

- 9.6 Certain minimum criteria detailed in Resolution 816 and the Travel Agent's Handbook, must be met in order to be approved by the Agency Administrator for accreditation as an IATA travel agent. The criteria are described below:

### *Qualifications and criteria*

#### *Automated ticketing*

- 9.7 Agents are required to have access to an IATA-approved automated ticketing facility to encourage the use of the most modern automated ticketing systems. Automated ticketing greatly simplifies the sales reporting process and produces a neat and legible ticket. This requirement is based on Resolution 816 paragraph 3.4.11<sup>40</sup>.

#### *Premises*

- 9.8 The requirements in relation to the location of the agency are contained in Resolution 816 paragraphs 3.4.3, 3.5 and 3.7. The agent's place of business must be open for business on a regular basis, be identified and trade as a travel agency. A place of business which does not meet these conditions may nevertheless be approved if it meets all other qualifications and is:

- a branch office situated on the premises of a firm and dedicated substantially to the travel requirements of that firm (*eg* the Department of Defence), or
- a satellite ticket printer location (*ie* a ticket printing facility in a client's premises not open to the public).<sup>41</sup>

- 9.9 The place of business cannot be located in office space jointly occupied with another travel agency, an accredited agent or an airline<sup>42</sup>. This is to reduce the risk of theft and fraudulent use of manual (paper) tickets and to avoid confusion between the agent and an airline office or another agent office by members of the public.

#### *Security of premises*

- 9.10 Resolution 816 paragraph 3.4.4 requires compliance with the minimum security standards set out in section 11 of the Resolution. Each approved location holding stocks of IATA ticket stock must be in accordance with the following (see Resolution 816 paragraph 11.2):

- all normal access points to the premises must be secure when the premises are not attended by the agent's authorised personnel;
- all other possible access points to the premises such as skylights and windows must be secured with strong metal mesh or bars; and

<sup>40</sup> Paragraph 3.4.11 allows an Executive Council in the South West Pacific to introduce such a requirement. The Executive Council Australia introduced automated ticketing as a requirement for IATA accredited agents in Australia in 1998 after a two year implementation period to give already-accredited agents adequate time to meet it

<sup>41</sup> The Travel Agent's Handbook (p.ix) also includes locations solely devoted to organising inclusive tours in this list. This is an error. Previous rules to that effect have been repealed.

<sup>42</sup> The Travel Agent's Handbook (p.ix) states that an accredited agent may not have premises located at an airport. This is an error. Previous rules to that effect have been repealed.

- where approved by the Conference, the premises may be protected by a burglar alarm system or other security arrangements.
- 9.11 Stringent security standards also apply to those agents that only issue electronic tickets. The standards for electronic ticketing locations are as follows (see Resolution 816 paragraph 3.7.5):
- external doors and windows must either be fitted with appropriate locks or linked to a back-to-base alarm system; and
  - potential entry points must be fitted with anti-intrusion bars.

*Storage of ticket stock and plates*

- 9.12 Minimum security standards for storage of ticket stock and plates are set out in Resolution 816 section 11. There must be either a steel safe weighing at least 182 kg (and, if less 500kg, which is bolted, cemented or otherwise secured to the floor or wall to preclude movement within or quick removal from the premises) or a strong-room installed on the premises for the safe keeping of unissued IATA ticket stock (see Resolution 816 paragraph 11.2.6.1(b)<sup>43</sup>). If an agent holds more than a week's supply of ticket stock that excess supply must be kept at a separate security facility (see Resolution 816 paragraph 11.2.7). When not in use, validator plates and carrier identification plates must be stored separately from ticket stock in a secure metal cabinet (Resolution 816 paragraph 11.2.8). Agents must also ensure that IATA ticket stock, validator plates and carrier identification plates are not accessible to unauthorised persons, or left unprotected (Resolution 816 paragraph 11.2.10).
- 9.13 Automated ticket printing devices must be secure, not accessible to unauthorised persons and must not contain more than 250 blank tickets when unattended (Resolution 816 paragraph 11.2.9). Additional security requirements apply to agents with automated ticketing systems which have an after hours ticketing facility (*ie* the ability to queue ticketing requests until a specified time). These are set out in the BSP Manual for Agents - Local Procedures/Information Australia and require that the printer be automatically disabled when ticketing is completed and be kept in a deadlocked cupboard or room.
- 9.14 The above security standards do not apply to agents that issue electronic tickets only as those agents will not hold ticket stock or plates. Instead, login details must be kept secure and ticketing terminals are required to be logged off when the office is unattended (see Resolution 816 paragraph 3.7.3.1).
- 9.15 These requirements are intended to provide appropriate protection against theft of valuable IATA ticket stock and fraudulent use of IATA electronic ticketing.

