



PAX Rejection Memo Reduction Industry Initiative

Annual Report 2019



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 2019 versus the counts of the base year 2015.

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 2019

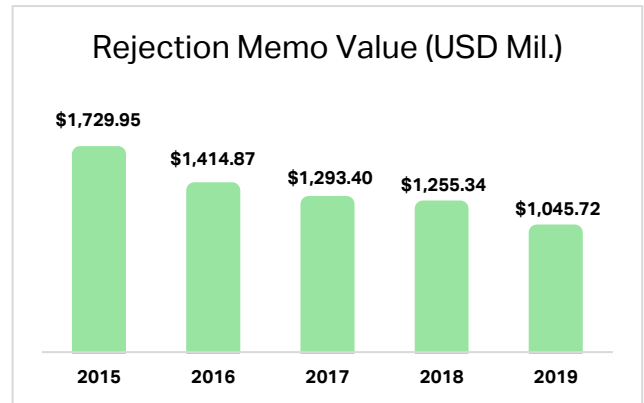
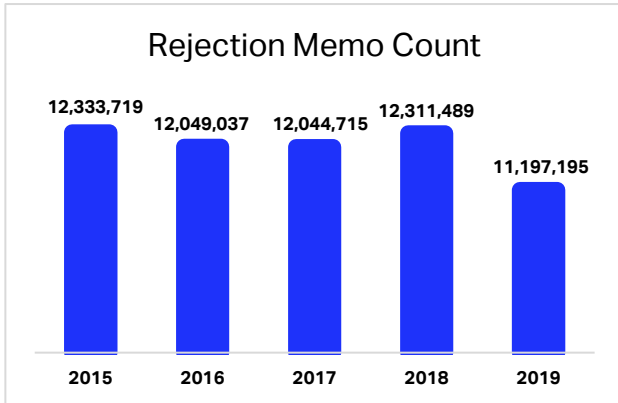
- ✚ Prime Billings increased by 28% in 2019, in comparison to 2015.
- ✚ Rejection Billings decreased by 29% in 2019, in comparison to 2015.
- ✚ New rejection reason codes for involuntary reroutes were introduced for involuntary reroute prime billings in May 2019. This allows for easier identification of rejections due to involuntary reroutes.
- ✚ While stage 1 rejection counts have decreased by 15% in 2019, stage 3 rejection counts have increased by 21%.
- ✚ 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.
- ✚ The new "PAX Non-Sampling RM Analysis Report- Comparison to Industry" report was made available to members in SIS as of May 2019.



2. Global Non-Sampling Analysis

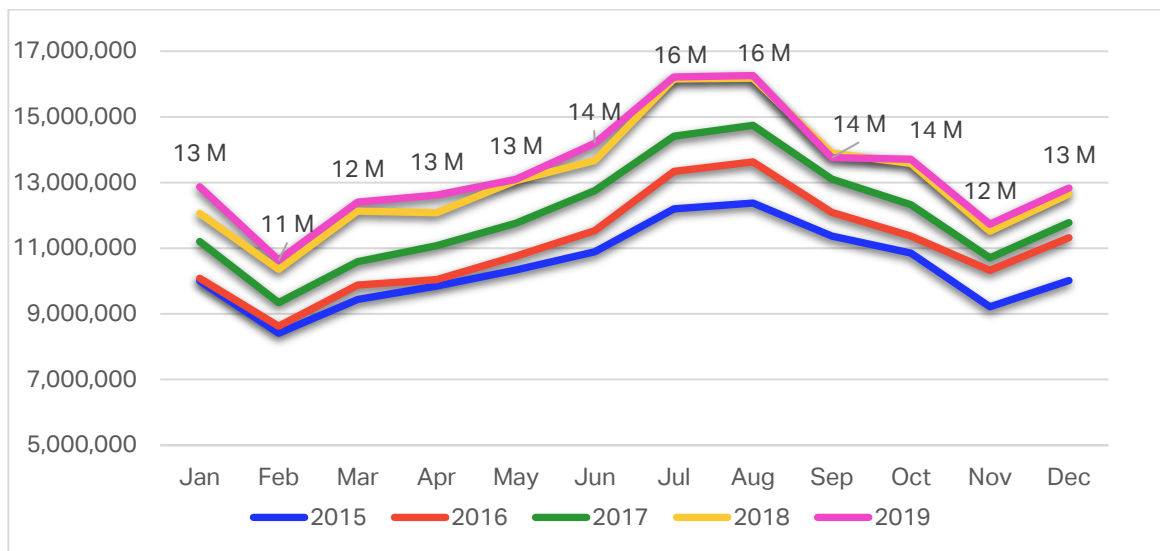
Total Rejection Memo Count and USD Value per Year

In 2019, the Rejection Memo count has decreased by over one (1) million in comparison to the 2015 count. Additionally, the USD value has been decreasing consistently since 2015 and is now **40%** lower.



