



PAX Rejection Memo Reduction Industry Initiative

Annual Report 2020



The Passenger Rejection Memo Reduction initiative is endorsed by the IATA Financial Committee to reduce the number of unnecessary passenger rejection memos in the industry.

The IBSOPS Working Group intends to achieve an industry-wide target of reducing the rejection rate by 32%, by the year 2020. The IBSOPS WG and Rejection Reduction Team have undertaken several actions to reduce the number of passenger rejections:

- New validations in SIS
- Changes in the RAM
- Multiple presentations/workshops at industry meetings
- Continuous reporting and communications to the industry
- Publication of Best Practices Document

The purpose of this report is to track the trend of passenger rejection memos in SIS and provide a comparative analysis of the rejection memo counts of 2020 versus the counts of the base year 2015.

Due to COVID-19 impacts, the target of 32% was put on hold in February due to the impact on volumes. The formula used to calculate the rejection rates was also modified to consider the time lag between the prime billing and the raising of the rejection. This time lag shows that an average of 85% of rejections are processed within 3 months of previous billing. The purpose of this modification is to take into consideration the drop of volumes due to COVID-19.

All values in this report exclude ACH billings (settlement through ACH using ACH rules). Also, the report covers Sampling and Non-Sampling analysis separately.



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1. Highlights 2020

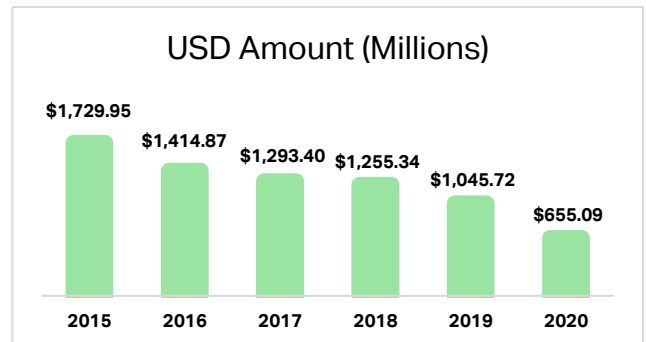
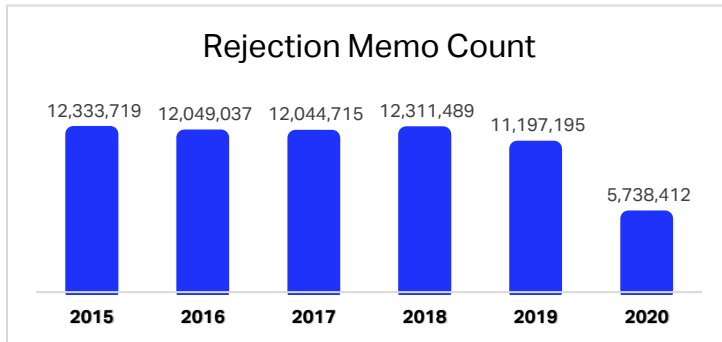
- ✚ Prime Billings decreased by 63% in 2020, in comparison to 2015.
- ✚ Rejection Billings decreased by 53% in 2020, in comparison to 2015.
- ✚ COVID-19 had a major impact on the number of prime and rejection billings in the year 2020 compared to previous years.
 - In comparison to base year of 2015, prime billing counts have decreased by 63%.
 - In comparison to base year of 2019, prime billing counts have decreased by 71%.
- ✚ The impact on the expected trends of interline passenger billings began within the first quarter of 2020 (Q1-2020).
 - There was a significant decrease of 39% of prime billings from February to March and an additional decrease of 89% between March and April.
- ✚ Due to COVID-19 impacts, the target of 32% was put on hold in February due to the impact on volumes. The formula used to calculate the rejection rates was also modified to consider the time lag between the prime billing and the raising of the rejection. This time lag shows that an average of 85% of rejections are processed within 3 months of previous billing. The purpose of this modification is to take into consideration the drop of volumes due to COVID-19.
 - Estimated % rejected of Prime Billings
 - Estimated % rejected Stage 1 RMs
 - Estimated % rejected of Stage 2 RMs
- ✚ Tax related reasons (reason codes "1G, 1T, 1Y,") are the number one reason for stage 1 rejections, while fare related reasons (reason codes "1B, 1S, 1Z, 2S") are the top reasons of 2nd and 3rd stage rejections. This indicates a high number of incorrect tax prime billings, which are resolved in 1st stage, while fare related rejections reach 2nd and 3rd stages, and possibly correspondence.