*Prudential requirements*

- 9.16 Only companies and firms whose financial standing meets IATA's prudential requirements will be approved (see Resolution 816 paragraph 3.4.1(a)). This is because the airlines provide substantial credit to agents through the provision of neutral IATA traffic documents and need to be protected against agent default.

<sup>43</sup> This provision is only applicable to agents in Australia. The requirements vary slightly for New Zealand and the remainder of the South West Pacific countries.

- 9.17 The applicant must provide audited financial statements for the prior financial year prepared in accordance with standard accounting practices. These statements are evaluated by IATA against financial standards established from time to time by the General Assembly which are set out in the Travel Agent's Handbook. The prudential requirements applicable to Australia have been extracted and set out in Schedule 4.
- 9.18 The applicant may be required to provide additional capital for the business or financial support in the form of a bank guarantee or insurance bond.
- 9.19 The following table provides key details of the number of applicants granted accreditation in Australia in 2000 who were required to provide financial security in order to meet the prudential requirements.

**Table 4**  
**Prudential requirements - Australia - 2000**

<i>Total new locations approved</i>	130
<i>No. approved without guarantee/bond</i>	97
<i>No. for which guarantee/bond required</i>	33
<i>Average amount of guarantee/bond</i>	\$A33,333

*Business standards*

- 9.20 The applicant, or any of its managers, principal shareholders (or persons for whom they act as nominees), directors or officers must not have a record of wilful violations of fiduciary obligations incurred in the course of business nor be undischarged bankrupts (see Resolution 816 paragraph 3.4.6).

*Management*

- 9.21 Resolution 816 paragraph 3.4.7 requires that no person who is a director of or holds a financial interest or a position of management in the applicant can have done the same in an accredited agent which:
- has been removed from the IATA agency list, or
  - is under notice of default and still has outstanding commercial debts, or
  - which has been under a notice of default and met its commercial debts solely or in part by recourse to a financial bond or guarantee.

- 9.22 However, the applicant may nevertheless be approved if the Agency Administrator is satisfied either that that person did not participate in the acts or omissions that caused such removal or default, or that the applicant can be relied upon to comply with the terms of the Sales Agency Agreement and other resolutions of the Conference.

*Personnel.*

- 9.23 Resolution 816 paragraph 3.4.2.1(a)(ii)<sup>44</sup> sets out the staffing requirements for accreditation.

<sup>44</sup> This provision is applicable to Australia. The requirements vary slightly for the remainder of the South West Pacific countries.

- 9.24 At least one staff member must hold a BSP certificate. IATA issues BSP certificates to people who have either successfully completed an IATA training course in BSP processing or a TAFE travel industry training course which includes BSP processing.
- 9.25 The applicant is also required to have at least one full-time travel staff member present during working hours, qualified and competent to sell international air transportation and issue travel documents. The qualification and competence criteria are established by the General Assembly and set out in the Travel Agent's Handbook. In Australia, those criteria are:
- Completion of a specified course<sup>45</sup>, or
  - Written verification from a previous employer showing a minimum of two years experience, within the past four years, in international fares and ticketing with an IATA agent or airline.

#### *General Sales Agency*

- 9.26 A general sales agent ('GSA')<sup>46</sup> for an air carrier for Australia or for any part of Australia cannot be appointed an IATA agent (see Resolution 816 paragraph 3.4.8) because such appointment to act for all airlines would be inconsistent with its obligations to the airline for which it is a general sales agent.

#### *Name*

- 9.27 The name used by an applicant must not be the same as or misleadingly similar to that of an IATA member, an airline participating in the BSP or IATA itself (see Resolution 816 paragraph 3.4.5.1).
- 9.28 The place of business must not be identified as an office of a member or a group of member airlines (see Resolution 816 paragraph 3.4.5.2). This is because IATA agents are expected to be a neutral source of professional advice on the services of all airlines participating in the programme. Being too closely associated with one particular airline is inconsistent with this intention.

#### *General*

- 9.29 As noted at paragraph 9.1 above, the applicant must hold a valid licence to carry on business as a travel agent in the State or Territory in which it carries on business (see Resolution 816 paragraphs 3.4.10 and 13.7).

#### *Application fee*

- 9.30 The application fee currently payable by an agent in Australia for IATA accreditation is \$A1,195 plus GST for the head office and \$A1,055 plus GST for any branch office.