Total Prime Billing Counts (2015 - 2019)

The below graph illustrates the trend of non-sampling prime billings per month for the past 5 years. The prime billings have been increasing continuously, while following a seasonal pattern with the highest counts in July and August.



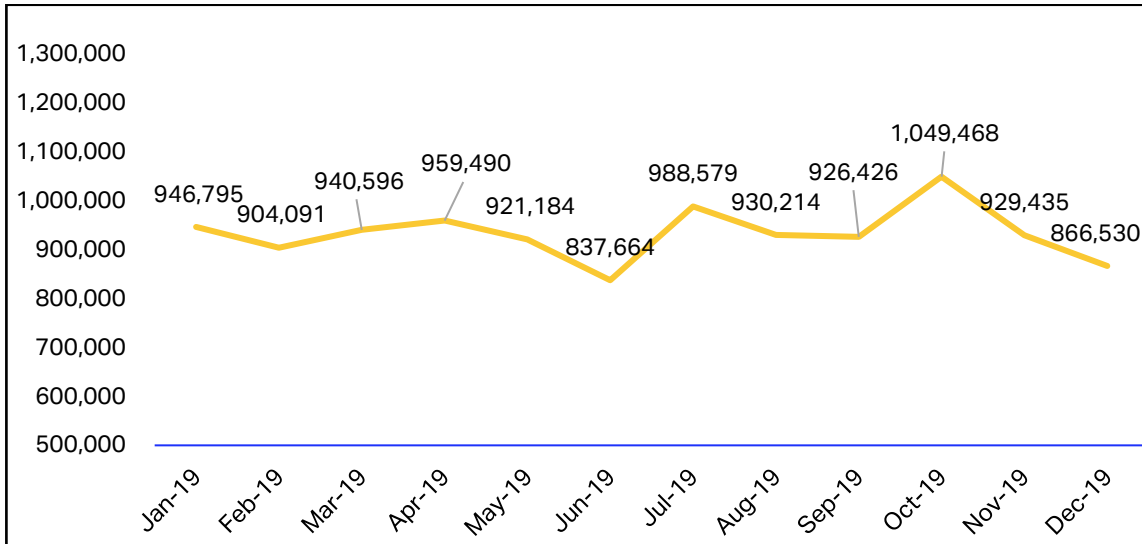
The prime billing counts have increased by **28%** in comparison to the base year 2015.

| Total Prime Billing Counts | | | | | | |
|----------------------------|-------------|-------------|-------------|-------------|-------------|--------------------------|
| Year | 2015 | 2016 | 2017 | 2018 | 2019 | % Variation 2015 vs 2019 |
| Counts | 124,965,120 | 133,004,194 | 143,807,432 | 157,354,093 | 160,339,228 | 28% |



Total Rejection Memo Counts by Month - 2019

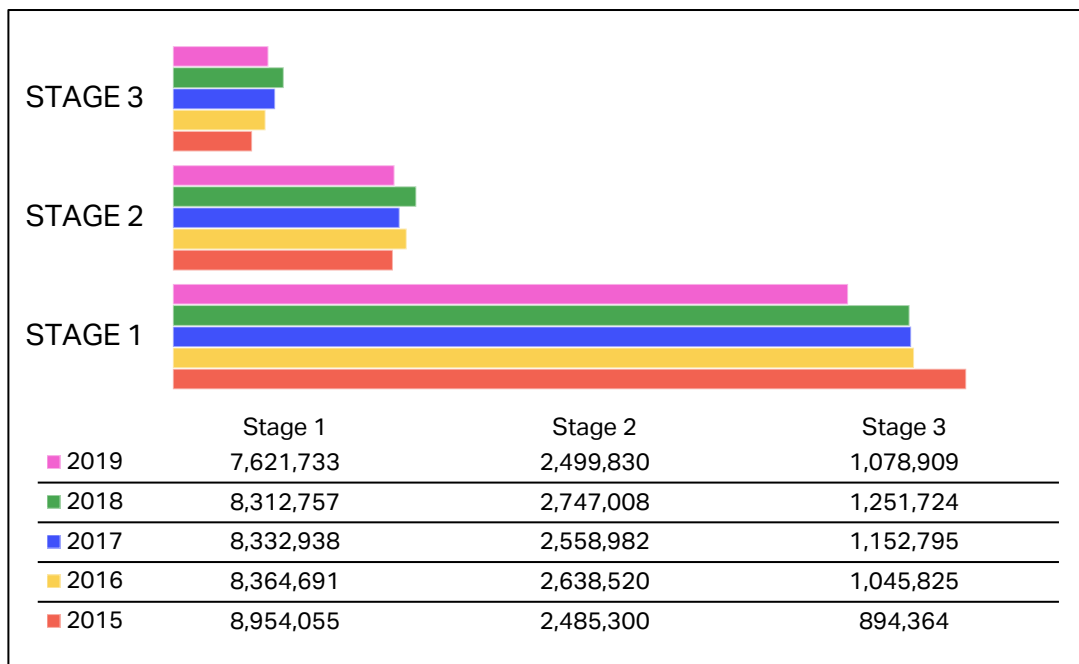
The below graph shows the total count of non-sampling rejection memos per month in 2019. October was the month that contained the highest rejection memo count of the year.



