MEMORANDUM

PAC/Reso/981

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: 13 April 2023

Subject: MAIL VOTE (A614)
PAC1 (Mail A614)
Changes to Local Financial Criteria - Colombia

Background Information

The 21st Meeting of the APJC comprising Colombia, Ecuador, and Venezuela, was held on 28 June 2022. The APJC was briefed on PAC/44 decisions, the sunset of all temporary measures adopted to support the industry during the COVID19 impact and the return to compliance with Resolution 812 mandates.

The Council also reviewed the economic and financial progress of each of the three markets, the recovery levels of each BSP operation compared to 2019 sales, noting a subtle increase in terms of dollar sales but still lagging in terms of SCU volumes.

The Council also reviewed the impact of the market conditions on Agents’ financial standing noting that Agent financial accounts would still reflect above average levels of short and long-term government loans needed to continue with business operations, payment of salaries and social charges even when agency businesses were operating with reduced staff, particularly affecting the Colombian market for quite some time.

Given these conditions, the Council agreed to request the LFCWG to review the local financial criteria for Colombia and to determine if it continued to remain fit for purpose. Agent and Airline representatives for Ecuador and Venezuela supported the motion but did not request a review to their respective LFCs as their market conditions were different from that in Colombia.

During the 22nd Meeting of the APJC held on 1 December 2022, the Council was briefed on additional decisions taken by PAC via Mail Vote during Q2 and Q3, 2022. The Council also reviewed the BSP market update presented by IATA, the evolution of the economic and financial conditions in Colombia, being affected by increased inflation and continue to lag in SCU volumes.

During the extraordinary meeting of the APJC held on 26 January 2023, the Council approved changes to the local financial criteria for Colombia, having all members voting in favor of the proposal, with one abstention.

Effective Date

The proposed effective date of these changes is 1 June 2023.
Proposed Action
Conference to adopt the changes to the Local Financial Criteria for Agents in Colombia, as shown in Attachment ‘A’.

The timetable for this Mail Vote is as follows:

Voting Period: 13 April - 27 April 2023
Filing Period: 28 April - 31 May 2023
Effectiveness: 1 June 2023

To cast a vote, Members are asked to access the application from the following link.

Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on Thursday, 27 April 2023. Votes not cast by that deadline will be deemed to be affirmative.

In conformity with the Mail Vote procedure endorsed by PAConf in October 2009, this Mail Vote has been provided in advance to representatives of the agency associations ECTAA, UFTAA and WTAAA for review and/or comment.

Any Member seeking clarification on any aspect of the mail vote or the mail vote process is invited to contact the IATA Passenger Governance team by email to pac-gov@iata.org.

Juan Antonio Rodriguez
Director, FDS Operations, GDC
1. GENERAL RULE – (Accounts / Documents to be provided)

1.1 Financial Statements shall be prepared by an external certified public accountant who shall sign the statements and include the number of his valid professional license.

1.2 Financial Statements must not be older than 6 months at the time of submission to IATA.

2. CRITERIA FOR THE EVALUATION OF AGENTS’ FINANCIAL ACCOUNTS

2.1 Minimum Registered Capital is established in US dollars but reflected value in Colombian pesos at the official exchange rate whenever presenting financial statements:

- Bogotá: USD 35,000/25,000
- Medellín y Cali: USD 25,000/20,000
- Other Cities: USD 15,000/10,000

2.1.1 Minimum Registered Capital* is to be maintained at all times. Failure to maintain the required minimum Registered Capital will fail the financial review even when Agent is able to pass the Ratio Tests indicated below.

2.1.2 Registered Capital definition is shown under section 5 of this template.

2.2 Financial Statements will be evaluated against ratio tests. The financial ratio analysis is measured by the application of four ratio tests against which points are allocated. A maximum of 40 points may be attained. For the financial results to be considered as a satisfactory result, a minimum of 22 points must be scored.

2.2.1 Ratio Tests used and maximum number of points obtainable per ratio test:

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Points</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity ratio</td>
<td>14</td>
<td>A measure of the short-term solvency of the entity</td>
</tr>
<tr>
<td>Debt ratio</td>
<td>14</td>
<td>Amount of assets provided by creditors for each dollar of total assets</td>
</tr>
<tr>
<td>Turnover ratio</td>
<td>7</td>
<td>The average number of days to collect a receivable</td>
</tr>
<tr>
<td>Cash flow ratio</td>
<td>5</td>
<td>Level of debt versus profits</td>
</tr>
</tbody>
</table>

2.2.2 Scale of Points per Ratio Test:

**Liquidity Ratio**  
\[ \frac{\text{Current Assets}}{\text{Current Liabilities}} \]

- Over 1.99: 14 points
- 1.50 – 1.99: 14 points
- 1.25 – 1.49: 12 points
- 1.00 – 1.24: 10 points
- 0.96 – 0.99: 8 points
- 0.91 – 0.95: 4 points
- 0.86 – 0.90: 2 points
- under 0.86: 0 points