2. Global Non-Sampling Analysis

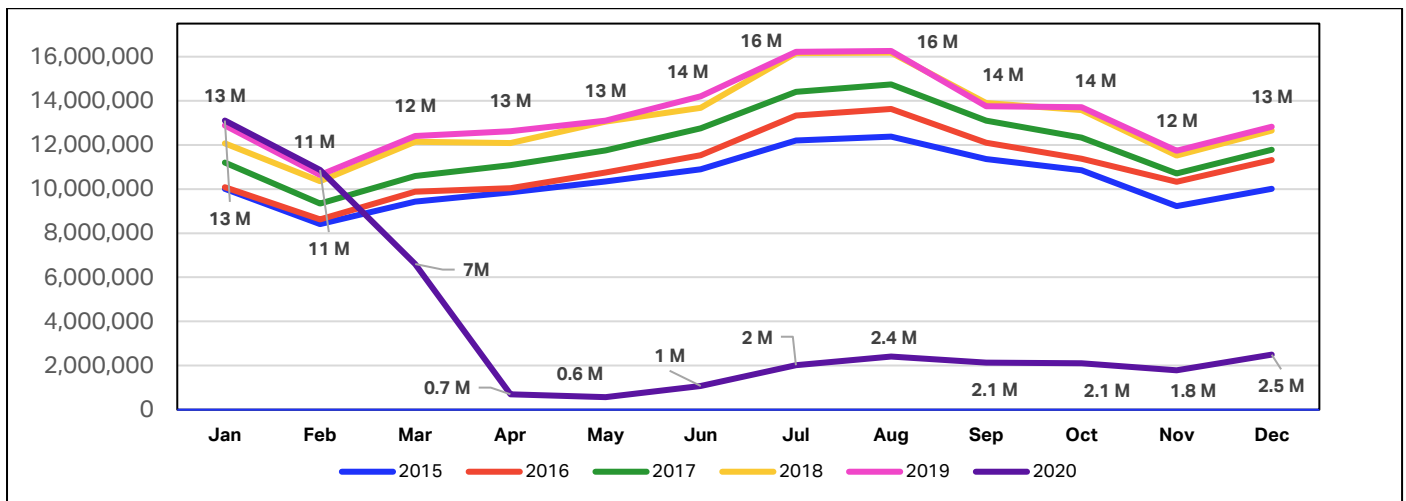
Total Rejection Memo Count and USD Value per Year

In 2020, the Rejection Memo count has decreased by over 5.5 million in comparison to the 2015 count, which represents **49%** reduction. Additionally, the USD value has been decreasing consistently since 2015 and is now **62%** lower. This decrease is due to the decrease of prime billings due to COVID-19.



Total Prime Billing Counts (2015 - 2020)

The below graph illustrates the trend of non-sampling prime billings per month for the past 5 years. During the years 2015 to 2020, prime billings have been increasing continuously, while following a seasonal pattern with the highest counts in July and August. However, the impacts of COVID-19 on passenger travel in 2020 led to a significant decline in the volume of passenger prime billing counts after Feb-20.



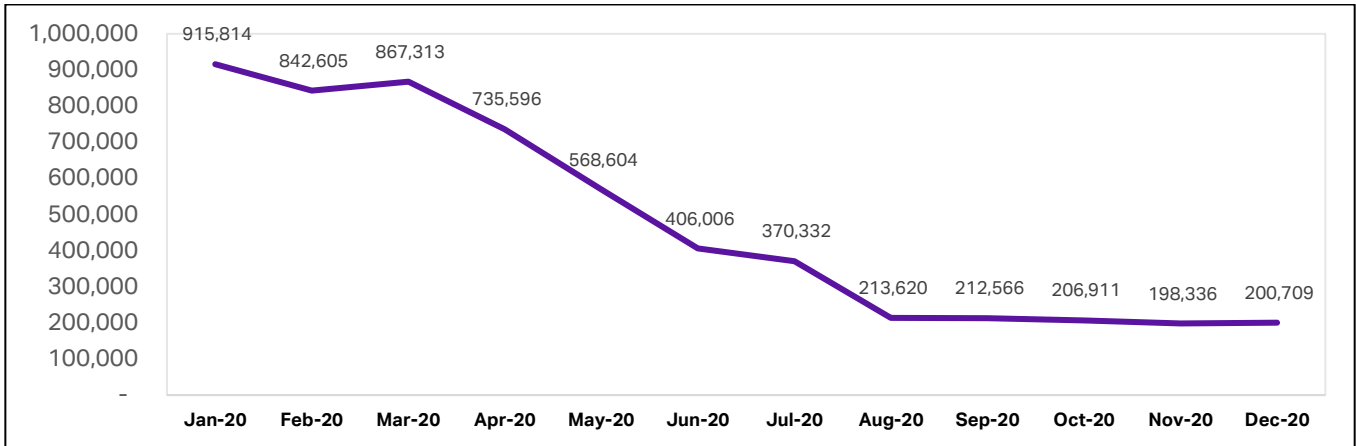
The prime billing counts have decreased by **63%** in comparison to the base year 2015.

Total Prime Billing Counts							
Year	2015	2016	2017	2018	2019	2020	% Variation 2015 vs 2020
Counts	124,965,120	133,004,194	143,807,432	157,354,093	160,339,228	45,856,996	-63%



Total Rejection Memo Counts by Month - 2020

The below graph shows the total count of non-sampling rejection memos per month in 2020. The volumes of passenger rejection memos also were impacted due to COVID-19's effects on passenger travel. There was a steady decrease starting as of Apr-20 due to the decrease of prime billings in Mar-20.