#### *Processing the application*

- 9.31 Applications are processed by the IATA office in Australia. The financial information provided by the applicant is assessed by financial assessors employed by IATA and

<sup>45</sup> Fares and Ticketing courses must be those recognized by the Australian Travel Training Review Panel (ATTRP), or by IATA members.

<sup>46</sup> A General Sales Agent is one to whom an airline has delegated general authority to represent it for purposes of overseeing sales in a defined territory and who is remunerated accordingly.



premises inspections are undertaken. This process takes about 6-8 weeks from the date of lodgement of all of the information IATA needs from the applicant. The following table shows the number of applications and approvals for the period 1998 - 2000.

**Table 5**  
**Accreditation applications and approvals - Australia - 1998 - 2000**

	1998	1999	2000
<i>Total applications received</i>	157	185	172
<i>No. approved</i>	132	123	131

*Note: the figures for applications received and approved in any one year cannot be directly compared as some approvals relate to applications received in the previous calendar year.*

- 9.32 Once an application has been assessed and any additional requirements attended to by the applicant, IATA advises the agent that the requirements have been met and informs all member airlines of the application. The airlines have 30 days from the date of notification to inform IATA if there are any reasons why the agent should not be accredited. This is to ensure that IATA is aware of any information that the airlines may have concerning the agent's suitability for appointment. The relevant provision is continued in paragraph 4.7.4 of Resolution 816.
- 9.33 If information is provided by an airline it is assessed by IATA and an independent decision made by the IATA Agency Administrator on whether or not the agent should be accredited. There has never been an objection by any airline to the accreditation of any agent in Australia.
- 9.34 Applications for accreditation include provision for the applicant to nominate a computer reservation system ('CRS') provider or other automated ticketing system if the applicant wishes. All accredited agents must have facilities for automated ticketing but this can take be met by a variety of means including a computer terminal and modem.
- 9.35 Once the 30 day notification period has expired the applicant and the IATA Agency Administrator sign a Passenger Agency Agreement and the agent's formal appointment is complete. IATA notifies its member airlines that the agent has been accredited and the agent is provided with a validator plate and IATA neutral ticket stock and other forms. Those airlines which have either lodged a General Concurrence<sup>47</sup> or appoint the agent directly, authorise the CRS provider via the BSP, to connect the agent so sales can commence. Unless the agent has nominated itself as an electronic ticketing only location, those airlines also deliver carrier identification plates<sup>48</sup> to the agent.
- 9.36 The relevant paragraph of Resolution 816 is as follows:

*4.3.1 if the Agency Administrator decides the applicant or location has shown that it meets the qualifications, the Agency Administrator shall approve the applicant or location and enter it on the Agency List;*

### **Disapproval**

- 9.37 Although it has not occurred for many years, there is a possibility that an application could be rejected. The IATA agency programme provides for a right of review in such

