



MEMORANDUM

PAC/RESO/719

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **15 September 2020**

Subject: **MAIL VOTE (A358)**
PAC3 (Mail A358)
Temporary Change of Local Financial Criteria - Australia

Background Information

In view of the current pandemic situation, through a mail vote sent to APJC delegates on 11 June, an agreement was reached to review the Australia Local Financial Criteria, followed by an APJC meeting on 16 Jun.

Following suggestions received and after extensive consultation with all delegates from Airlines, Travel Agents, AFTA and IATA, the following was determined:

1. Propose the temporary removal of the requirement for Travel Agents to furnish Audited Financial Statements and for Travel agents to only be required to provide Independently Certified Accounts according to Australian accounting standards.
2. Propose that the Client Travel or Trust Account be certified and is not required to be audited in line with point 1 above.

A mail vote was conducted to formalize the above points and that is the variation to section 1.1 of the Australian Financial Criteria (attached) which removes temporarily the requirement for IATA Accredited Agents from submitting Audited Financial Statements. Travel agents will still need to continue in providing independently certified financial statements regardless.

Mail Vote result:
7 airlines are in favour
7 Agents are in favour

Effective Date

The proposed effective date of these changes is 1 November 2020.

Proposed Action

Conference to adopt the temporary changes to the Local Financial Criteria in Australia as shown in Attachment 'A'.

The timetable for this Mail Vote is as follows:

Voting Period: 15-30 Sep 2020
Filing Period: 1-15 Oct 2020
Effectiveness: 1 November 2020

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

<https://www.surveymonkey.com/r/A342-359>

Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on **Wednesday, 30 September 2020**. 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. No comments were received.

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.

A handwritten signature in black ink, appearing to read 'J.A. Rodriguez', with a stylized flourish at the end.

Juan Antonio Rodriguez
Director – FDS Operations, GDC



It is proposed to amend the LFC for Australia as follows, with applicability 1 November 2020 – the completion of the financial assessment for the Financial Year End June 2021.

AUSTRALIA

(Effective ~~1 March 2018~~ 1 November 2020 - the completion of the financial assessment for the Financial Year End June 2020 – PAC/40 MV/358)

Financial Evaluation

The Agent or Applicant must provide audited financial statements prepared in accordance with Australian Accounting Standards. Such statements will be evaluated in accordance with these Local Financial Criteria.

As a temporary measure until all Financial Assessments for Agents Financial Year End of June 2021 are completed, Agents or Applicants will not be required to provide audited financial statements, and may submit independent and Certified Accounts for the purpose of any financial review as required under Resolution 812.

1. DOCUMENTS REQUIRED FOR NEW APPLICATIONS AND FINANCIAL REVIEWS

In order to ensure that a true and correct financial assessment is conducted the following documentation is required for the financial assessment submission.

1.1 Most recent Audited Financial Statements in accordance with applicable Australian Financial Reporting Standards which must include:

- 1.1.1 Detailed Profit & Loss Statement
- 1.1.2 Balance Sheet
- 1.1.3 Notes to the Accounts if applicable

1.2 Declaration of Client Travel or Trust Account properly maintained according to the IATA criteria specified in 2.3, signed by the Director(s) and certified by the auditor.

1.3 Signed Auditor Independent Report (must include auditor's Registration Number).

1.4 Company Composition (copy of ASIC Company Statement being evidence showing: company details including shareholders names, contact details and percentage share) if applicable.

2. CRITERIA FOR EVALUATION OF AGENTS' ACCOUNTS

In order to pass the Financial Review, the Agent must meet all the criteria stipulated herein under:

2.1 All financial information used in the financial criteria will be extracted from the Agent's Audited Accounts.

2.2 The following financial tests apply to the evaluation of an Agent's Audited Accounts:

- 2.2.1 There must be positive Net Equity
- 2.2.2 Net Equity divided by long-term debt and other long-term liabilities must be greater than 0.5.
- 2.2.3 EBITDA (Earnings Before Interest, Taxation, Depreciation, Amortisation and extraordinary items) must be positive.
- 2.2.4 The EBITDA must exceed the Interest Payable by a factor of a minimum two.
- 2.2.5 Adjusted Current Assets must exceed Current Liabilities.

2.3 Client Travel Account

For IATA purposes, a Client Travel Account is a bank account that an agent must maintain separate to the general account which must include all client BSP funds and the subsequent disbursement of those funds to airline principals. The Agent or new Applicant must comply with all of the following and provide a letter from an auditor confirming compliance:

- 2.3.1 All BSP monies received from clients, in advance of the issue of airline tickets, must be banked within 2 business days of receipt into an account in the name of the applicant — suitably titled “Client” or “Trust” Travel Account.
- 2.3.2 Interest bearing or term deposits may be opened with any recognized Australian financial institution.
- 2.3.3 Any such account as mentioned in 2.3.1 and 2.3.2 must be used exclusively for client’s funds, meaning any funds received from clients of the agent for travel.
- 2.3.4 Any BSP monies in such an account must not be subject to any encumbrance, including any floating charge.
- 2.3.5 All BSP deposits to the Client Travel Account must remain in the account until:
 - 2.3.5.1 they are paid to the principals on whose behalf they have been received; or
 - 2.3.5.2 they are refunded to the client who paid the same.
- 2.3.6 Commission earned is not to be withdrawn from the Client Travel Account until the tickets have been issued on behalf of the airlines.
- 2.3.7 Disbursements from the Client Travel Account on behalf of a customer who has not lodged funds (e.g. sale on credit) are not permitted. These must be made from the “General” or “Working” account of the applicant.
- 2.3.8 The Client Travel Account and liability for client funds held must be clearly identified on the Balance Sheet or Notes to the Accounts.
- 2.3.9 Annual declaration of compliance in all material respects by the agent’s auditor must be provided.