Total Rejection Memo Count by Stage

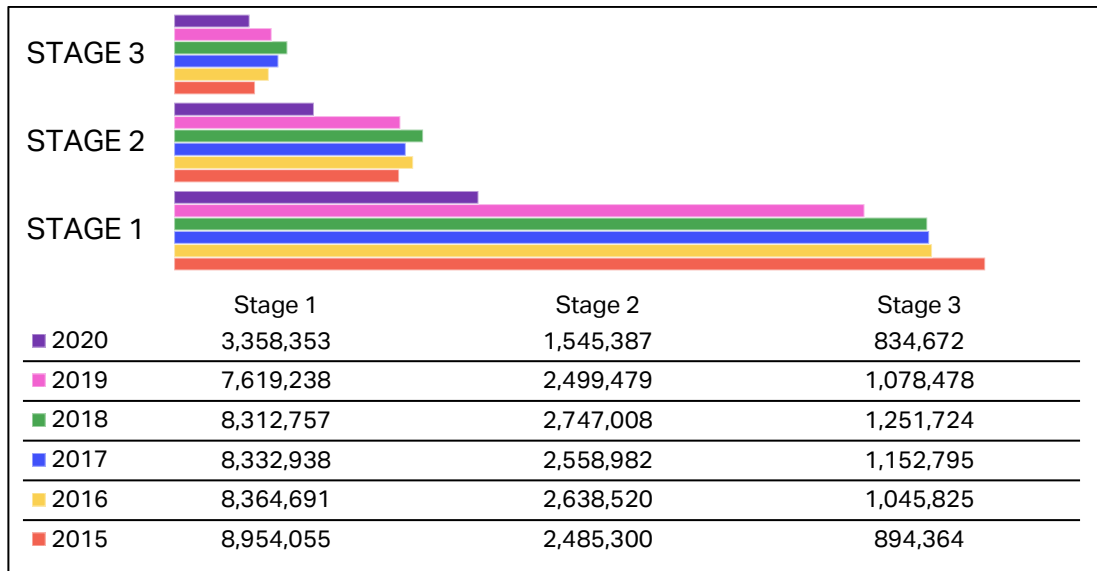
The below chart shows a comparison of rejections counts for each stage between 2015 and 2020.

In comparison to the base year 2015:

Stage 1 counts have decreased by **62%** in 2020

Stage 2 counts have decreased by **38%** in 2020

Stage 3 counts have decreased by **7%** in 2020





3.Rejection Reduction Target & Progress

Target & Formulae

The industry target was **32%** reduction of the rejection rate by the year 2020. This target was put on hold in Feb-20 due to the impact of COVID-19. The rejection rate was calculated as follows.

$$\text{Rejection Rate} = \frac{\text{Sum of Rejection Memos of Past 12 months}}{\text{Sum of Prime Billings of Past 12 months}} \times 100\%$$

The table below shows the decrease in the rejection rate at the end of each year. By December 2020, the rejection rate **increased** by **26.79%** in comparison to the base year 2015. This was due to the non-consideration of the average time limits of 3 months between each rejection stages.

	2015	2016	2017	2018	2019	2020
Rejection Rate	9.87%	9.06%	8.38%	7.82%	6.98%	12.51%
Percent Decrease	-	8.21%	15.14%	20.73%	29.24%	+26.79%

The new formulae (below) introduced in 2020 will better assess and represent the industry's rejection rate considering the impact of COVID-19. The intention of these new formulae is to take in consideration the reality of the industry. By taking into consideration a 3-month LAG, there would be a **decrease** of **25.23%** by December 2020.

$$\text{Rejection Rate (New formula)} = \frac{\text{Sum of Rejection Memos of Past 12 months}}{\text{Sum of Prime Billings of Past 12 months (including 3 months LAG)}} \times 100\%$$

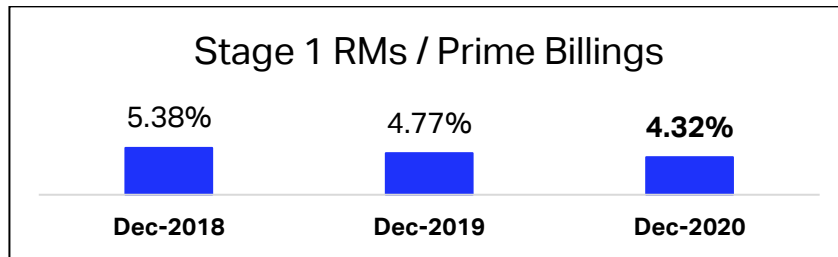
	2015	2016	2017	2018	2019	2020
Rejection Rate	9.87%	9.06%	8.38%	7.82%	6.98%	7.38%
Percent Decrease	-	8.21%	15.14%	20.73%	29.24%	25.23%



Stage 1 Analysis - Estimated Percentage of Rejected Prime Billings

The chart below illustrates the trend of the estimated percentage of rejected prime billings. Based on this calculation, approximately **4.32%** of the prime billings in 2020 were rejected, a consistent decrease since 2015. The percentage is calculated using the following formula.

$$\text{Estimated \% of rejected prime billings} = \frac{\text{Sum of Stage 1 RMs of past 12 months}}{\text{Sum of Prime Billings of Past 12 months (including 3 months LAG)}} \times 100\%$$

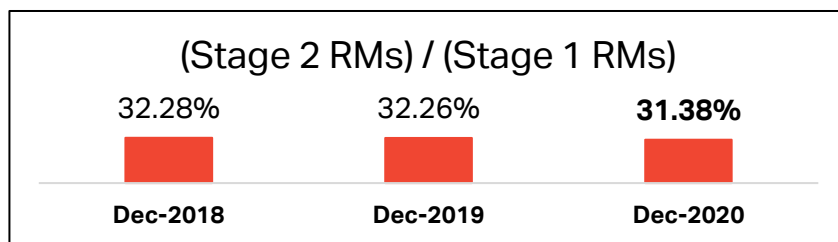


Stage 2 & 3 Analysis - Estimated Percentage of Re-Rejected Stage 1 and Stage 2 Rejections

The percentages are calculated using the following formula.