<sup>47</sup> See section 10 below

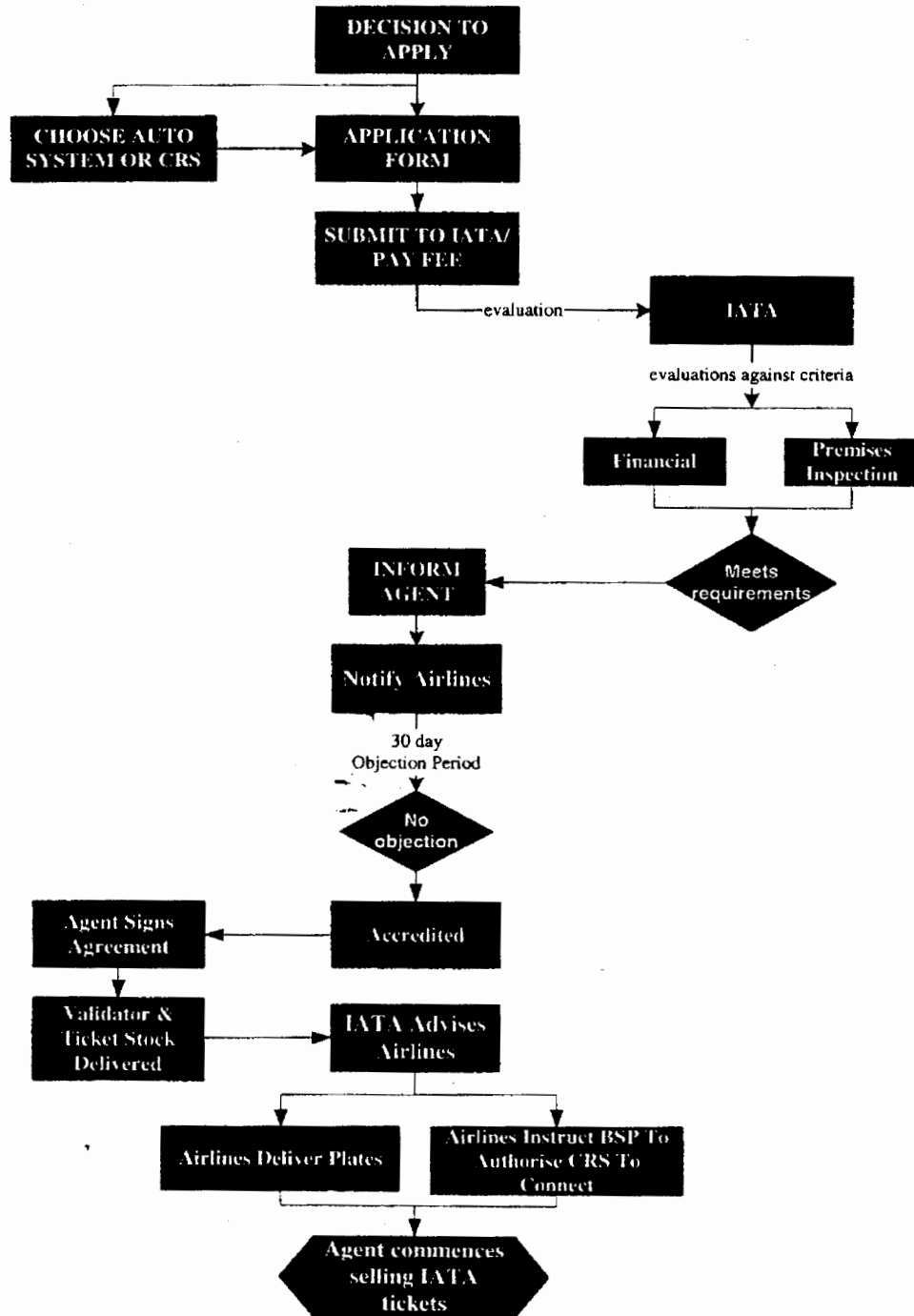
<sup>48</sup> See footnote 38

cases by the Travel Agency Commissioner<sup>49</sup>. The relevant paragraph of Resolution 816 provides:

*4.2 A disapproved applicant or an Agent whose application for an additional location has been disapproved may, within 30 calendar days of the date of the Agency Administrator's notice, request reconsideration of the decision by the Agency Administrator or may invoke the procedures for review of the Agency Administrator's action by the Travel Agency Commissioner.*

9.38 The following diagram illustrates the appointment process:

**Diagram 2  
Accreditation process**



<sup>49</sup> The role of the Travel Agency Commissioner, who is an independent arbitrator, is set out at Section 24

- 9.39 Paragraph 3.1 of Resolution 816 provides that the standards inherent in the criteria for accreditation are also standards for continuation as an IATA accredited agent. Matters such as changes of ownership of the agency and changes in location must be approved by IATA in accordance with a process set out in the resolutions.<sup>50</sup>

## 10. General concurrence

- 10.1 The general concurrence arrangements are an important part of the IATA Passenger Agency Programme. General concurrence is the main process by which IATA member airlines appoint and authorise accredited agents to sell tickets on their behalf. It is a quite simple and effective system which works as follows:

- The airline signs a standard international form of agreement (the general concurrence) conferring authority on the IATA Director-General to appoint accredited agents to sell tickets on the airline using neutral IATA ticket stock.
- The general concurrence authorises the Director-General to appoint accredited agents on the terms of the IATA passenger sales agency agreement. That agreement is a standard form, applicable world wide.
- The agent and IATA, exercising the authority referred to above, sign the passenger sales agency agreement at the completion of the accreditation process thereby formally appointing the agent as agent for all of the airlines which have signed the relevant general concurrence.

- 10.2 An accredited agent cannot act as an appointed agent for a member airline which has not deposited a general concurrence unless it has been provided with a certificate of appointment by that airline and that airlines's ticketing authority (that is, connection to an automated ticketing system or delivery of the airline's carrier identification plate).