**Turnover Ratio**  
\[ \frac{\text{Net Receivables}}{\text{Total Sales}} \]
Under 15 days  7 points
15 – 16 days  6 points
17 – 18 days  5 points
19 – 20 days  4 points
21 – 23 days  3 points
24 – 26 days  2 points
27 – 29 days  1 point
Over 29 days  0 points

Debt Ratio = \( \frac{\text{Total Liabilities}}{\text{Total Assets}} \)

<table>
<thead>
<tr>
<th>Debt Ratio</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 0.4</td>
<td>14</td>
</tr>
<tr>
<td>0.4 – 0.59</td>
<td>12</td>
</tr>
<tr>
<td>0.6 – 0.89</td>
<td>10</td>
</tr>
<tr>
<td>0.9 – 0.99</td>
<td>8</td>
</tr>
<tr>
<td>1.0 – 1.19</td>
<td>6</td>
</tr>
<tr>
<td>1.2 – 1.34</td>
<td>4</td>
</tr>
<tr>
<td>1.35 – 1.49</td>
<td>2</td>
</tr>
<tr>
<td>over 1.49</td>
<td>0</td>
</tr>
</tbody>
</table>

Cash Flow Ratio = \( \frac{\text{Profit After Tax}}{\text{Long-term Liabilities}} \)

<table>
<thead>
<tr>
<th>Cash Flow Ratio</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.19 - 0.20</td>
<td>5</td>
</tr>
<tr>
<td>0.16 - 0.18</td>
<td>4</td>
</tr>
<tr>
<td>0.14 - 0.15</td>
<td>3</td>
</tr>
<tr>
<td>0.12 - 0.13</td>
<td>2</td>
</tr>
<tr>
<td>0.10 - 0.11</td>
<td>1</td>
</tr>
<tr>
<td>under 0.10</td>
<td>0</td>
</tr>
</tbody>
</table>

3. ANNUAL FINANCIAL REVIEWS

3.1 All Agents are subject to annual financial reviews. Details are described in Resolution 812, Section 5.

4. FINANCIAL GUARANTEE REQUIREMENTS

4.1 Financial Securities will be requested based on the Risk Status of the Agent as described in Resolution 812, Section 5:

4.1.1 Agents with Risk Status A – are not required to present a financial security
4.1.2 Agents with Risk Status B – will be required to present a financial security
4.1.3 Agents with Risk Status C – will be required to present a financial security

4.2 New Applicants will be required to provide a minimum Financial Security based on their head office location in Colombia as indicated below:

- Bogota  USD 35,000
- Medellin and Cali  USD 25,000
- Other Cities  USD 15,000

4.3 When Accredited Agents are required to provide a Financial Security, the Financial Security will be calculated based on the Agents’ own Day’s Sales at Risk. Days Sales at Risk is calculated based on the number of days in the reporting period plus the number of days to remittance date plus a margin of 5 days, the result is then multiplied by the daily average BSP net cash sales of the Agent’s previous 12 months’ sales, or a minimum Financial Security will be required,
whichever is higher. Such minimum financial security amounts will be based on the location of the Agent’s head office:

- Bogota   USD 35,000
- Medellin and Cali USD 25,000
- Other Cities USD 15,000

4.4 Duration of guarantee:

- Two-years minimum for New Applicants
- One-year minimum for Accredited Agents

5. FINANCIAL INFORMATION DEFINITIONS

Current Assets
This amount excludes notes or receivables from related parties, including shareholders, employees, officers, associates as well as Cash and Term Deposits pledged for security.

Current Liabilities
This amount must include the current portion of long-term debt.

Gross or Total Sales
In the event this figure is not specifically identified in the financial statements, please provide the gross sales figures for the period including ticket sales, package tours, hotels, car rental, insurance, miscellaneous income, etc., net of tax.

Long-term Liabilities
All long-term loans from third parties. It does not include non-current loans provided by shareholders or proprietors.

Net Receivables
This amount should be net of bad debt and should be broken down to reflect separately,
- Trade receivables net of provision for bad debt
- Commissions receivable
- Receivables from related parties. Refer to definition of current assets
- Supplier deposits

Profit After Tax
Profit after taxes but before extraordinary items.

Registered Capital
This is the capital that the partners commit to pay and maintain into the business. Registered Capital is comprised of Subscribed Capital and Paid-In Capital.
- Subscribed Capital – The payment of the Subscribed Capital can be in cash or by installments within a period not exceeding one year.
- Paid in Capital is the part of the subscribed capital that actually must be paid at the time of incorporation. It is the capital that the company can count at the time of its constitution.

Total Assets
Total assets including intangible assets such as goodwill, franchise fees, client lists, etc.

Total Liabilities
Include current liabilities and all loans from third parties. It does not include non-current loans provided by shareholders or proprietors. Loans from associate parties are included, unless subordinated to other parties.