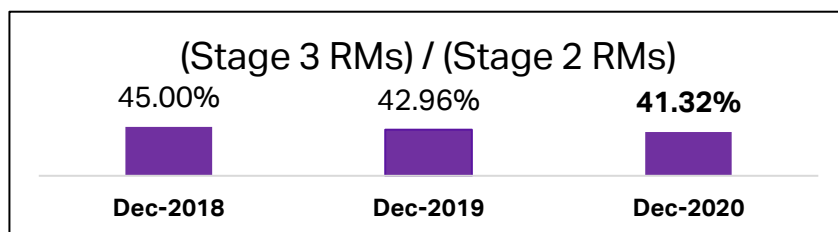
$$\text{Estimated \% of rejected Stage 1 RMs} = \frac{\text{Sum of Stage 2 RMs of past 12 months}}{\text{Sum of Stage 1 RMs of past 12 month (including 3 months LAG)}} \times 100\%$$

The estimated percentage of rejected Stage 1 Rejection Memos is plotted in the graph below and show a decrease in 2020 in comparison to previous years. Approximately **31.38%** of the Stage 1 rejection in 2020 were rejected back 2nd stage.



$$\text{Estimated \% of rejected Stage 2 RMs} = \frac{\text{Sum of Stage 3 RMs of past 12 months}}{\text{Sum of Stage 2 RMs of past 12 month (including 3 months LAG)}} \times 100\%$$

The percentage of 2nd stage rejections which are rejected back 3rd stage is also plotted in the below chart with a decreasing trend in 2020. Approximately **41.32%** of the 2nd stage rejections in 2020 were rejected back 3rd stage.





4.Rejection Memo Analysis by SMI

SMI - I/M Analysis

The table below shows the counts of SMI I and SMI M rejections per stage (2020 vs 2015).

All counts of different stage of rejections have decreased in comparison to the base year 2015.

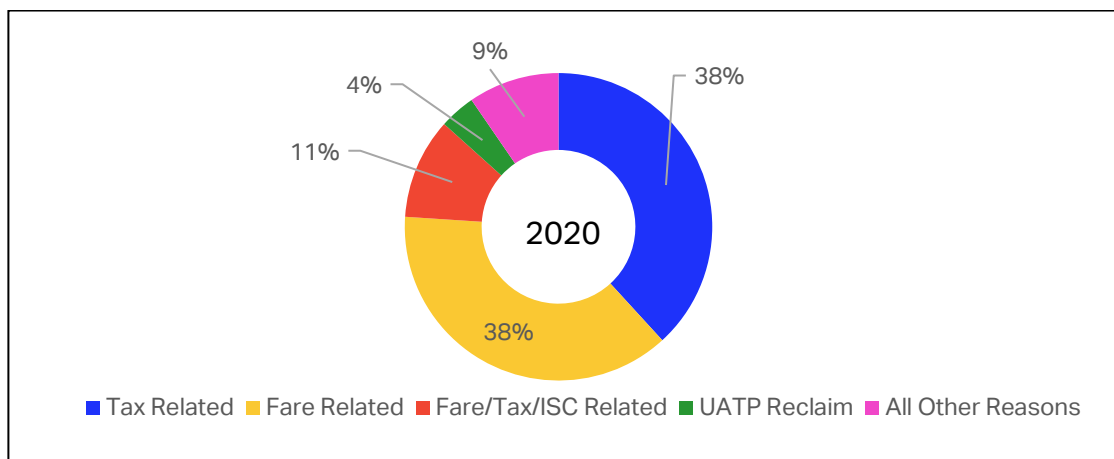
SMI I/M	1 st Stage	2 nd Stage	3 rd Stage	Total RM Count
% variation 2020 vs 2015	-58%	-38%	-5%	-50%
2020	3,196,028	1,511,931	816,390	5,524,349
2015	7,692,894	2,425,398	863,209	10,981,501

SMI – I /M Reason Code Analysis

1st Stage Reason Code Analysis

The table below shows the Top 7 Reason Codes. The top 7 reason codes represent **98%** of all SMI-I/M/B stage 1 rejections. Fare related reasons account for the highest count of 1st stage rejections in 2020.

Reason Code	Reason Description	1 st Stage 2020	1 st Stage 2019	1 st Stage 2018	1 st Stage 2017	1 st Stage 2016	1 st Stage 2015	% Variation 2020 vs 2015
1G, 1T, 1Y	Tax Related	1,281,350	3,166,183	3,157,875	2,785,137	2,836,874	2,591,444	-53%
1B, 1S, 1Z, 2S	Fare Related	1,268,887	2,643,573	2,872,253	3,054,911	3,025,507	3,248,605	-62%
1A, 1R	Fare/Tax/ISC Related	355,840	854,253	824,711	835,804	926,496	929,403	-63%
1E	UATP Reclaim	126,758	254,377	259,154	352,210	256,828	94,152	29%
1C	ISC Reclaim	117,342	272,651	226,634	207,161	200,262	264,514	-56%
5Z	Others	99,038	166,951	146,653	155,389	185,735	243,756	-62%
2B	Duplicate Billings	35,769	61,045	52,317	26,928	22,601	17,669	-17%

