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Introduction to Simplified Involuntary Reroute Settlement "SIRS"

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Background

In 2014, Simplified Involuntary Reroute Settlement “SIRS” process launched

- Joint effort between Accelya, ATPCO, IATA and ACH
  - ATPCO: Sales Files Processing
  - Accelya: Prorating Sales Files
  - IATA: Administration
  - ACH: Contracts and Secretary

What is SIRS

A Multilateral Agreement and process that allows two participating airlines to agree to settle involuntary reroutes at a % of the IATA Weighted Mileage Factor “WMF” based on the origin and destination of the lifted involuntary reroute coupon.

Signatories pick and choose which other signatory they will settle with using SIRS

Why SIRS

Proven Method

- ACH Airlines settling Invols this way for over 30 years
- 20 Airline signatories

Dynamic review/adjustment to rates every month

- Based on actual and current sales data

Robust oversight by engaged Steering Committee

Designed to simplify settlement of Invols while reducing costs and improving accuracy and timeliness of data to your internal customers

How does it work

Each month, using current IATA Sample Digit, 1% of Participating Airlines' sales extracted

- Original Sales only, no reissues
- Free and ID (ID, AD, ZED, etc.) tickets excluded
- Coupons with prorate amounts <$5, $20K>, and if coupon prorate = Q surcharge amount also excluded

MPA prorate amount and IATA WMF calculated for each coupon

- Excludes YQ/YR and interlineable taxes
  - Taxes billed in accordance with RAM rules

How does it work

Results, by Participating Airline, separated into 8 global regions based on O & D of each coupon

- Within TC1, excluding within North America “NA”
- Between NA and TC1, excluding within NA
- Within NA
- Transatlantic
- Within TC2
- Transpacific
- Within TC3
- Between TC2 and TC3

How does it work

Sum of prorates are compared to the sum of IATA WMFs to derive a % for each Participating Airline and Global Region

- Participating Airlines with less than 50 coupons in a Global Region are excluded from the % calculation for that Global Region
- Derived % is rounded to nearest whole number
  - Example: 8.72% is rounded to 9%
- Percentage rates applicable to 2nd month thereafter
  - Example: June sales used calculate August rates

Example

Summary Report : MAY'18 Transaction

E - TRANSATLANTIC RATE
Applicable for the month of JUL'18

Survey Participant	No of Coupons	Original Segment Coupon Values of WM coupons (in USD) [1]	Segment Weighted Mileage Factors [1]	Rate (%) Prorate/WMF [1]
[redacted]	20	7,707	117,359	0.00%
	8,023	4,251,672	41,708,966	10.19%
	6,792	2,394,197	33,331,217	7.18%
	6,950	3,800,369	39,241,335	9.68%
	50	13,040	242,907	5.37%
	192	116,639	1,188,988	9.81%
	883	511,720	5,269,993	9.71%
	12,002	7,154,456	61,647,900	11.61%
	9	3,327	47,560	0.00%
	5	4,198	37,025	0.00%
	3,961	1,828,677	23,274,206	7.86%
	115	79,287	698,806	11.35%
	19	9,021	111,855	0.00%
	36	16,312	212,724	0.00%
	10,305	6,737,559	53,509,659	12.59%
	1,640	581,836	9,916,462	5.87%
				0.00%
Total	50,913	27,469,451	270,030,439	10.17%

Carriers with less than 50 coupons excluded

Applicable Rates

Applicable Original Clearance Month	Settlement Rates by Global Region									
	A	B	C	D	E	F	G	H	I	J
Jan-2018	8%	10%	n/a	10%	9%	10%	9%	11%	7%	n/a
Feb-2018	9%	10%	n/a	10%	8%	9%	10%	11%	7%	n/a
Mar-2018	7%	9%	n/a	10%	8%	9%	9%	10%	6%	n/a
Apr-2018	8%	10%	n/a	10%	8%	9%	10%	10%	7%	n/a
May-2018	8%	10%	n/a	11%	9%	10%	10%	9%	7%	n/a
Jun-2018	8%	10%	n/a	11%	9%	10%	10%	9%	7%	n/a
Jul-2018	8%	10%	n/a	11%	10%	11%	10%	9%	7%	n/a
Aug-2018	8%	10%	n/a	11%	10%	11%	11%	9%	8%	n/a
Sep-2018										
Oct-2018										
Nov-2018										
Dec-2018										

