with the Voting Members.
- 4.9. The SC may create ad-hoc working groups to address special topics or issues from time to time. Such working group shall report to the SC, and the details of such working groups' meeting organization (e.g. total number of meetings, goals of meetings, decision making process and voting rights) will be determined by the SC.
- 4.10. Any reports of the meetings of the ACMG and the SC, including with respect to Standards and Benchmark Reports development, shall be made available by SC on the ACMG restricted extranet website supported by IATA.

## **5. PROCESS, TIMELINES, IATA'S ROLE**

- 5.1. The Operational Cost Data input and collection shall be made in the format and manner as determined by the SC, following consultation with the ACMG Members.
- 5.2. IATA will assume the lead in the Operational Cost Data collection, aggregation and de-identification by providing infrastructure, manpower and facilities. For that purpose, IATA will set up an Operational Efficiency & Cost Management programme ("OECM"). Each ACMG Member will join the

OECM programme for the sharing of its Operational Cost Data through the execution of a standard data sharing and confidentiality arrangement with IATA.

- 5.3. IATA will collate and further de-identify the Operational Cost Data as needed to comply with applicable laws and regulation (including confidentiality and competition requirements) and, where appropriate, will aggregate the Operational Cost Data to produce the Consolidated Data in a central database (the "Database") for regional and industry trends. IATA will analyze the Consolidated Data and develop the annual Benchmark Reports accordingly.
- 5.4. Without limitation, the Benchmark Reports will display results and analysis of flight, maintenance, ground, and system operating costs broken down by airline size and by aircraft type when possible, and highlight cost drivers, regional or industry trends.
- 5.5. IATA will also develop courses, training and guidance material under the OECM programme for the benefit the ACMG Members and the airline industry, following consultation with the SC and ACMG Members.

## **6. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS**

- 6.1. The ACMG will comply with all applicable legal requirements governing the collection and distribution of airline data. Complete disclosure is included in the ACMG Data Collection Tool.

INTERNATIONAL AIR TRANSPORT ASSOCIATION

**(INSERT MEMBER'S NAME)**

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*Name:*

*Title:*

*Date:*

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*Name:*

*Title:*

*Date:*

*-and-*

\_\_\_\_\_  
*Name:*

*Title:*

*Date:*