- 10.3 The relevant paragraphs of Resolution 816 state:

*4.4.1.1(a) the Member may deposit with the Agency Administrator a statement of general concurrence for the appointment of all Accredited Agent. The Agency Administrator shall from time to time publish in the Travel Agent's Handbook a list of Members having deposited with him a statement of general concurrence,*

*4.4.1.1(b) alternatively, a Member may deliver to such Agent a Certificate of Appointment;*

*4.4.2 individual appointments shall be effective:*

*4.4.2.1 as to those Members who have deposited a statement of general concurrence, immediately upon inclusion of the Agent on the Agency List, or as from the date the statement is deposited if such date is subsequent to that of the Agent's inclusion on the Agency List,*

*4.4.2.2 as to any other Member, as from the date on the Certificate of Appointment which shall not be dated earlier than the date when the Agent was included on the Agency List.'*

- 10.4 A list of the airlines which have signed a general concurrence in relation to Australia is contained in Schedule 5. Over 80 airlines have done so, including airlines which do not have on line services to Australia. Of the 70 airlines participating in the BSP Australia, 49 have signed a general concurrence in relation to Australia. They include the major international airlines serving Australia - Air New Zealand, ANA, Ansett, JAL, Qantas, Singapore Airlines and United Airlines.

- 10.5 With 270 members world wide, the programme needs a standard form of authority to operate efficiently. The general concurrence is that form.

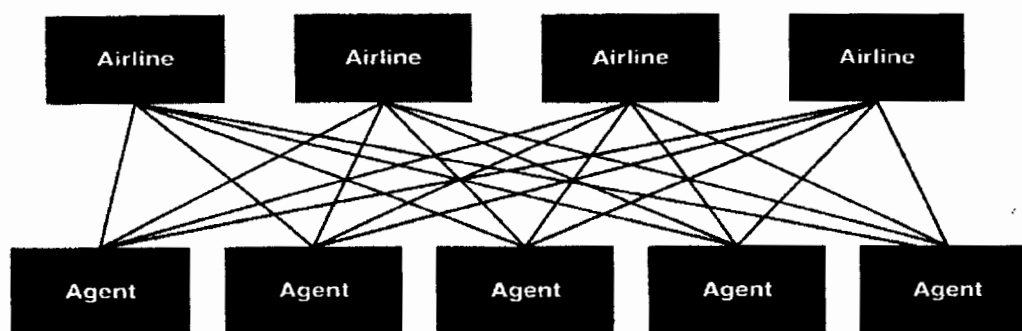
<sup>50</sup> See resolution 816 section 10.



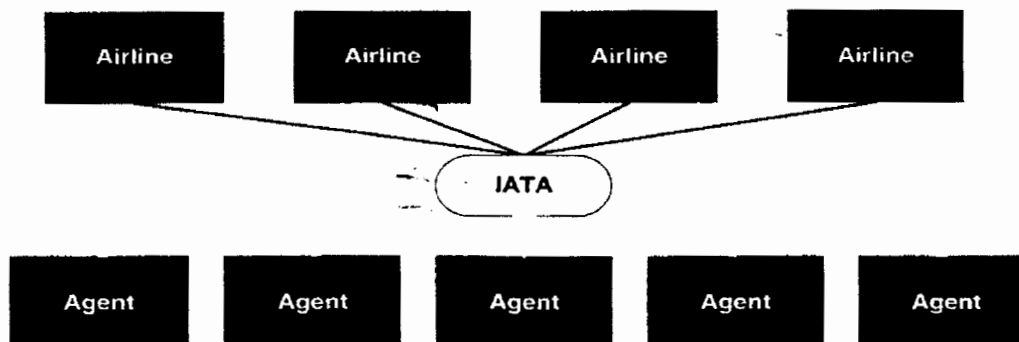
- 10.6 An accredited agent's authorisation is complete when the airline arranges for the agent to be connected to the relevant automated ticketing system and supplies its carrier identification plate.

## 11. Passenger sales agency agreement

- 11.1 The standard passenger sales agency agreement, contained in Resolution 824, is an essential element of the programme. With over 34,400 accredited agents world wide<sup>51</sup> operating through over 56,900 locations, the programme could not operate if different airlines were to use their own form of agency agreement.
- 11.2 The following diagram illustrates the position in relation to appointment of agents without the IATA standard passenger sales agency agreement and agency programme. Each airline would have to negotiate and sign an individual agreement with each agent it wished to appoint, throughout the world.