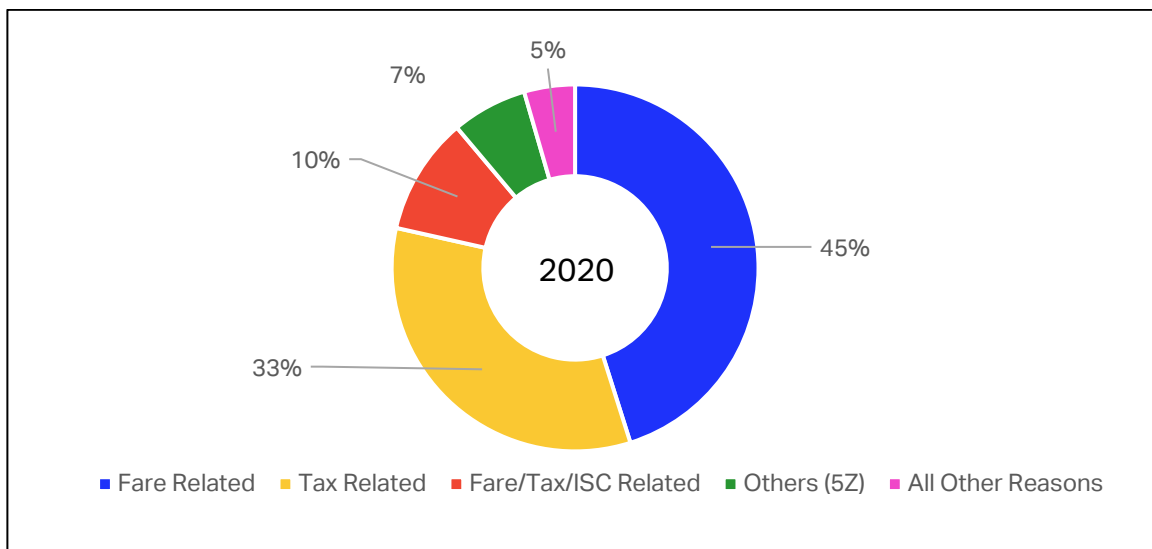




2nd Stage Reason Code Analysis

The table below shows the Top 7 Reason Codes, sorted by 2020 stage 2 rejection counts. The top 7 reason codes represent **99%** of all SMI-I/M/B stage 2 rejections. Fare related reasons account for the highest count of 2nd stage rejections in 2020.

Reason Code	Reason Description	2 nd Stage 2020	2 nd Stage 2019	2 nd Stage 2018	2 nd Stage 2017	2 nd Stage 2016	2 nd Stage 2015	% Variation 2020 vs 2015
1B, 1S, 1Z, 2S	Fare Related	693,359	1,179,865	1,236,554	1,193,123	1,217,942	1,181,272	-43%
1G, 1T, 1Y	Tax Related	513,036	814,639	759,512	733,642	721,209	661,343	-24%
1A, 1R	Fare/Tax/ISC Related	159,183	241,643	227,178	231,577	242,609	218,045	-29%
5Z	Others	102,259	126,285	172,854	184,575	221,913	211,451	-54%
1C	ISC Reclaim	53,838	89,431	99,128	106,640	104,675	102,918	-48%
1E	UATP Reclaim	7,804	13,113	12,709	6,412	4,563	5,297	-17%
1D	Other Commission Reclaim	4,421	13,835	8,773	10,721	7,938	3,010	159%

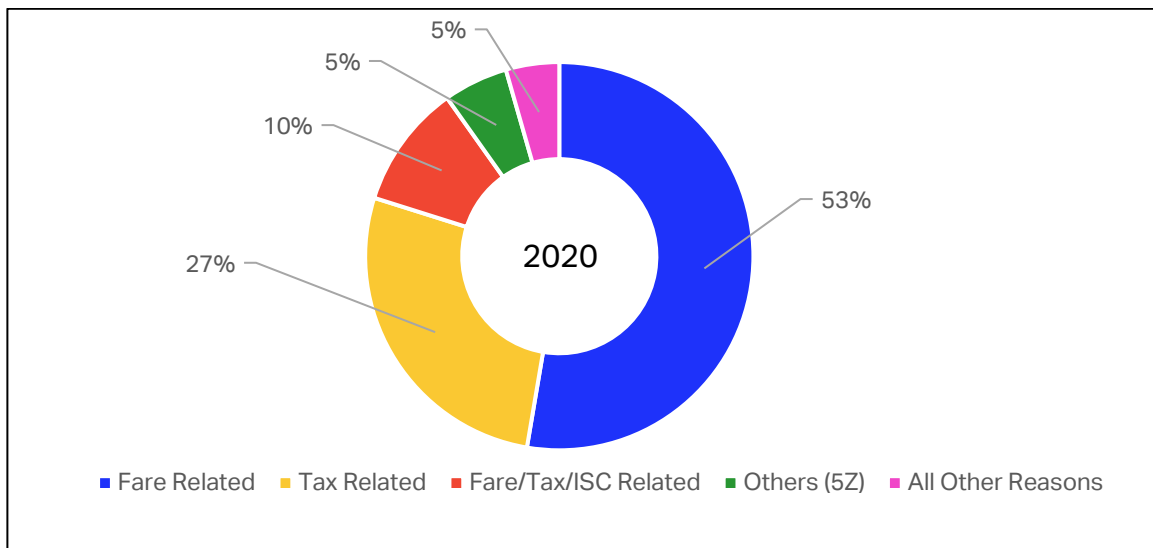




3rd Stage Reason Code Analysis

The table below shows the Top 7 Reason Codes, sorted by 2020 stage 3 rejection counts. The top 7 reason codes represent **99%** of all SMI-I/M/B stage 3 rejections. Fare related reasons account for the highest count of 3rd stage rejections in 2020.