Total Rejection Memo Count by Stage

The below chart shows a comparison of rejections counts for each stage between 2015 and 2019. In comparison to the base year 2015:

- Stage 1 counts have decreased by **15%** in 2019
- Stage 2 counts have increased by **1%** in 2019
- Stage 3 counts have increased by **21%** in 2019





3.Rejection Reduction Target & Progress

Target

The industry target is **32%** reduction of the rejection rate by the year 2020. The rejection rate is calculated as follows:

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

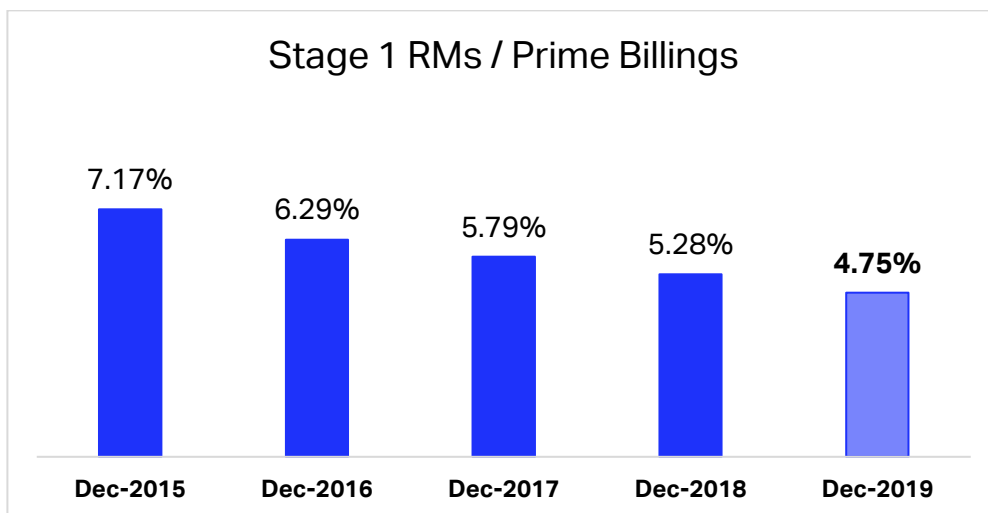
The table below shows the decrease in the rejection rate at the end of each year. By December 2019, the rejection rate decreased by **29.24%** in comparison to the base year 2015.

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

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 **4.75%** of the prime billings in 2019 were rejected, a consistent decrease since 2015. The percentage is calculated using the following formula:

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





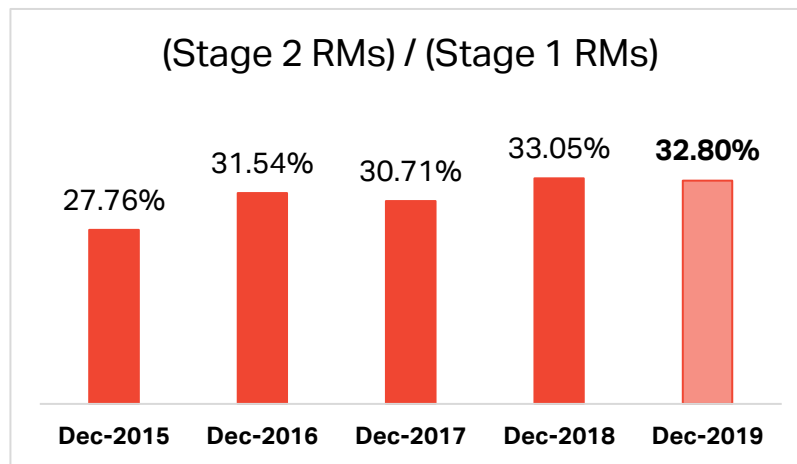
Stage 2 & 3 Analysis - Estimated Percentage of Re-Rejected Stage 1 and Stage 2 Rejections

The percentages are calculated using the following formulae:

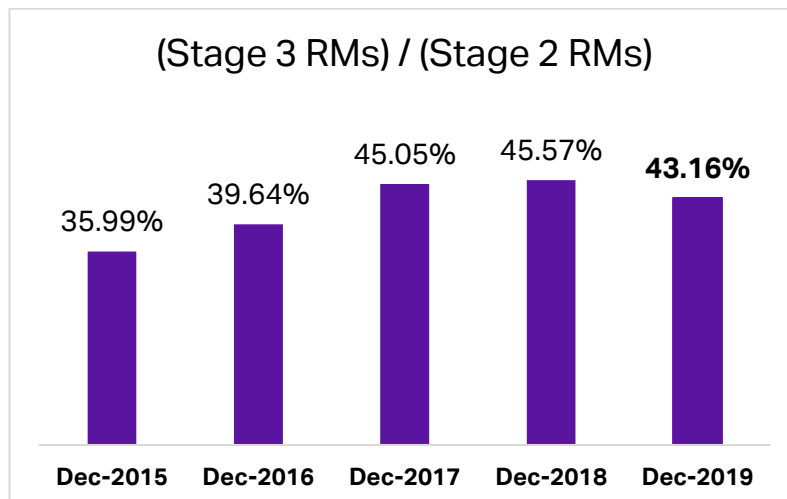
$$\text{Estimated \% of rejected Stage 1 RMs} = \frac{\text{Sum of Stage 2 RMs of past 12 months}}{\text{Sum of Stage 1 RMs of past 12 month}} \times 100\%$$

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

The estimated percentage of rejected Stage 1 Rejection Memos is plotted in the graph below and show a decrease in 2019 in comparison to previous years. Approximately **32.80%** of the Stage 1 rejection in 2019 were rejected back 2nd stage.



The percentage of 2nd stage rejections which are rejected back 3rd stage is also plotted in the below chart with a decreasing trend in 2019. Approximately **43.16%** of the 2nd stage rejections in 2019 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 (2019 vs 2015).

In 2019 the counts of 2nd and 3rd stage rejections have increased while counts of 1st stage rejections have decreased, in comparison to the base year 2015.

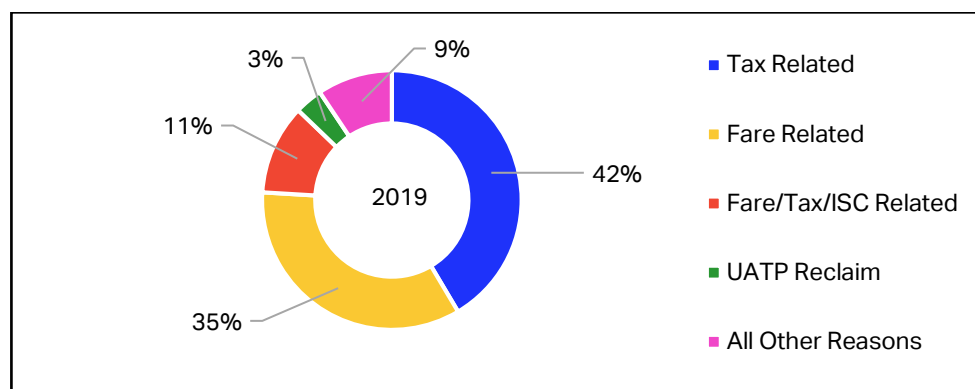
| SMI I/M | 1 st Stage | 2 nd Stage | 3 rd Stage | Total RM Count |
|---------------------------------|-----------------------|-----------------------|-----------------------|----------------|
| % variation 2019 vs 2015 | -6% | 1% | 22% | -2% |
| 2019 | 7,257,281 | 2,440,343 | 1,049,118 | 10,746,742 |
| 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, sorted by 2019 stage 1 rejection counts. The top 7 reason codes represent **97%** of all SMI-I/M stage 1 rejections. Tax related reasons account for the highest count of 1st stage rejections in 2019.

| Reason Code | Reason Description | 1 st Stage 2019 | 1 st Stage 2018 | 1 st Stage 2017 | 1 st Stage 2016 | 1 st Stage 2015 | % Variation 2019 vs 2015 |
|-----------------------|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| 1G, 1T, 1Y | Tax Related | 3,017,920 | 3,157,875 | 2,785,137 | 2,836,874 | 2,591,444 | 16% |
| 1B, 1S, 1Z, 2S | Fare Related | 2,509,370 | 2,872,253 | 3,054,911 | 3,025,507 | 3,248,605 | -23% |
| 1A, 1R | Fare/Tax/ISC Related | 816,108 | 824,711 | 835,804 | 926,496 | 929,403 | -12% |
| 1E | UATP Reclaim | 251,541 | 259,154 | 352,210 | 256,828 | 94,152 | 167% |
| 1C | ISC Reclaim | 265,126 | 226,634 | 207,161 | 200,262 | 264,514 | 0% |
| 5Z | Others | 141,340 | 146,653 | 155,389 | 185,735 | 243,756 | -42% |
| 2A | Unmatched Sale | 74,664 | 52,317 | 26,928 | 22,601 | 17,669 | 323% |