- 11.3 With the IATA passenger sales agency agreement and general concurrence the system operates as illustrated below:



- 11.4 An annotated copy of the standard passenger sales agency agreement (Resolution 824) is contained in Schedule 6. The relevant paragraph from Resolution 816 is as follows:

*4.3.2 the Director General, acting on behalf of such IATA Members as may appoint Agents shall execute a Sales Agency Agreement with each Person accredited as an Agent in accordance with these Rules and the Agency Administrator shall promptly notify all Members of the names of parties executing Sales Agency Agreements and the dates of such agreements.*

## 12. Selling airline tickets

<sup>51</sup> As at February 2000. US agents are not included in these numbers as the IATA agency programme has not applied in the USA since 1985. An alternative programme in the US is managed by IATAN, an IATA subsidiary, which has a total of 18,600 endorsed agents operating through over 32,000 locations as at 31 March 2001.

- 12.1 The IATA agency programme makes possible the distribution of airline tickets worldwide. Any one of the 34,400 IATA accredited agents worldwide<sup>52</sup> can book seats for their customers, through the 56,900 locations they operate, on any of the 270 member airlines<sup>53</sup> and issue tickets using neutral IATA ticket stock issued to them by the IATA Agency Office in their region. This applies wherever in the world the customer is flying - whether on main trunk routes such as Los Angeles/Sydney or on between more remote destinations such as Istanbul/Dubbo.
- 12.2 The 1,590 agents in Australia who participate in the IATA international agency programme are able to sell airline tickets through the 2,028 locations they operate on any airline which participates in the programme in Australia. Furthermore, those agents can book travel on any IATA member airline, knowing that, when a ticket is issued to their customer that ticket will be honoured worldwide. The customer will pay in Australian dollars and the agent can account to the airlines, even those overseas, in Australian dollars with a single remittance to the BSP in Australia.

### Case study 1

Orange Travel is a travel agent in Orange, NSW. A customer wants to take a business trip to Pakistan and come home via New Delhi. The only airline operating from the Cudal airport, which serves Orange, is Hazelton.

Orange Travel is able, as an IATA accredited agent, to book and ticket the customer on Hazelton to Sydney then on Qantas to Singapore, changing to the Pakistan airline, PIA, in Singapore for the final leg to Islamabad. The agent can then book and ticket the customer on Air India from Islamabad to New Delhi, Thai International to Sydney via Bangkok and then Hazelton from Sydney to Orange.

The ticket can be issued on the spot in Orange and paid for in Australian dollars at the agency. Orange Travel will then remit a single payment for all of the travel to the airlines in Australian dollars via the IATA BSP.

If Orange Travel did not have this facility available to it the customer's requirements could not be met except through another IATA agent. This is because, to execute the same transaction Orange Travel would need to have agreements with each of the 5 airlines involved and ticket stock and authority to issue tickets from each of them. Furthermore, the agency would probably be required to pay overseas airlines in foreign currency. The agent would have to convert the foreign sale to Australian dollars for the purpose of collecting payment from its customer. The agency would bear an exchange risk and the transaction costs. Finally, because there would be no interline fare, the fares for the multiple sectors involved would be likely to be higher than if a through fare were available under the IATA interline system.

### Case study 2

A customer in a Sydney suburb wants to travel to London and Dublin but is also going to the USA. The suburban IATA travel agent has the flexibility, in addition to selling and issuing a ticket for the customer to the USA, to sell and ticket a London/Dublin side-trip fare on Aer Lingus (an airline which is neither an on-line nor off-line carrier for Australia) using a United Airlines ticket. Although the fare is in pounds sterling, the customer will pay the agent in Australian dollars.

<sup>52</sup> See footnote 51.

<sup>53</sup> Where the airline has not signed a general concurrence or individual appointment for the agent in Australia this is a pre-requisite.

- 12.3 The position is the same for the 34,400 agents<sup>54</sup> which participate in the IATA agency programme throughout the world. Travel to and in Australia can be purchased at any of the 56,900 IATA accredited agent outlets in over 210 countries around the world<sup>55</sup>, in one transaction and in one currency.
- 12.4 Ansett and Qantas will recognise the tickets issued in a foreign country when presented at the airport and carry the customer without question, knowing that payment will be made through the IATA system. Customers who have never heard of Qantas or Ansett have those airlines available as a possible alternative to known carriers because Ansett and Qantas are part of the world wide IATA system.

### Case study 3

A customer in Florence, Italy wants to visit relatives in Adelaide. The customer can go to an IATA travel agent in Florence who can offer a choice of airlines and routes including Alitalia to Milan or Rome connecting with the Qantas, KLM/Malaysia/Ansett or Singapore Airlines/Ansett services to Adelaide. The customer can choose on the basis of fares and schedules rather than being limited to Alitalia and the airlines (if any) with which Alitalia has negotiated commercial arrangements.