Reason Code	Reason Description	3 rd Stage 2020	3 rd Stage 2019	3 rd Stage 2018	3 rd Stage 2017	3 rd Stage 2016	3 rd Stage 2015	% Variation 2020 vs 2015
1B, 1S, 1Z, 2S	Fare Related	435,593	492,093	597,059	554,115	543,865	428,002	-1%
1G, 1T, 1Y	Tax Related	224,853	394,964	369,129	302,771	206,564	183,276	21%
1A, 1R	Fare/Tax/ISC Related	85,342	103,217	110,966	114,919	106,127	73,045	15%
5Z	Others	44,444	48,014	62,479	99,763	95,065	132,107	-68%
1C	ISC Reclaim	26,710	23,232	42,078	39,081	41,681	25,210	6%
1E	UATP Reclaim	6,746	7,083	5,626	5,386	3,116	2,208	206%
2A	Unmatched Sale	1,550	2,132	2,406	4,231	8,534	9,108	-90%





SMI - B Analysis

The table below shows the counts of SMI B rejections per stage (2020 vs 2015). The counts of 1st and 3rd stage rejections have decreased comparison to 2015, while the counts of 2nd stage rejections have slightly increased.

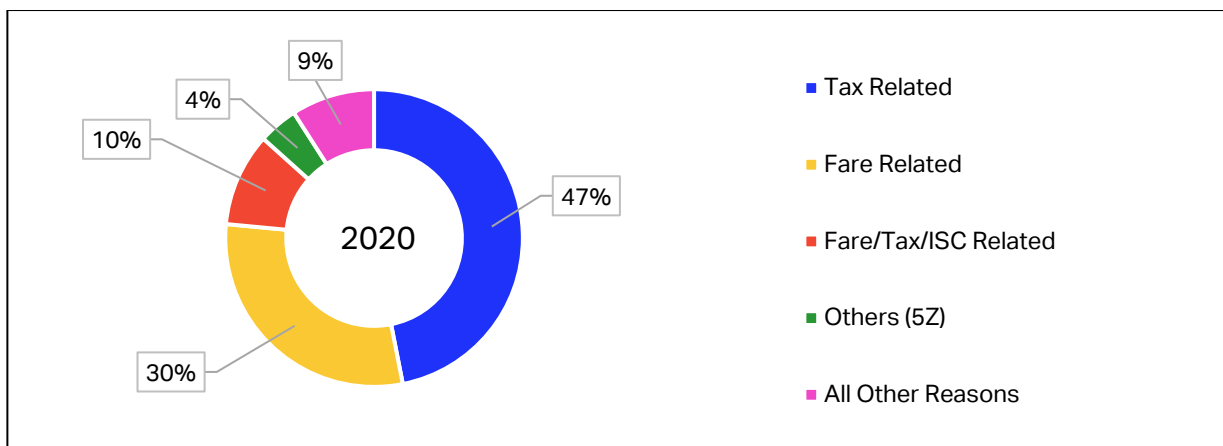
SMI B	1 st Stage	2 nd Stage	3 rd Stage	Total RM Count
% variation 2020 vs 2015	-87%	-44%	-41%	-84%
2020	162,325	33,480	18,286	214,091
2015	1,261,159	59,902	31,155	1,352,216

SMI – B Reason Code Analysis

1st Stage Reason Code Analysis

The table below shows the Top 7 Reason Codes, sorted by 2020 stage 1 rejection counts. The top 7 reason codes represent **98%** of all SMI-B stage 1 rejections raised in 2020.

Reason Code	Reason Description	1 st Stage 2020	1 st Stage 2019	1 st Stage 2018	1 st Stage 2017	1 st Stage 2016	1 st Stage 2015	% Variation 2020 vs 2015
1G, 1T, 1Y	Tax Related	76,135	148,263	287,330	513,834	470,669	847,088	-91%
1B, 1S, 1Z, 2S	Fare Related	48,043	134,203	209,544	128,096	105,694	151,458	-68%
1A, 1R	Fare/Tax/ISC Related	16,466	38,145	56,476	59,326	79,521	192,204	-91%
5Z	Others	6,966	25,611	8,059	4,367	5,737	12,955	-46%
1C	ISC Reclaim	623	7,525	12,680	2,638	3,515	11,390	-95%
2A	Unmatched Sale	2,582	3,942	1,706	10,533	6,661	1,133	128%
1D	Other Commission Reclaim	609	2,893	2,072	134	3,666	4,432	-86%

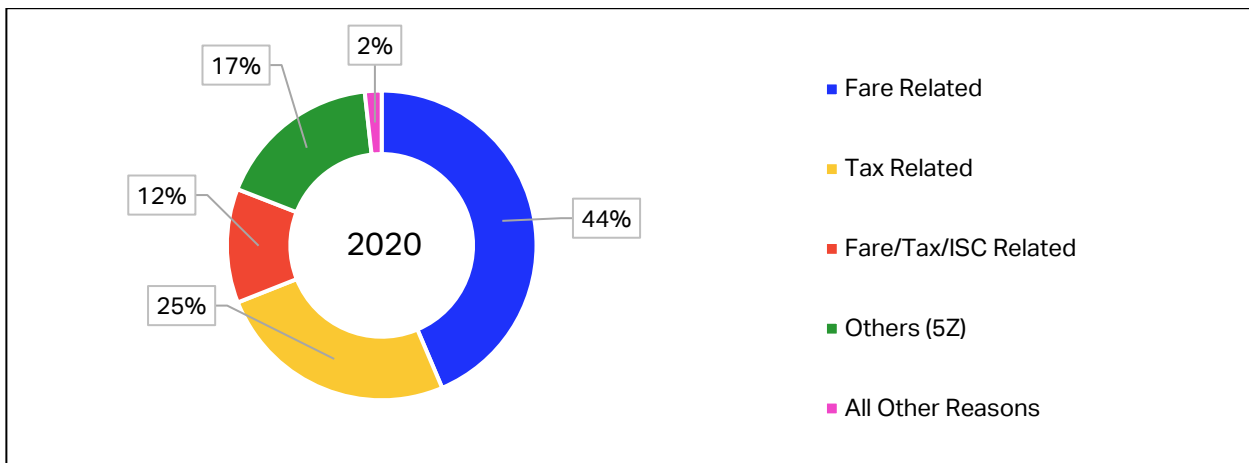




2nd Stage Reason Code Analysis

The table below shows the Top 7 Reason Codes, sorted by 2020 stage 2 rejection counts. The top 7 reason codes represent over **99%** of all SMI-B stage 1 rejections.

