



# Multilateral Simplified Involuntary Reroute Settlement

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## *Overview*

The information contained within is for informational purposes only. It is not intended to replace the terms and conditions contained in the Multilateral Involuntary Reroute Settlement Agreement.

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# Multilateral Involuntary Reroute Settlement Overview

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# Multilateral Involuntary Reroute Settlement Overview

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## Introduction

At the 2012 IATA Revenue Accounting Meeting interest was expressed by the Revenue Accounting Participants for the industry to develop and adopt an optional and voluntary multilateral agreement for settlement of involuntary reroute transactions.

Because Airlines Clearing House (ACH) participants settled their involuntary reroute transactions with one another using a simplified process for over 30 years, it was decided to leverage the existing ACH infrastructure to develop a similar process for the IATA Revenue Accounting Meeting participants.

Subsequent to the Meeting a modified process, using the existing ACH process and infrastructure as the basis, was developed for the IATA Revenue Accounting Meeting participants. IATA, ATPCO, Accelya, ACH and 10 airlines worked together to develop, test and implement the Multilateral Involuntary Reroute Settlement process.

### ***Existing ACH Process (Applicable to ACH Participants)***

ACH contracts with ATPCO and Accelya to calculate monthly settlement rates for six (6) global regions.

ATPCO filters participating airlines' daily ISR files to eliminate certain transactions. The filtered file is sent to Accelya whereby a 1% sample is selected using the then current IATA Sample Digit. The 1% sample is prorated by the Neutral Fare Prorate (NFP) engine using industry standard proration, ACH or MPA dependent upon the routing.

The settlement percentage rates are determined by dividing the sum of flight coupons' industry prorate values by the sum of local fares for the one (1%) of participating carrier sales each month. ACH participants apply the settlement percentage rates to local fares to calculate the settlement amount for involuntary reroute transactions issued by other ACH participants.

The ACH Participants voted to adopt the below Modified Process for Multilateral Involuntary Reroute Settlement as the standard and mandated its use replacing the Existing ACH Process effective with April 1, 2015 invoices.

### ***Modified Process for Multilateral Involuntary Reroute Settlement***

ACH entered into a new contract with ATPCO and Accelya to calculate monthly settlement percentage rates for ten (10) global regions for world-wide use. Similar to the ACH process above, ATPCO filters participating airlines' daily ISR files to eliminate certain transactions. The filtered file is sent to Accelya whereby a 1% sample is selected using the then current IATA Sample Digit. The 1% sample is prorated by the NFP using industry standard IATA Multilateral Prorate Agreement (MPA) proration.

The settlement percentage rates are calculated by dividing the sum of the flight coupons' industry prorate values by the sum of the IATA weighted mileage factors for one (1%) of sales

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each month. The calculated settlement percentage rates are used to determine the settlement amount for involuntary reroute transactions between concurring parties of the Multilateral Involuntary Reroute Settlement Agreement.

## **The Role of ATPCO**

On a daily basis ATPCO sorts, filters and sends sales data to the NFP for each participant that has authorized its sales to be used for calculating the involuntary reroute settlement percentage rates.

## **The Role of Accelya**

Accelya, as the provider of the NFP, extracts 1% of the sales, prorates the 1% of sales using industry standard MPA logic; excludes coupons that fall outside of established tolerances; separates the remaining prorated coupons into the applicable global regions; determines the IATA weighted mileage factor for each prorated coupon; and calculates the settlement percentage to be used in settlement for each global region by dividing the sum of the prorate amounts by the sum of the IATA weighted mileage factors.

## **The Role of ACH**

ACH is the administrator of the Agreement and has contracted with ATPCO and Accelya to perform the service. Airlines interested in becoming a party to the Multilateral Involuntary Reroute Settlement Agreement will enter into the Agreement with ACH. Upon acceptance, an airline will be eligible to concur to the terms of the Agreement with other Parties to the Agreement, and if it chooses, to authorize its sales to be used in the process to calculate the settlement percentage rates.