3. ANNUAL FINANCIAL REVIEWS

Agents accredited for two years or less

3.1 All Agents must provide Audited Accounts not more than six (6) months old at the time of submission

3.2 All Agents must provide Audited Accounts not more than 6 months old at the time of submission to become an Agent for the purposes of evaluation against the financial tests in section 2. If an Agent has been in business for less than 6 months at the time of application, an opening balance sheet must be provided instead.

All Agents must provide Audited Accounts no later than 4 months after each financial year-end, or as required by legislation, during the first two years of accreditation for the purposes of evaluation against the financial tests in section 2

3.3 All Agents must provide a Financial Security during the first two years as an Agent in accordance with section 4

3.4 Group

An Agent/Applicant who is a subsidiary of another company or more than one company, will be required to submit a copy of the most recent annual Group Consolidated accounts in addition to the accounts of that entity.

A Financial Security as per section 4, must be furnished, unless [both the conditions below are satisfied]:

- a. Agent / Applicant passes all the conditions stipulated in Section 2.

b. The Consolidated Group accounts (defined under Definitions Section 5) pass all the conditions stipulated in Paragraphs 2.2.1 to 2.2.5.

4. FINANCIAL SECURITY

Failure of any evaluation against the financial tests in section 2 or 3.3 or 3.4 will result in a Financial Security being required as specified in Resolution 850p as per the Amount at Risk, which must not be less than AUD 10,000 and must not exceed the applicable amounts per the table in 4.1.

4.1 Financial Security Table:

Annual BSP Cash Sales**	Maximum Financial Security Required
Less than 6 million	\$400,000
6 million to less than 20 million	\$1,000,000
20 million to less than 50 million	\$2,000,000
More than 50 million	\$10,000,000

5. DEFINITIONS OF TERMS USED IN THESE CRITERIA

Adjusted Current Assets – are defined as Current Assets as in the Balance Sheet of the Accounts after deducting:

- Stocks and work in progress.
- Deposits given to third parties other than IATA,
- Loans to Directors, Associate Companies, (including any subsidiary, associate or company under common ownership) Excludes any Associate Companies trading balance which transactions must be properly documented and identifiable in the notes to the accounts.
- Doubtful debtors,
- Blocked funds, except for funds held in favour of IATA.

These generic descriptions may be modified to terms specifically defined under the applicable local Generally Accepted Accounting Principles (GAAP) and disclosed in the financial statements.

Current Liabilities - are defined as Current Liabilities as in the Balance Sheet of the Accounts

EBITDA – Earnings Before Interest, Taxation, Depreciation and Amortisation

Financial Irregularity means an irregularity applied as a result of any failure to adhere to the reporting and remittance procedures described in Resolution 818g Attachment "A" including but not limited to those irregularities described in Resolution 818g Attachment "A".

Financial Review means a review of an Agent's financial position or the calculation of the amount of Financial Security required in accordance with these criteria.

Irregularity means any irregularity applied under the Passenger Sales Agency Rules for non-compliance with those Rules including but not limited to Financial Irregularities.

Net Equity or Shareholders' /Owners' Funds – consists of:

- Share capital
- Share premium
- Retained earnings
- Other distributable reserves
- Shareholder's loans if subordinated less declared dividends:

Long Term Debt – All debt liabilities where repayment is due more than twelve months after the end of the financial period.

Long Term Liabilities – all liabilities where repayment is due more than twelve months after the end of the financial period.

Review means any assessment or evaluation of an Agent's continuing compliance with the Passenger Sales Agency Rules.

Amount at Risk: Is the average cash sales (Net payable) reported by the Agent for the latest 12 month period calculated for the Days' Sales at Risk.

Consolidated Group Accounts - To consolidate is to combine assets, liabilities and other financial items of two or more entities into one. In the context of financial accounting, the term consolidate often refers to the consolidation of financial statements, where all subsidiaries report under the umbrella of a parent company.

Parent/Ultimate Parent - A parent company is a larger corporation that has significant ownership over a subsidiary or group of subsidiaries. These partially or wholly-owned smaller companies are controlled by the parent, to varying degrees; however, all parent companies, for the most part, own more than 50% of a subsidiary's voting stock.

Terms not defined in these Criteria will be construed in accordance with the definitions in Resolution 866 of the Passenger Agency conference Resolutions. Where there is conflict between terms defined in these Criteria and Governing Resolutions of the Passenger Agency Conference, the latter will prevail.