

MEMORANDUM

PAC/RESO/1023

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: 31 October 2023

Subject: **MAIL VOTE (A654)**
PAC1 (Mail A654)
Proposal for Changes to Local Financial Criteria for Uruguay

Background Information

Submitted by APJC Argentina, Paraguay and Uruguay

The 28th Meeting of APJC Argentina, Paraguay, and Uruguay, was held on 17 August 2023. This third APJC meeting during 2023 was scheduled, as agreed by the Joint Council, to continue the advancement of discussions towards the alignment of the BSP Remittance Frequency with the provisions of Resolution 812, for Agents in Argentina and Uruguay, from the current remittance of 10 days after the close of the reporting period, down to 5-business days after the close of the reporting period.

The APJC reviewed actions agreed at its previous meeting, held on 9 June 2023, where the Joint Council unanimously approved the alignment of the remittance frequency with the resolution for Agents in Paraguay, effective 1 October 2024, submitting their proposal to PAConf for adoption via Mail Vote.

The APJC then proceeded to resume the discussion on remittance frequency changes for Agents in Argentina and Uruguay. The Joint Council acknowledged the continuing complex economic and financial conditions affecting Argentina while Uruguay remained a stable market. Agent and airline members of the APJC voiced their respective concerns aiming to agree on the most viable timeline to adopt these changes for Argentina and Uruguay.

Various timeline options were discussed until a motion was presented by an airline member of the APJC proposing the implementation of remittance changes in Argentina and Uruguay, as of 1 January 2025. This motion aimed to accommodate concerns raised by each constituency and provided ample notice to the markets to accommodate the shorter remittance frequencies.

The motion was well received by both constituencies, and the Joint Council moved to vote on this motion. All Agent members of the APJC and all airline members of the APJC, except for one airline abstaining, voted in favor of changing the remittance frequency from 10 calendar days after the close of the reporting period to 5 business days after the close of the reporting period, for all Agents in **Argentina and Uruguay, effective 1 January 2025.**

Agent members of the APJC reminded IATA that all Billing Analysis and Billing Reports must be received by Agents by not later than 48 hours after the close of the period once the change to remittance frequency came into effect. Agents reiterated that failure by IATA to provide those reports within the 48 hours prescribed in the IATA rules, Agents would object to the implementation

of the remittance change since, at present, these reports were only available 72 to 96 hours after the close of the reporting period.

The Secretariat reiterated the Billing Analysis and Billing Reports would be available to agents latest 48 hours after the close of the reporting period. The Secretariat also advised that currently, Agents using the Streamline and Lean versions of the new BSPlink, already had online access to sales data 24 hours after the close of each ticketing day.

The APJC then proceeded to address changes to the Local Financial Criteria for Argentina, Paraguay, and Uruguay, resulting from the adoption of the reduced remittance frequency. The amendments to the local financial criteria for each country were unanimously approved by the APJC.

Effective Date

The proposed effective date of these changes is **1 January 2025**.

Proposed Action

Conference to adopt changes to the Local Financial Criteria Uruguay as per Attachment 'A' to align with the shorter remittance frequency in this market.

Voting Period: 31 October-15 November 2023

Filing Period: 16-30 November 2023

Effectiveness: **1 January 2025**

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

<https://forms.office.com/e/GNaQBgexpH>

Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on **Wednesday, 15 November 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.

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 'A. Rodriguez', with a large, sweeping initial stroke.

Juan Antonio Rodriguez
Director – FDS Operations, GDC

URUGUAY

(Effective 1 January 2025 – PAC MV/ A654)

1. CRITERIA FOR THE EVALUATION OF AGENTS' ACCOUNTS

1.1 The financial assessment will be based on the calculation of the financial ratios and the achievement of the score described below:

| | Financial Ratios | Maximum possible score | Description |
|----|--------------------|------------------------|---|
| a) | Liquidity | 14 | Short-term solvency |
| b) | Debt | 14 | Level of assets financed by debt |
| c) | Collection Average | 7 | Collection days to cover sales |
| d) | Cash Flow | 5 | Coverage of long-term debt through earnings |
| e) | Capital Solvency | 19 | Property Ownership |