## **The Role of IATA**

As facilitator, IATA continues to support and coordinate the project.

## **Joining**

The Multilateral Involuntary Reroute Settlement Agreement is an optional and voluntary Agreement between ACH and participating airlines (“Parties”). Parties to the Agreement are eligible to enter into Concurrence Agreements with other Parties, but are not required to. Similarly, a Party to the Agreement is eligible to authorize ATPCO to include its sales in the process that determines the applicable monthly settlement percentage rates, but is not required to.

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## ***Step One***

Execute the Agreement by:

- Adding your company name and address on page 1
- Insert contact information on page 7
- Sign page 8
- Complete Appendix C
- Determine if your airline will submit sales data, and if so, complete Appendix E
- Return all completed documents to ACH

Questions may be sent to [ach@airlines.org](mailto:ach@airlines.org)

Once received and accepted, ACH will:

- Notify all other Parties of the added participation by the new Party
- Update website adding new Party
- Establish login credentials to the Multilateral Involuntary Reroute Settlement website for the individual listed in Appendix C
  - Parties to the Agreement should notify ACH if additional personnel require access
- Return a countersigned copy of the Agreement to the individual listed on Appendix C
- If Appendix E has been completed, notify ATPCO and Accelya of the additional sales data to be included in the process
- Invoice the new Party the annual participation fee of \$1,500. (Note, fee is waived until June 2015.)

## ***Step Two***

Execute the Concurrence Agreement in Appendix D with other Parties to the Multilateral Involuntary Reroute Settlement Agreement and return to ACH. (A list of current Parties to the Agreement can be found on the Involuntary Reroute Settlement website.)

Once received and accepted, ACH will:

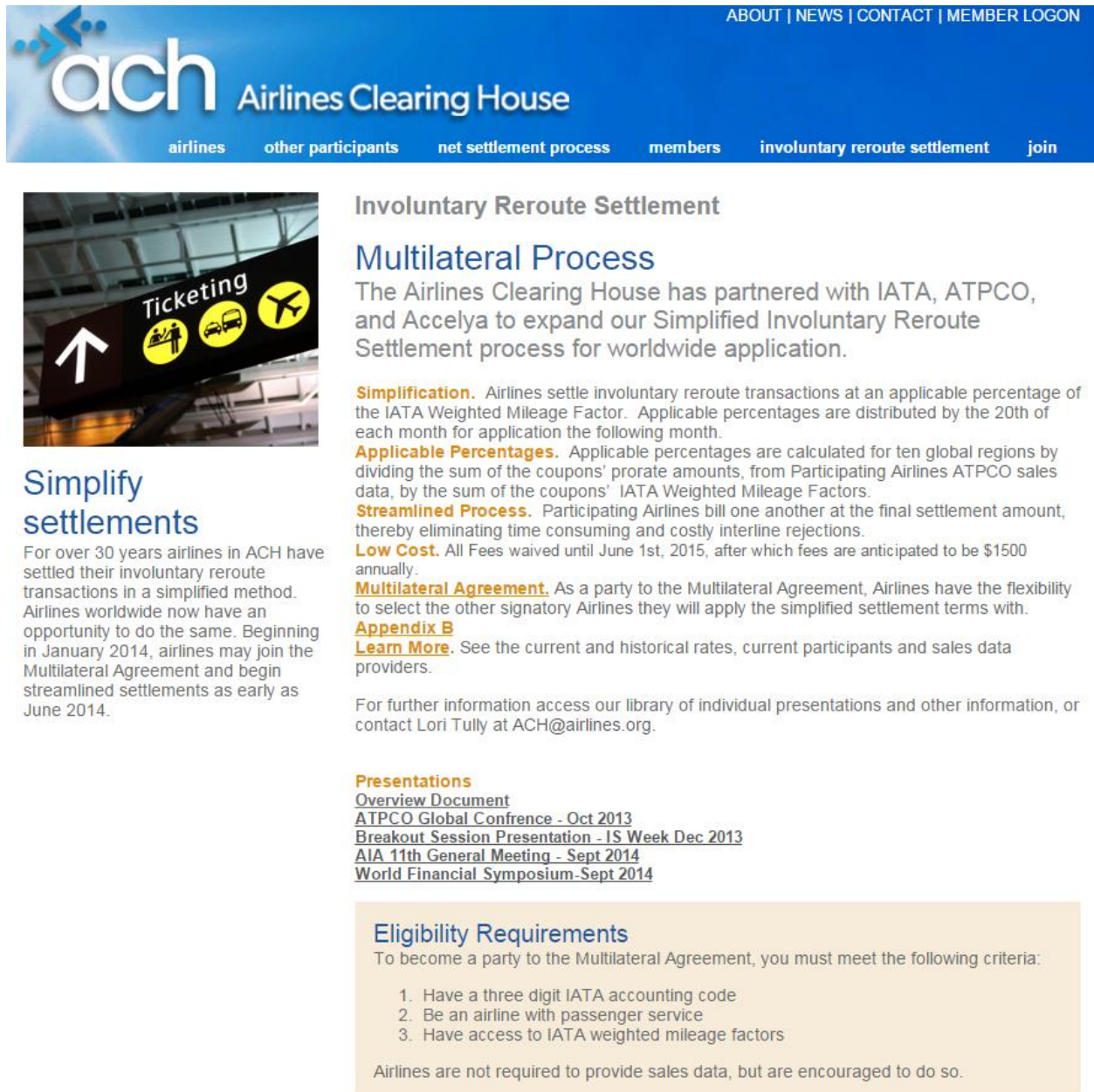
- Update its internal records

# Multilateral Involuntary Reroute Settlement Overview

## Website

The ACH Public Website located at [www.airlinesclearinghouse.com](http://www.airlinesclearinghouse.com) contains information regarding the Simplified Involuntary Settlement process.

Below is an example of what the website will look like and is for illustration purposes only.



The screenshot shows the Airlines Clearing House website. The header includes navigation links: ABOUT | NEWS | CONTACT | MEMBER LOGON. The main navigation bar lists: airlines, other participants, net settlement process, members, involuntary reroute settlement, and join. The main content area features a large image of an airport sign with 'Ticketing' and icons for a person, a bus, and an airplane. Below the image is the heading 'Simplify settlements' and a paragraph of text. To the right is the heading 'Involuntary Reroute Settlement' and 'Multilateral Process', followed by a paragraph and several bullet points. At the bottom right, there is a section for 'Eligibility Requirements' with a list of criteria.

**ACH Airlines Clearing House**

airlines other participants net settlement process members involuntary reroute settlement join

### Involuntary Reroute Settlement

## Multilateral Process

The Airlines Clearing House has partnered with IATA, ATPCO, and Accelya to expand our Simplified Involuntary Reroute Settlement process for worldwide application.

**Simplification.** Airlines settle involuntary reroute transactions at an applicable percentage of the IATA Weighted Mileage Factor. Applicable percentages are distributed by the 20th of each month for application the following month.

**Applicable Percentages.** Applicable percentages are calculated for ten global regions by dividing the sum of the coupons' prorate amounts, from Participating Airlines ATPCO sales data, by the sum of the coupons' IATA Weighted Mileage Factors.

**Streamlined Process.** Participating Airlines bill one another at the final settlement amount, thereby eliminating time consuming and costly interline rejections.

**Low Cost.** All Fees waived until June 1st, 2015, after which fees are anticipated to be \$1500 annually.

**Multilateral Agreement.** As a party to the Multilateral Agreement, Airlines have the flexibility to select the other signatory Airlines they will apply the simplified settlement terms with.

**Appendix B**

**Learn More.** See the current and historical rates, current participants and sales data providers.

For further information access our library of individual presentations and other information, or contact Lori Tully at [ACH@airlines.org](mailto:ACH@airlines.org).