Reason Code	Reason Description	2 nd Stage 2020	2 nd Stage 2019	2 nd Stage 2018	2 nd Stage 2017	2 nd Stage 2016	2 nd Stage 2015	% Variation 2020 vs 2015
1B, 1S, 1Z, 2S	Fare Related	14,601	28,882	123,916	21,824	22,794	23,228	-37%
1G, 1T, 1Y	Tax Related	8,498	18,119	34,858	31,200	34,594	22,781	-63%
1A, 1R	Fare/Tax/ISC Related	3,993	4,352	5,120	4,063	4,795	2,825	41%
5Z	Others	5,801	5,251	3,699	2,911	2,927	6,198	-6%
1C	ISC Reclaim	178	1,951	9,623	329	605	56	218%
2B	Duplicate Billing	2	768	214	9	6	15	-87%
2A	Unmatched Sale	269	660	162	75	605	56	380%

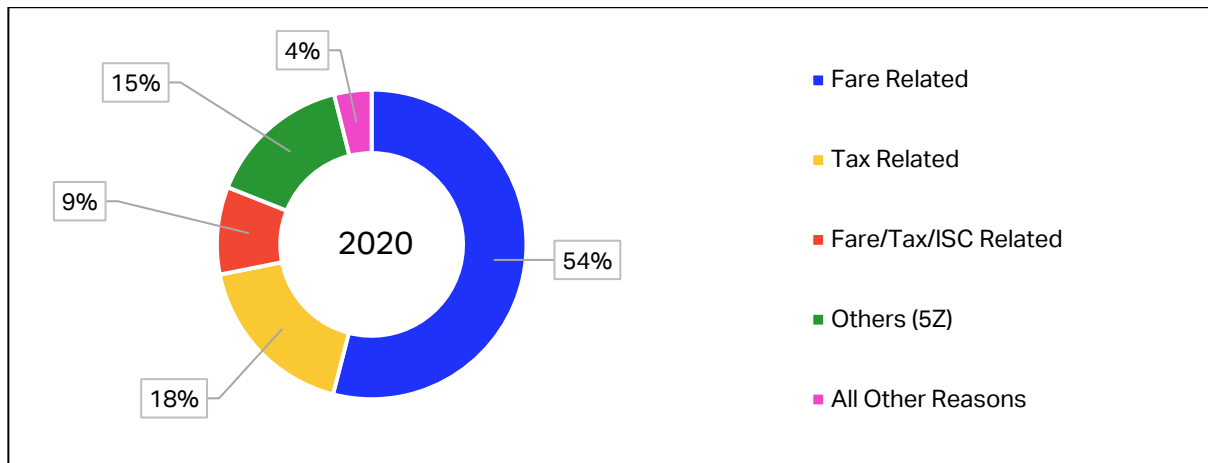




3rd Stage Reason Code Analysis

The table below shows the Stage 3 counts split by Reasons code. The top 7 reason codes represent over **99%** of all SMI-B stage 3 rejections.

Reason Code	Reason Description	3 rd Stage 2020	3 rd Stage 2019	3 rd Stage 2018	3 rd Stage 2017	3 rd Stage 2016	3 rd Stage 2015	% Variation 2020 vs 2015
1B, 1S, 1Z, 2S	Fare Related	9,878	17,695	16,104	11,131	15,398	15,739	-37%
1G, 1T, 1Y	Tax Related	3,265	8,016	7,065	8,545	5,503	7,585	-57%
1A, 1R	Fare/Tax/ISC Related	1,672	2,204	1,518	1,526	1,807	1,176	42%
5Z	Others	2,757	1,384	962	1,049	1,505	5,720	-52%
2A	Unmatched Sale	428	502	102	443	1,484	55	678%
1C	ISC Reclaim	113	422	7,445	143	119	135	-16%
5B	FIM Rejection / Rebills	8	169	195	206	337	121	-93%





5. Source Code 31 (Involuntary Reroute) Analysis

Rejection Counts per Month

The table below shows the count of Involuntary Reroute rejections per month from January 2020 until December 2020. The columns in the table represent the months in which the prime billings of these rejections were billed, and the rows represent the months in which the prime billings were rejected. The table also shows the Total number of SC31 prime billings per month.

There were **104,576** rejections raised against **402,789** SC 31 prime billings that were issued over the period January 2020 to December 2020.

The last row represents the percentage of SC31 prime billings which are rejected.