Formula and score applicable to financial ratios:

a) Liquidity = Current Assets / Current Liabilities

| | |
|-------------|-----------|
| Above 1.99 | 14 points |
| 1.50 – 1.99 | 12 points |
| 1.25 – 1.49 | 10 points |
| 1.00 – 1.24 | 8 points |
| 0.96 – 0.99 | 6 points |
| 0.91 – 0.95 | 4 points |
| 0.86 – 0.90 | 2 points |
| Below 0.86 | 0 points |

b) Debt = Total Liabilities / Total Assets

| | |
|-------------|-----------|
| Below 0.4 | 14 points |
| 0.4 – 0.59 | 12 points |
| 0.6 – 0.89 | 10 points |
| 0.9 – 0.99 | 8 points |
| 1.0 – 1.19 | 6 points |
| 1.2 – 1.34 | 4 points |
| 1.35 – 1.49 | 2 points |
| Above 1.49 | 0 points |

c) Collection Term Average = (Receivables / Sales) * 365

| | |
|---------------|----------|
| Below 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 |
| Above 29 days | 0 points |

d) Cash Flow = After-tax earnings / Long-term Debt

| | |
|----------------|----------|
| 0.20 and above | 5 points |
| 0.18 – 0.19 | 4 points |
| 0.15 – 0.17 | 3 points |
| 0.13 – 0.14 | 2 points |
| 0.10 – 0.12 | 1 point |
| 0.09 and below | 0 points |

e) Capital Solvency = Value of Property owned by the Agent must cover Agent's own Amount of Sales at Risk* as per Table A. (Documentation and criteria for this ratio is described under paragraph 4).
Score:

| | |
|-----------------|-----------|
| *equal or above | 19 points |
| *0 below | 0 points |

Table A - Capital Solvency requirements for Agents with no Risk Events.

| Amount of Sales at Risk = <u>Total net cash sales (USD) over the last 12 months x 17 days</u> 365 days | | Minimum Capital Solvency |
|---|-----------|--------------------------|
| From | Up to | Property value (USD) |
| 0 | 14.999 | 10.000 |
| 15.000 | 19.999 | 15.000 |
| 20.000 | 24.999 | 20.000 |
| 25.000 | 49.999 | 25.000 |
| 50.000 | 74.999 | 50.000 |
| 75.000 | 99.999 | 75.000 |
| 100.000 | 149.999 | 100.000 |
| 150.000 | 199.999 | 150.000 |
| 200.000 | 299.999 | 200.000 |
| 300.000 | 399.999 | 300.000 |
| 400.000 | 499.999 | 400.000 |
| 500.000 | 599.999 | 500.000 |
| 600.000 | 699.999 | 600.000 |
| 700.000 | 799.999 | 700.000 |
| 800.000 | and above | 800.000 |

2. ANNUAL FINANCIAL ASSESSMENTS

Conditions for the analysis of Financial Statements presented by the Agent

2.1 In order to become an IATA Accredited Agent and each year, for the annual financial review, the Agent must submit the latest Financial Statements (Balance Sheet, Profit & Loss Statement, Notes and Annexes) with Public Accountant's Report (Compilation, Limited Review or Audit). Submission must be done not later than 8 months following the Agent's financial year end.

2.2 After the first two years of accreditation, agents with Risk Status 'A' who own property for a value equivalent or superior to their Amount of Sales at Risk as determined under Paragraph 1.1 section e) above, can submit documentation as described under Financial Definitions.

Satisfactory result in the financial assessment

2.3 In order to achieve a satisfactory evaluation, the agent must obtain a minimum acceptable score of **22 points** resulting of the application of the sum of financial ratios a), b), c) and d).

2.4 The maximum score that can be obtained as a result of the application of the 5 financial ratios (a, b, c, d and e) is 59 points.

Unsatisfactory result in the financial assessment

2.5 The result of the financial assessment will be considered as unsatisfactory when points obtained after calculation of the 4 financial ratios a), b), c) and d) in the financial statement is **lower than 22 points**.