### Presentations

- [Overview Document](#)
- [ATPCO Global Conference - Oct 2013](#)
- [Breakout Session Presentation - IS Week Dec 2013](#)
- [AIA 11th General Meeting - Sept 2014](#)
- [World Financial Symposium-Sept 2014](#)

### Eligibility Requirements

To become a party to the Multilateral Agreement, you must meet the following criteria:

1. Have a three digit IATA accounting code
2. Be an airline with passenger service
3. Have access to IATA weighted mileage factors

Airlines are not required to provide sales data, but are encouraged to do so.

Additionally, a dedicated and private website has been established for use by the Parties. Each Party will be required to notify ACH of the names, titles, email addresses and phone numbers of individuals requiring access. The website contains:

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- Training documentation
- News (i.e., announcing new Parties to the Agreement)
- The Agreement
- Communications
  - ACH will issue written communications to the Parties when a new Party joins; of the monthly rates; when a Party has agreed to allow its sales to be included in the process to calculate the monthly settlement percentage rates; and other communications as may be appropriate
- Monthly settlement percentage rates for the global regions (current and historical)
- Participants (Tabulation of Parties to the Agreement)
- Presentations
- Sales Data Providers (Tabulation of the Parties providing sales data for use in the calculation)
- Steering Committee
  - Reserved for use by the Steering Committee Members

## Monthly Rates

Monthly settlement percentage rates for each of the 10 global regions are established by dividing the MPA prorate amount by the IATA weighted mileage factor of each coupon from 1% of sales issued by Parties that have authorized its sales to be included in the calculation. Specific sales transactions are excluded from the calculation as defined in the Agreement.

The applicable monthly settlement percentage rate is applied to the IATA weighted mileage factor of the applicable involuntary reroute coupon or FIM, based on the origin and destination of the involuntary reroute coupon or FIM, to determine the settlement value.

ACH will issue a communication no later than the 20<sup>th</sup> of each month to each Party's designated individuals regarding the applicable involuntary reroute settlement percentage rates for each global region. The rates are applicable to original billings in the next calendar month. Current and historical monthly rates can also be found on the Involuntary Reroute Settlement website.

## *Tickets*

Provided an applicable involuntary reroute ticket has been issued on or after the effective date as listed in the Concurrence Agreement between the two Parties, then the monthly rate to be used shall be that in effect on the date the applicable involuntary reroute ticket was issued.

Example:

If the below ticket example is invoiced to the issuing airline in May 2013 use the rate in effect for May 2013; and if the below ticket example is invoiced to the issuing airline in June 2013, still use the rate that was in effect in May 2013.

Assume in the below example that coupon 1 was invoiced to the issuing airline in May 2013 and coupon 2 was invoiced in June 2013.

# Multilateral Involuntary Reroute Settlement Overview

<b>PASSENGER TICKET AND BAGGAGE CHECK</b> SUBJECT TO XXXX ISSUED BY: <b>SWEET AIR LINES INC</b>				<b>FLIGHT COUPON 1 OF 2</b> DATE OF ISSUE: 04MAY13 ISS OFF CODE: SW INDI: ISO: US				<b>PASSENGER TICKET AND BAGGAGE CHECK</b> PASSENGER COUPON PRIMARY TICKET NUMBER 0062147734450			
ETKT NAME OF PASSENGER (NOT TRANSFERABLE): SMITH/ELIZABETHCAMPBELLMS				ISS AGT ID: DL/AD				PLACE OF ISSUE: JFKFTO			
FROM: JFK - New York TO: FRA - Frankfurt				CARRIER/FLIGHT: YY405				CLASS/DATE: Y 04MAY13			
ENDORSEMENTS/RESTRICTIONS INVOL REROUTE - VALID FOR SPECIFIED TRAVEL ONLY				FARE BASIS: TKWT7/LN106				TOUR CODE: ITINVOL			
ORIGINAL ISSUE: 0067240868083 BOS 26MAR13				ISSUED IN EXCHANGE FOR: 1 00672240868083 2				A/L: FLIGHT: COS: DATE: FROM: TO: YY 405 Y 04MAY13 JFK FRA			
FARE CALCULATION ATL ZZ X/NYC ZZ MIL MITT TKWT7/LN106 /-ROM ZZ ATL MITT UKWT7/LM106 END XF ATL 4.5JFK4.5				FNR CODE GMFRPJ				A/L: FLIGHT: COS: DATE: FROM: TO: YY 252 Y 05MAY13 FRA MXP			
TAX: SEE COUPON				STOCK CONTROL NUMBER TX				FARE BASIS: TKWT7/LN106			
TAX:				DOCUMENT NUMBER 1 123 4567890123 4				***** NOT VALID FOR TRAVEL			
TOTAL: IT				CONU TKT NO:				A/L: FLIGHT: COS: DATE: FROM: TO: CMPT: YY 405 JFK FRA Y DATE: 04MAY13 ESAC: 2200560675860 DOCUMENT NUMBER: 1 123 4567890123 4 Lifted Coupon			