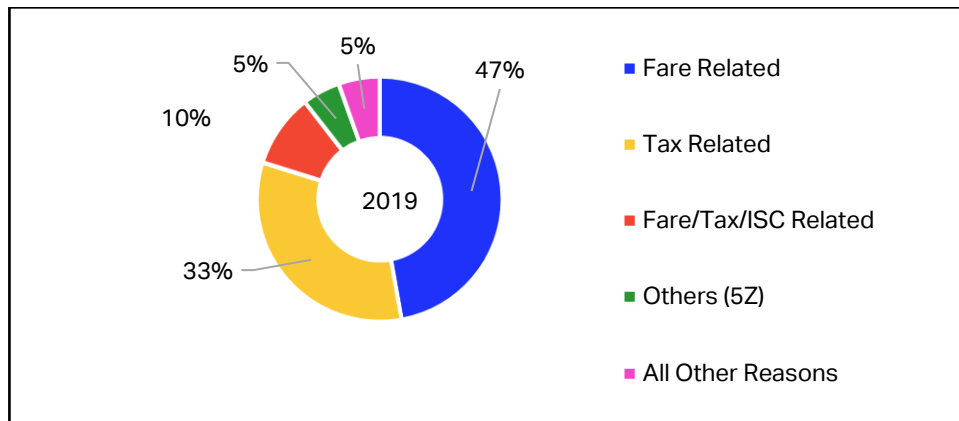




2nd Stage Reason Code Analysis

The table below shows the Top 7 Reason Codes, sorted by 2019 stage 2 rejection counts. The top 7 reason codes represent **99%** of all SMI-I/M stage 2 rejections. Fare related reasons account for the highest count of 1st stage rejections in 2019.

| Reason Code | Reason Description | 2 nd Stage 2019 | 2 nd Stage 2018 | 2 nd Stage 2017 | 2 nd Stage 2016 | 2 nd Stage 2015 | % Variation 2019 vs 2015 |
|-----------------------|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| 1B, 1S, 1Z, 2S | Fare Related | 1,150,983 | 1,236,554 | 1,193,123 | 1,217,942 | 1,181,272 | -3% |
| 1G, 1T, 1Y | Tax Related | 796,520 | 759,512 | 733,642 | 721,209 | 661,343 | 20% |
| 1A, 1R | Fare/Tax/ISC Related | 237,291 | 227,178 | 231,577 | 242,609 | 218,045 | 9% |
| 5Z | Others | 121,034 | 172,854 | 184,575 | 221,913 | 211,451 | -43% |
| 1C | ISC Reclaim | 87,480 | 99,128 | 106,640 | 104,675 | 102,918 | -15% |
| 1D | Other Commission Reclaim | 13,835 | 12,709 | 6,412 | 4,563 | 5,297 | 161% |
| 1E | UATP Reclaim | 13,113 | 8,773 | 10,721 | 7,938 | 3,010 | 336% |

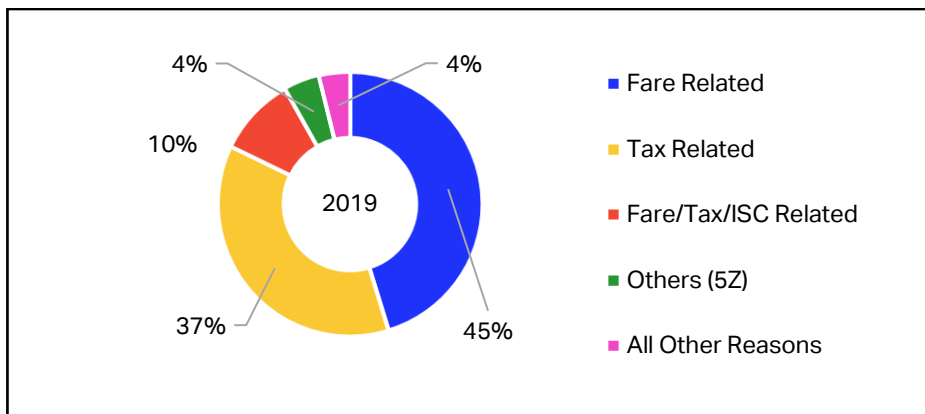




3rd Stage Reason Code Analysis

The table below shows the Top 7 Reason Codes, sorted by 2019 stage 3 rejection counts. The top 7 reason codes represent **99%** of all SMI-I/M stage 3 rejections. Fare related reasons account for the highest count of 1st stage rejections in 2019.

| Reason Code | Reason Description | 3 rd Stage 2019 | 3 rd Stage 2018 | 3 rd Stage 2017 | 3 rd Stage 2016 | 3 rd Stage 2015 | % Variation 2019 vs 2015 |
|-----------------------|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| 1B, 1S, 1Z, 2S | Fare Related | 474,398 | 597,059 | 554,115 | 543,865 | 428,002 | 11% |
| 1G, 1T, 1Y | Tax Related | 386,948 | 369,129 | 302,771 | 206,564 | 183,276 | 111% |
| 1A, 1R | Fare/Tax/ISC Related | 101,013 | 110,966 | 114,919 | 106,127 | 73,045 | 38% |
| 5Z | Others | 46,630 | 62,479 | 99,763 | 95,065 | 132,107 | -65% |
| 1C | ISC Reclaim | 22,810 | 42,078 | 39,081 | 41,681 | 25,210 | -10% |
| 1E | UATP Reclaim | 7,083 | 5,626 | 5,386 | 3,116 | 2,208 | 221% |
| 5B | FIM Rejection | 1,871 | 2,406 | 4,231 | 8,534 | 9,108 | -79% |





SMI - B Analysis

The table below shows the counts of SMI B rejections per stage (2019 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.