3. FINANCIAL SECURITY

3.1 An Agent will not be accredited or will not continue to be accredited until any Financial Security required to be provided to IATA has been received by IATA.

3.2 Financial Securities will be expected to be valid for a minimum of at least one year.

3.3 Upon accreditation and during the first two years, every Agent must present a Financial Security for an amount equivalent to **USD 20.000** or calculated as the Agent's amount at risk as defined in Paragraph 3.4, whichever is higher.

3.4 The following formula will be applied to calculate Agent's the amount of sales at risk:

Total net cash sales over the last 12 months x 17 days

365 days

Agents with Risk Status A

3.5.1 Agents with Risk Status 'A' who obtained a satisfactory financial assessment ratio result above 40 points, and who do not have risk events, are not required to present a financial security.

3.5.2 Agents with Risk Status 'A' who obtained a satisfactory financial assessment ratio result between 22 and 40 points, who do not have risk events but failed to comply with ratio e) are required to present a financial security for an amount equivalent to the Agent's own Amount of Sales at Risk as per **Table B** below.

| Amount of Sales at Risk = <u>Total net cash sales (USD) over the last 12 months x 17 days</u> | | Financial Security (USD) |
|--|--------------|---------------------------------|
| From | Up to | |
| 0 | 14.999 | 10.000 |
| 15.000 | 19.999 | 15.000 |
| 20.000 | 24.999 | 20.000 |
| 25.000 | 49.999 | 25.000 |
| 50.000 | 74.999 | 50.000 |
| 75.000 | 99.999 | 75.000 |
| 100.000 | 149.999 | 100.000 |
| 150.000 | 199.999 | 150.000 |
| 200.000 | 299.999 | 200.000 |
| 300.000 | 399.999 | 300.000 |
| 400.000 | 499.999 | 400.000 |
| 500.000 | 599.999 | 500.000 |
| 600.000 | 699.999 | 600.000 |
| 700.000 | 799.999 | 700.000 |
| 800.000 | and above | 800.000 |

Agents with Risk Status "B"

3.6 For Agents with Risk Status "B", the amount of the Financial Security required must cover at a minimum the amount calculated as per Paragraph 3.4, or a minimum of USD10,000 (or the equivalent in local currency), whichever is higher.

Agents with Risk Status "C"

3.7 For Agents with Risk Status "C" the amount of the Financial Security required must cover at a minimum the amount calculated as per Paragraph 3.4, or a minimum of USD10,000 (or the equivalent in local currency), whichever is higher.

4. FINANCIAL DEFINITIONS

Current Assets: Receivables from related companies, shareholders, employees, directors, partners as well as cash and fix-term deposits in escrow must be excluded.

Current Liabilities: It must include the current portion of long-term debt.

Total Sales: The amount must appear specifically in the Financial Statements and correspond to gross sales obtained in the period including (but not limited to) ticket sales, packages, hotels, car rental, insurances, miscellaneous, etc.

Long-term Liabilities: It comprises all third-parties long-term debt. Loans to shareholders or proprietors must be excluded.

Receivables: It must be shown as a breakdown of commercial receivables, fees, commissions, related companies' receivables and advances granted to suppliers. Bad debt must be excluded.

Earnings after taxes: Extraordinary earnings must be excluded.

Total Assets: Intangible assets must be included.

Total Liabilities: It includes current liabilities and third-parties' loans. Loans granted to shareholders or owners must be excluded. It must include related companies' liabilities less the corresponding subordinated tranche (receivable).

Capital Solvency: The Value of Property owned by the Agent, which must be included In the Agent's financial accounts, must be free and clear. The following documents will be required to prove capital solvency (these criteria apply only to Agents described in paragraph 2.3).

1. An ownership certificate issued by a Public Notary for each property owned by the Agent. The validity of the certificate must not be older than 30 days. Each property provided must be free of restrictions (garnishment, mortgage, usufruct, etc.) and fully available to the Agent.
2. Two property appraisals certified by local realtors or public auctioneers, indicating the market value of the property presented. The validity of the appraisals must not be older than 30 days.