Global Direction Settlement Percentage Rates:

Original Clearance Month	Within NA	Within TC1, Excluding NA	Between NA and TC1	Between NA and Southwest Pacific	Trans. Atlantic	Within Area 2	Trans Pacific	Within Area 3	Between Area 2 and Area 3	Other
May 2013	11%	11%	10%	12%	9%	9%	10%	14%	9%	n/a
Jun 2013	12%	12%	11%	13%	10%	10%	10%	14%	8%	n/a
Jul 2013	12%	12%	11%	12%	9%	10%	11%	15%	8%	n/a
Aug 2013	11%	12%	11%	11%	9%	11%	12%	15%	7%	n/a
Sep 2013	11%	12%	12%	10%	9%	10%	11%	15%	7%	n/a

**Note:** Rates above are for illustration purposes only

Settlement calculation for the above example:

Document	Coupon	IATA Weighted Mileage Factor	Applicable % Rate	Settlement Amount
TKT	1	4720	9%	\$424.80
TKT	2	699	9%	\$62.91

## FIMS

Provided an applicable FIM is invoiced in any period of the month, on or after the effective date as listed in the Concurrence Agreement between the two Parties, then the monthly rate to be used shall be that in effect during the invoice month.

Example:

If the below FIM example is invoiced to the issuing airline in May 2013 use the rate in effect for May 2013; and if the below FIM example is invoiced to the issuing airline in June 2013, use the rate that was in effect in June 2013.

Assume in the below example that coupon 1 was invoiced to the issuing airline in May 2013 and coupon 2 was invoiced in June 2013.





# Multilateral Involuntary Reroute Settlement Overview

The origin and destination of the applicable coupon determines which global region settlement percentage rate to use. Therefore, for a multi coupon involuntary reroute ticket or FIM, it's possible that each coupon will have different applicable settlement percentage rates.

Example:

Coupon 1 JFK-FRA: Use Trans Atlantic rate

Coupon 2 FRA-MXP: Use Within Area 2 rate

Global Direction Settlement Percentage Rates:

Original Clearance Month	Within NA	Within TC1, Excluding NA	Between NA and TC1	Between NA and Southwest Pacific	Trans. Atlantic	Within Area 2	Trans Pacific	Within Area 3	Between Area 2 and Area 3	Other
May 2013	11%	11%	10%	12%	9%	9%	10%	14%	9%	n/a
Jun 2013	12%	12%	11%	13%	10%	10%	10%	14%	8%	n/a
Jul 2013	12%	12%	11%	12%	9%	10%	11%	15%	8%	n/a
Aug 2013	11%	12%	11%	11%	9%	11%	12%	15%	7%	n/a
Sep 2013	11%	12%	12%	10%	9%	10%	11%	15%	7%	n/a