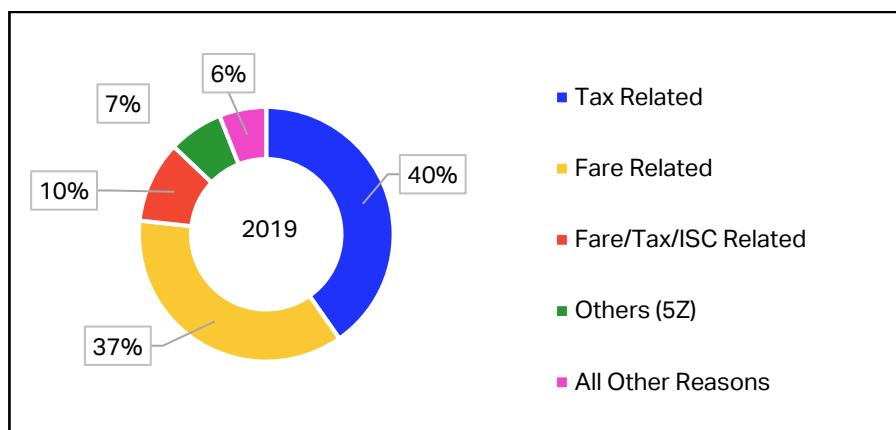
| SMI B | 1 st Stage | 2 nd Stage | 3 rd Stage | Total RM Count |
|---------------------------------|-----------------------|-----------------------|-----------------------|----------------|
| % variation 2019 vs 2015 | -71% | 1% | -2% | -66% |
| 2019 | 367,591 | 60,439 | 30,416 | 458,446 |
| 2015 | 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 2019 stage 1 rejection counts. The top 7 reason codes represent **98%** of all SMI-B stage 1 rejections raised in 2019.

| Reason Code | Reason Description | 1 st Stage 2019 | 1 st Stage 2018 | 1 st Stage 2017 | 1 st Stage 2016 | 1 st Stage 2015 | % Variation 2019 vs 2015 |
|-----------------------|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| 1G, 1T, 1Y | Tax Related | 148,263 | 287,330 | 513,834 | 470,669 | 847,088 | -82% |
| 1B, 1S, 1Z, 2S | Fare Related | 134,203 | 209,544 | 128,096 | 105,694 | 151,458 | -11% |
| 1A, 1R | Fare/Tax/ISC Related | 38,145 | 56,476 | 59,326 | 79,521 | 192,204 | -80% |
| 5Z | Others | 25,611 | 8,059 | 4,367 | 5,737 | 12,955 | 98% |
| 1C | ISC Reclaim | 7,525 | 12,680 | 2,638 | 3,515 | 11,390 | -34% |
| 2A | Unmatched Sale | 3,942 | 1,706 | 10,533 | 6,661 | 1,133 | 248% |
| 1D | Other Commission Reclaim | 2,893 | 2,072 | 134 | 3,666 | 4,432 | -35% |

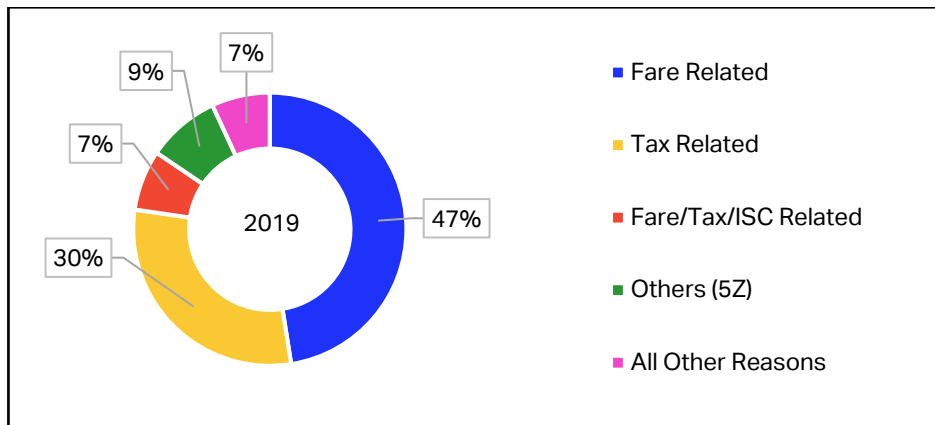




2nd Stage Reason Code Analysis

The table below shows the Top 7 Reason Codes, sorted by 2019 stage 2 rejection counts. The top 7 reason codes represent over **98%** of all SMI-B stage 1 rejections.