Global Region Definitions:

A. Within TC1, excluding within North America
B. Between North America and TC1, excluding within North America
C. Discontinued
D. Within North America
E. Transatlantic
F. Within TC2
G. Trans Pacific
H. Within TC3
I. Between TC2 and TC3
J. Others (Is not expected to have any data/values, if it does, to be investigated immediately.)

Application Example

Invol Ticket Issued and Invoiced in July 2018

Orig	Dest	Region	WMF	% Rate	Settlement
YYZ	JFK	D	747	11%	$82.17
JFK	FRA	E	4707	10%	$470.70
FRA	MAD	F	1462	11%	$160.82

Applicable Original Clearance Month	Settlement Rates by Global Region									
	A	B	C	D	E	F	G	H	I	J
Jun-2018	8%	10%	n/a	11%	9%	10%	10%	9%	7%	n/a
Jul-2018	8%	10%	n/a	11%	10%	11%	10%	9%	7%	n/a
Aug-2018	8%	10%	n/a	11%	10%	11%	11%	9%	8%	n/a

Steering Committee

Composed of: Up to 6 airline representatives, Accelya, ATPCO, IATA and ACH

Very engaged. To date, has met 15 times

Considers amendments to the SIRS Agreement

- Inclusion of child/infant fares in % calculation
- Inclusion of OA tickets in airlines' sales files
- Rates per cabin
- Inclusion of Interlineable Taxes
- Schedule Changes & "5 Day Rule"

Performs Quality Control checks

Child/Infant Fares

Child/Infant fare tickets in % calculation:

- Prior to review, filtered out of population used to calculate %
- Because SIRS applicable to child/infant involuntary reroute tickets, SC decided they should not be filtered out

Result: Effective July, 1 2015 no longer excluded from population

OA Tickets

Inclusion of OA tickets in sales files:

- Prior to review, only participating airlines' own sales used to calculate %
- SC agreed to include all tickets from participating airlines' sales files to calculate %
  - New filter introduced to detect and delete duplicates across airline files

Result: OA tickets included as of April 2016 with overall 4% increase in tickets m/m