**Note:** Rates above are for illustration purposes only

<b>PASSENGER TICKET AND BAGGAGE CHECK</b> SUBJECT TO XXXX ETKT ISSUED BY: <b>SWEET AIR LINES INC</b>				<b>FLIGHT COUPON 1 OF 2</b> DATE OF ISSUE: 04MAY13 ISS OFF CODE: SW INSI: ISO: US ISS AIST ID: DLJAD PLACE OF ISSUE: JFKFTO TOUR CODE: ITINVOL R: 9				<b>PASSENGER TICKET AND BAGGAGE CHECK</b> PASSENGER COUPON PRIMARY TICKET NUMBER 0062147734450 A/L: FLIGHT: COS: DATE: FROM: TO: YY 405 Y 04MAY13 JFK FRA FARE BASIS: TKWT7/LN106 A/L: FLIGHT: COS: DATE: FROM: TO: YY 252 Y 05MAY13 FRA MXP FARE BASIS: A/L: FLIGHT: COS: DATE: FROM: TO: FARE BASIS: A/L: FLIGHT: COS: DATE: FROM: TO: FARE BASIS: ***** <b>NOT VALID FOR TRAVEL</b> A/L: FLIGHT: FROM: TO: CMPT: YY 405 JFK FRA Y DATE: 04MAY13 ESAC: 2200560675860 DOCUMENT NUMBER: 1 123 4567890123 4 Lifted Coupon			
NAME OF PASSENGER (NOT TRANSFERABLE): SMITH/ELIZABETHCAMPBELLMS FROM: JFK - New York TO: FRA - Frankfurt ENDORSEMENTS/RESTRICTIONS INVOL REROUTE - VALID FOR SPECIFIED TRAVEL ONLY ORIGINAL ISSUE: 0067240868083 BOS 26MAR13 FARE CALCULATION ATL ZZ X/NYC ZZ MIL MIT TKWT7/LN106 /-ROM ZZ ATL MIT UKWT7/LM106 END XF ATL 4.5JFK4.5 FARE: IT EQUIVALENT FARE PAID: FORM OF PAYMENT: EPCHECK TAX: SEE COUPON PCS: CK WT: UNCK WT: SEQ NO: ALLOW: PCS: CK WT: UNCK WT: TAX: STOCK CONTROL NUMBER TX DOCUMENT NUMBER 1 123 4567890123 4 TOTAL: IT				FARE BASIS: TKWT7/LN106 TOUR CODE: ITINVOL R: 9 INVALID BEFORE: INVALID AFTER: PNR CODE GMFRPU CONU TKT NO: ISSUED IN EXCHANGE FOR: 1 0067240868083 2							

## Other Considerations

Other considerations contained in the Agreement are:

### Identification of Involuntary Rerouting

Passenger tickets shall be identified as having been issued in accordance with IATA Resolution 735d when the letters "INVOL", "INVOLUNTARY", "IV", "INV", "IRR", "IRRES" or any other valid reason appear within the fare basis/ticket designator, endorsements and/or tour code field of the ticket; or when "I" precedes the fare calculation.

### Schedule Change

The settlement amounts determined in accordance with the Agreement shall not apply to documents reissued due to schedule change.

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## ***Diversions-FIMS***

The terms of this Agreement apply to FIMs when the reason for issuance states it was a diversion and there is a Concurrence Agreement between the billing airline and the airline identified in the diversion area of the FIM.

## ***Multiple Passenger FIMS***

When a FIM has been issued for multiple passengers, the amount shall be multiplied by the number of passengers to determine the settlement amount.

## ***Discounts***

No further discounts are applicable unless bilaterally agreed between two Concurring Parties.

## ***Interlineable Taxes, Fees and Charges***

Interlineable taxes, fees and charges apply in accordance with RAM rules.

## ***ISC***

ISC shall be applicable in accordance with IATA Resolutions unless otherwise bilaterally agreed between two Concurring Parties.

## ***YQ/YR***

YQ and YR charges are not included with or to be added to the final settlement amount unless bilaterally agreed between two Concurring Parties.

## ***Other Agreements Between two Concurring Parties***

Bilateral Agreements specifying terms of settlement of involuntary reroute tickets and FIMs between two Concurring Parties supersede the terms of this Agreement unless otherwise agreed between the two Parties.