| Reason Code | Reason Description | 2 nd Stage 2019 | 2 nd Stage 2018 | 2 nd Stage 2017 | 2 nd Stage 2016 | 2 nd Stage 2015 | % Variation 2019 vs 2015 |
|-----------------------|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| 1B, 1S, 1Z, 2S | Fare Related | 28,882 | 123,916 | 21,824 | 22,794 | 23,228 | 24% |
| 1G, 1T, 1Y | Tax Related | 18,119 | 34,858 | 31,200 | 34,594 | 22,781 | -20% |
| 1A, 1R | Fare/Tax/ISC Related | 4,352 | 5,120 | 4,063 | 4,795 | 2,825 | 54% |
| 5Z | Others | 5,251 | 3,699 | 2,911 | 2,927 | 6,198 | -15% |
| 1C | ISC Reclaim | 1,951 | 9,623 | 329 | 605 | 56 | 3384% |
| 2B | Duplicate Billing | 768 | 214 | 9 | 6 | 15 | 5020% |
| 2A | Unmatched Sale | 660 | 162 | 75 | 605 | 56 | 1079% |

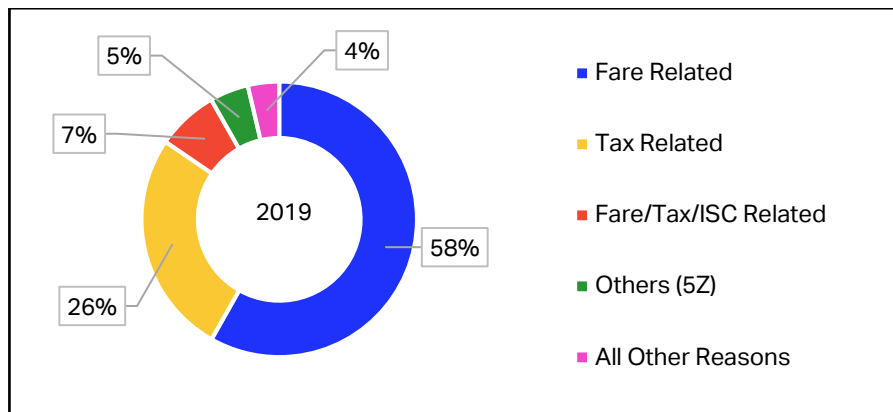




3rd Stage Reason Code Analysis

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 2019 | 3 rd Stage 2018 | 3 rd Stage 2017 | 3 rd Stage 2016 | 3 rd Stage 2015 | % Variation 2019 vs 2015 |
|-----------------------|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| 1B, 1S, 1Z, 2S | Fare Related | 17,695 | 16,104 | 11,131 | 15,398 | 15,739 | 12% |
| 1G, 1T, 1Y | Tax Related | 8,016 | 7,065 | 8,545 | 5,503 | 7,585 | 6% |
| 1A, 1R | Fare/Tax/ISC Related | 2,204 | 1,518 | 1,526 | 1,807 | 1,176 | 87% |
| 5Z | Others | 1,384 | 962 | 1,049 | 1,505 | 5,720 | -76% |
| 2A | Unmatched Sale | 502 | 102 | 443 | 1,484 | 55 | 813% |
| 1C | ISC Reclaim | 422 | 7,445 | 143 | 119 | 135 | 213% |
| 5B | FIM Rejection / Rebills | 169 | 195 | 206 | 337 | 121 | 40% |





5. Source Code 31 (Involuntary Reroute) Analysis

Rejection Counts per Month

The table below shows the count of Involuntary Reroute rejections per month from August 2018 (when SC 31 was first introduced) until December 2019. 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 **315,146** rejections raised against **1,515,074** SC 31 prime billings that were issued over the period August 2018 to August 2019.