Month of Prime Billing:									
Month of Rejection:	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Total
Jan-20	1,825								1,825
Feb-20	7,535	3,794							11,329
Mar-20	9,341	9,800	3,954						23,095
Apr-20	4,319	5,783	11,540	563					22,205
May-20	3,550	4,179	6,523	1,260	312				15,824
Jun-20	8	3,065	5,407	668	585	799			10,532
Jul-20			6,764	341	287	1,360	646		9,398
Aug-20				660	331	94	1,957	1,016	4,058
Sep-20			1		110	280	693	3,429	4,513
Oct-20						133	418	514	1,065
Nov-20					1		160	356	517
Dec-20							5	210	215
Total RM's	26,578	26,621	34,189	3,492	1,626	2,666	3,879	5,525	104,576
Total Prime Billings	111,907	110,800	107,005	15,292	8,808	8,897	17,428	22,652	402,789
Rejection %	24%	24%	32%	23%	18%	30%	22%	24%	26%

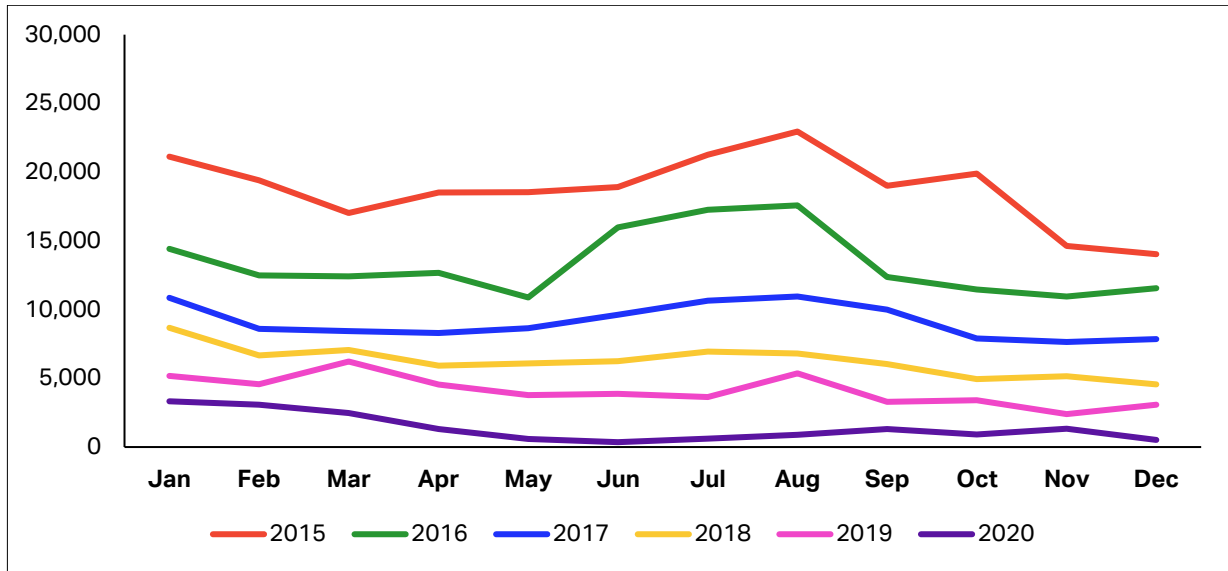
Note: The above table represents prime billing month **up to August 2020**, before which no further rejections can be raised. Source code 31 coupons billed **from September 2020** and onwards are still within the rejection time limits and hence not included in the table.



6.FIMs

Prime Billing Counts by Month

The graph shows a decrease in FIM prime billings starting towards the end of 2015 due to the IATA 'Paper Out' project to eliminate all paper documents in the industry.



Prime Billing Counts & FIM Rejection Memos by Source Code (2020 vs 2015)

In comparison to the base year 2015, the total FIM prime billings have decreased by **93%** and the total FIM rejection billings have decreased by **94%**. The tables below contain the counts split by SMI.

SMI - I/M	FIM Prime Billings	SC 44	SC 45	SC 46	Total RM Count
% variation 2020 vs 2015	-94%	-95%	-88%	-89%	-94%
2020	11,070	6,140	3,238	1,864	11,242
2015	197,600	134,704	27,983	16,660	179,347

SMI - B	FIM Prime Billings	SC 44	SC 45	SC 46	Total RM Count
% variation 2020 vs 2015	-80%	-90%	-83%	-87%	-88%
2020	5,637	426	153	85	664
2015	27,717	4,167	888	644	5,699



7. Sampling Billing Analysis

Total Sampling Count (2020 vs 2015)

	Form A/B	Form D/E	Form F	Form XF
% variation 2020 vs 2015	-85%	-59%	-51%	-34%
2020	1,895,729	68,268	9,624	6,211
2015	12,798,285	166,634	19,736	9,433

8. Glossary

Term	Definition
ACH	Airlines Clearing House. It is the A4A 's Clearing House for Interline Billings
BM	Billing Memo
CM	Credit Memo
IBSOPS WG	Interline Billing and Settlement Operation Working Group
ICH	IATA Clearing House
ISC	Interline Service Charge
RAM	IATA Revenue Accounting Manual
RM	Rejection Memo
SMI	Settlement Method Indicator - In SIS it indicates the clearing house to be used for settlement as well as the Revenue Accounting rules to be followed. SMI - I – Settlement through the ICH using the RAM rules SMI - M – Inter clearance settlement of a billing from an ACH member to an ICH member using RAM rules. It could also be a billing from an ACH member to another ACH member using RAM rules SMI - A – Settlement through the ACH using ACH rules SMI - B – Bilateral settlement using RAM rules
SIS	Simplified Invoicing and Settlement
SIS SG	The SIS Steering Group that overlooks the governance of SIS
SC	Source Code
UATP	Universal Air Travel plan