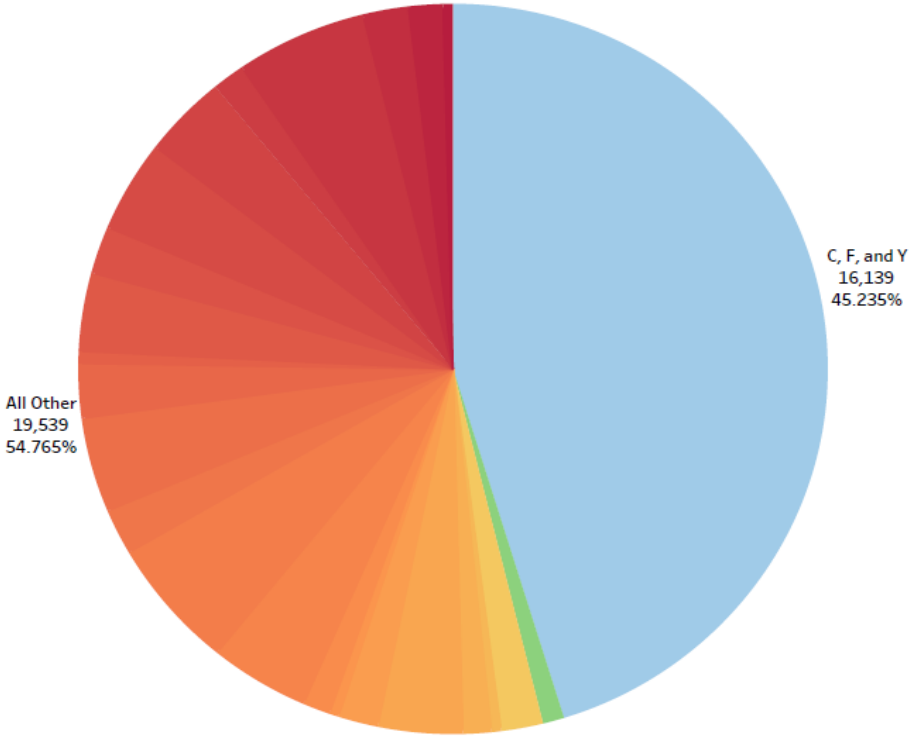
Rates per Cabin

Establish additional rates for Premium and Economy Cabins:

- Considered creating 3 rates for each Global Region
  - ***Current***: Blended, applicable to all cabin classes
  - ***Premium***: Applicable to first and business class
  - ***Economy***: Applicable to economy including premium economy
- SC concerned how to identify cabin class of involuntary reroute ticket and the potential for disputes
- Example: Identified several instances where multiple airlines file “A” RBD as economy class
  - In some cases, market specific

Rates per Cabin

Ticketed RBD of 35K Involuntary Reroute Coupons



Result: Status Quo. Potential for disputes over cabin class too high

Interlineable Taxes

Include Interlineable taxes in % calculation:

- Options discussed:
  - Leave as is (Status Quo)
  - No longer bill interlineable taxes
  - Bill applicable taxes for new routing regardless of collection
  - Add taxes to calculation when determining %
  - Create separate % for taxes

Result: Status Quo. Concerned about accuracy of and allocation to tax liability accounts.

Interlineable Taxes

Interlineable taxes as % of IATA WMF

	Sales Month						
Global Region	**Jan-18**	**Feb-18**	**Mar-18**	**Apr-18**	**May-18**	**Jun-18**	**Avg**
A	1.29%	1.30%	1.27%	1.28%	1.26%	1.31%	**1.29%**
B	1.01%	1.06%	1.07%	1.04%	1.02%	1.09%	**1.05%**
D	0.14%	0.13%	0.13%	0.12%	0.13%	0.14%	**0.13%**
E	0.58%	0.60%	0.60%	0.62%	0.63%	0.61%	**0.61%**
F	2.25%	2.28%	2.34%	2.32%	2.34%	2.27%	**2.30%**
G	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	**0.22%**
H	1.40%	1.25%	1.20%	1.09%	1.15%	1.12%	**1.20%**
I	0.43%	0.50%	0.54%	0.56%	0.55%	0.51%	**0.52%**

Schedule Changes

Treat Invol Ticket as Schedule Change:

- Reviewed 7,144 Invol Tickets with no indication of Schedule Change
- 1,292 (18%) of the 7,144 were issued more than 2 days before first ticketed departure date of Invol Ticket
- 843 of those were interline transactions

Result: Amendment adopted to treat Invol ticket as Schedule Change if issued more than 2 days before ticketed departure.

“5 Day Rule”

Ignore Invol designator if coupon’s flight date is 5 days or more after Invol ticket issue date:

- Concern that airlines are reissuing all coupons, including those unaffected by disruption
- Impacts revenue of unaffected and ticket issuing airlines
- Travel agencies can’t coupon select if reissuing as Invol

Result: Amendment adopted to disregard Invol designation of any coupon of Invol ticket where flight date is 5 or more days after ticket issue date

SIRS Benefits

- ***Revenue Accounting**:* Reduced rejections and costs
- ***Revenue Management**:* Accurate revenue amounts and a reduction to prior period adjustments
- ***Front Line***: Eliminates incentive to reroute on OA based on cost
- ***Industry:*** NDC interline compatible. Easy implementation and adoption

Summary

SIRS is:
An industry solution that simplifies the settlement of involuntary reroutes; is easily implemented; reduces costs; improves revenue recognition; and has strong oversight through its Steering Committee.

More information:
www.airlinesclearinghouse.com/documents