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

| Month of Rejection: | Month of Prime Billing: | | | | | | | | | | | | | |
|-----------------------------|-------------------------|---------|--------|---------|---------|---------|--------|---------|---------|---------|---------|---------|---------|-------|
| | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | |
| Aug-18 | 3,114 | | | | | | | | | | | | | |
| Sep-18 | 9,112 | 2,473 | | | | | | | | | | | | |
| Oct-18 | 8,133 | 7,995 | 1,313 | | | | | | | | | | | |
| Nov-18 | 5,261 | 7,686 | 5,790 | 1,403 | | | | | | | | | | |
| Dec-18 | 6,517 | 5,976 | 6,399 | 9,120 | 2,234 | | | | | | | | | |
| Jan-19 | 1 | 4,672 | 5,418 | 5,485 | 10,399 | 1,679 | | | | | | | | |
| Feb-19 | | | 2,834 | 4,465 | 7,692 | 9,288 | 1,211 | | | | | | | |
| Mar-19 | | 1 | | 4,065 | 4,194 | 7,592 | 7,417 | 1,732 | | | | | | |
| Apr-19 | | | | 198 | 3,805 | 5,200 | 5,776 | 9,856 | 2,245 | | | | | |
| May-19 | | | | | | 5,476 | 3,556 | 9,795 | 11,507 | 2,052 | | | | |
| Jun-19 | | | | | | | 3 | 3,594 | 6,010 | 9,662 | 8,965 | 1,140 | | |
| Jul-19 | | | | | | | | | 4,323 | 6,492 | 9,816 | 11,753 | 3005 | |
| Aug-19 | | | | | | | | | 1 | 3,686 | 4,453 | 14,159 | 9692 | 2248 |
| Sep-19 | | | | | | | | | | 15 | 3,174 | 7,009 | 12140 | 10110 |
| Oct-19 | | | | | | | | | | | | 5,608 | 9588 | 10329 |
| Nov-19 | | | | | | | | | | | | 4 | 6787 | 8070 |
| Dec-19 | | | | | | | | | | | | | 1 | 5698 |
| Total RM's | 32,138 | 28,803 | 21,754 | 24,736 | 28,324 | 29,238 | 21,554 | 31,717 | 33,607 | 28,460 | 39,673 | 41,213 | 36,455 | |
| Total Prime Billings | 106,076 | 102,133 | 79,977 | 103,454 | 117,526 | 128,469 | 90,065 | 111,008 | 111,651 | 111,765 | 142,881 | 165,493 | 144,576 | |
| Rejection % | 30% | 28% | 27% | 24% | 24% | 23% | 24% | 29% | 30% | 25% | 28% | 25% | 25% | |

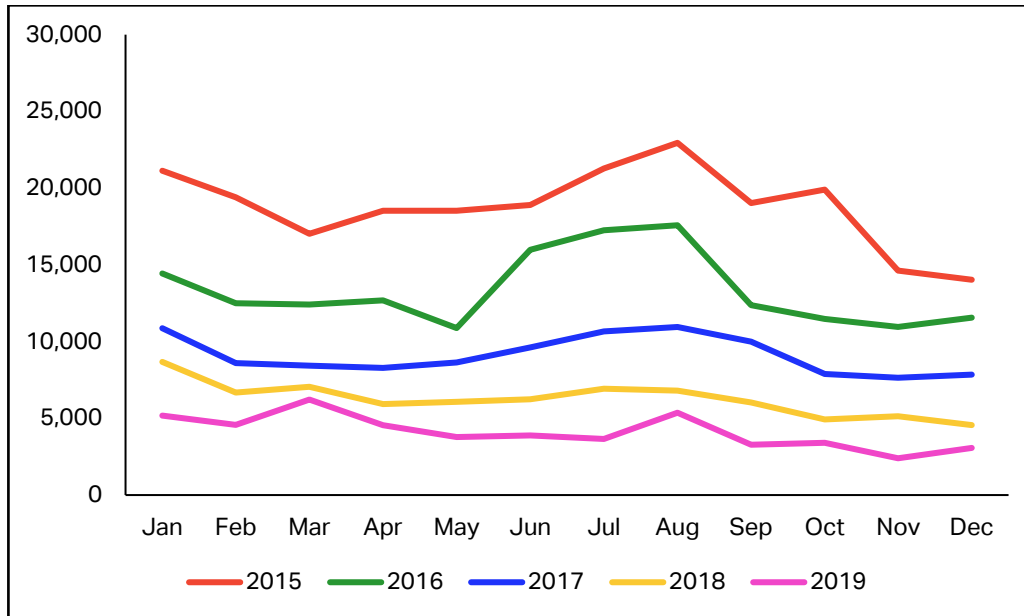
Note: The above table represents up to prime billing month August 2019, before which no further rejections can be raised. Source code 31 coupons issued from September 2019 and onwards are still within the rejection time limits and hence not included in the table.



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.



Prime Billing Counts & FIM Rejection Memos by Source Code (2019 vs 2015)

In comparison to the base year 2015, the total FIM prime billings have decreased by **76%** and the total FIM rejection billings have decreased by **72%**. 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 2019 vs 2015 | -79% | -83% | -70% | -80% | -80% |
| 2019 | 41,680 | 23,447 | 8,485 | 3,249 | 35,181 |
| 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 2019 vs 2015 | -72% | -72% | -52% | -70% | -68% |
| 2019 | 7,695 | 1,171 | 430 | 196 | 1,797 |
| 2015 | 27,717 | 4,167 | 888 | 644 | 5,699 |



7. Sampling Billing Analysis

Total Sampling Count (2019 vs 2015)

| | Form A/B | Form D/E | Form F | Form XF |
|-------------------------------------|-------------|-------------|-------------|-------------|
| % variation 2019 vs 2015 | -26% | -25% | -38% | -60% |
| 2019 | 9,452,855 | 125,497 | 12,303 | 3,759 |
| 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 |