The ticket can be issued on the spot in Florence and paid for in Italian lira at the agency. The agent will then remit payment for all of the travel to the airlines in lira via the IATA BSP in Italy.

If the Florence travel agent did not have this facility available to it, the customer's requirements could not be met except through another IATA agent. This is because to execute the same transaction the travel agent would need to have agreements with each of airline groupings involved and ticket stock and authority to issue tickets from each of them. Furthermore, the agency would be required to pay overseas airlines in foreign currency which it would have to convert for the purpose of collecting from its customer. The agency would bear an exchange risk and the transaction costs.

- 12.5 From the perspective of the airlines, the IATA agency programme allows them to distribute their tickets locally through a ready-made distribution system which operates world wide.
- 12.6 For airlines seeking to establish themselves in new markets, or in markets distant from their home base, the programme allows immediate market access. This applies whether it is a new airline seeking to compete in the Australian market or an Australian airline seeking to compete in a foreign country.

### Case study 4

Canada 3000 is new airline to Australia. The airline was fairly unknown in the Australian market when it commenced its Australian operations. In 1997, when the airline commenced once weekly services between Sydney and Vancouver via Nadi and Honolulu, it attempted to find agents in Australia. Agents approached by the airline were not interested in selling its tickets as the airline was new to Australia and not known. After some difficulty the airline managed to secure three agents.

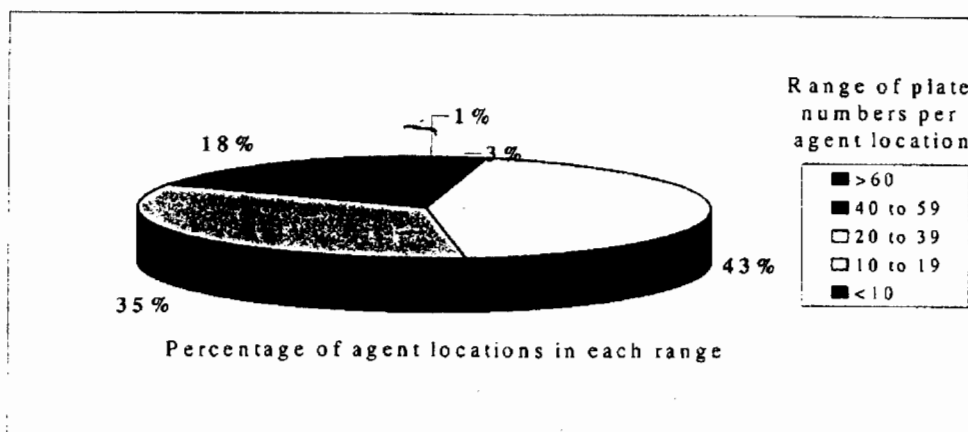
The airline joined the IATA BSP Australia in 1999 and was able to immediately place its carrier identification plates with over 450 agents throughout Australia. The airline's view is that, without the BSP, it would not have had adequate access to the agent community in Australia.

<sup>54</sup> See footnote 51.

<sup>55</sup> As at December 31, 1999 there were 63 BSPs operating in 140 countries world wide.

- 12.7 The IATA agency programme makes issuing airline tickets a simple matter. IATA provides accredited travel agents with a stock of blank IATA airline tickets and a validator plate, similar to a credit card, which contains a unique number assigned to the travel agent by IATA. The airlines instruct the BSP to authorise the CRS or other automated system chosen by the travel agents to print tickets on the airline for the agents using the IATA ticket stock, and provide a carrier identification plate (like a credit card) with the airline's name and unique number assigned by IATA.
- 12.8 When a customer purchases an airline ticket the agent simply issues the ticket by entering details of the flights in the places provided on the blank ticket and applying its and the airline's carrier identification plate, or completes and prints the ticket using a CRS or other automated ticketing computer system.
- 12.9 The paragraph in Resolution 816 dealing with carrier identification plates states:
- 5.1.1 an Airline or Member participating in the Billing and Settlement Plan may place its Carrier Identification Plate at a Head or Branch Office Location of the Agent appointed by it, provided that a Carrier Identification Plate supplied to a Host Location shall authorise the Agent to issue Standard Traffic Documents at that Location and at any STP Location controlled therefrom; provided also that a Carrier Identification Plate supplied to an Approved Location shall also authorise the Agent, unless otherwise advised by the Airline or Member to the Agent in writing, to issue Standard Traffic Documents on any additional numeric codes assigned under the provisions of Section 4 of Subparagraph 4.3.5(a)<sup>56</sup> of the Sales Agency Rules to identify specific sales activities; conversely, the Airline or Member is entitled to withdraw such Carrier Identification Plate;*
- 12.10 The following diagram shows the number of carrier identification plates held by IATA accredited travel agents in Australia:

**Diagram 3**  
**Number of carrier identification plates held by accredited agents**  
**Australia - January 2001**



- 12.11 For obvious reason, only IATA accredited agents can hold IATA neutral ticket stock. The relevant paragraph of Resolution 816 provides:

*5. Only Accredited Agents at Approved Locations may hold Traffic Documents and Carrier Identification Plates. ISS Management shall provide Agents with stocks of Standard Traffic Documents. (OPATBs to be printed in a STP Location shall be assigned by the controlling Host Location from its own stock and delivered to the STP Location concerned). Accordingly no Airline or Member participating in the Billing and Settlement Plan shall place stocks of its own Traffic Documents with any Agent.*

<sup>56</sup> Subparagraph 4.3.5(a) entitles accredited agents to request allocation of one or more numeric codes to allow the agent to perform specific sales activities such as dedicating a code to a large client account.

- 12.12 There is a good reason for the requirement that no member or other airline participating in the BSP may place its traffic documents with an IATA accredited agent. It is to avoid undermining the neutral system, which places all carriers on the same footing. It also reduces the possibility of fraud or misuse of ticket stock going undetected, and reduces the collateral risk of unknown non-IATA stock which is not covered by the financial guarantee.

### 13. Paying for the ticket

- 13.1 When an IATA travel agent issues a ticket on a member or other airline participating in a BSP, regardless of the destinations, airlines and currencies involved, the IATA programme allows the agent to accept payment in the currency of the country in which the ticket is issued.
- 13.2 The payment is accepted by the agent for the airline on which the ticket is written. If more than one airline is involved the ticket will normally be written on the airline operating the first leg of the journey<sup>57</sup>. The agent receives payment as trustee for the airline<sup>58</sup> and is obliged to account to the airline for the money.
- 13.3 The payment arrangements described above are dealt with in the following paragraph of Resolution 816:

*6.1.1 monies for sale against which an Agent issues Standard Traffic Documents supplied by ISS Management<sup>59</sup> shall be deemed due by the Agent to the Member or Airline whose Carrier Identification Plate is used when such Standard Traffic Documents are issued and shall be settled in accordance with the provisions of this Section; provided that in the event the Agent is declared bankrupt, placed in receivership or judicial administration, goes into liquidation or becomes subject to any other similar legal process affecting its normal operation, then notwithstanding the normal remittance procedures set out in this Section all such monies shall become immediately due and payable; provided further that in circumstances where a Member or Airline determines that its ability to collect monies for Traffic Documents may be prejudiced by the Agent's financial position such Member or Airline may demand immediate settlement of all such monies;*

*6.1.2 in circumstances where an Agent collects full or part payment for transportation in respect of which reservations have been made on the services of a Member or Airline such Agent shall issue an appropriate Traffic Document. Thereupon monies for such sale shall be deemed due and settlement shall be made in accordance with the provisions of Subparagraph 6.1.1 of this Paragraph;*

*6.1.3 the Member or Airline may, subject to applicable currency regulations, designate the currencies in which remittances may be made;*

- 13.4 Although Resolution 816 paragraph 6.1.3 permits the airline to specify the currencies in which agents are to remit funds, in Australia all remittances are in Australian dollars.
- 13.5 The resolutions set out above are reinforced by the passenger sales agency agreement (Resolution 824), which provides:

*7.1 on the issue by the Agent of a Traffic Document on behalf of the Carrier, or on the issue by the Agent of its own Transportation Order drawn on the Carrier, the Agent, irrespective of whether it collects a corresponding amount, shall be responsible for payment to the Carrier of the amount payable for the transportation or other service to which the Traffic Document or Transportation Order relates. This shall not, however, apply where the Traffic Document or Transportation Order is issued under the Universal Air Travel Plan or similar credit plan recognised or made available to the public by the Carrier (except with respect to the initial amount payable under such plan) and the Agent has procured and forwarded to the Carrier the duly executed documents required under such plan, or where the Traffic Document or*

<sup>57</sup> See Resolution 850 Attachment H'

<sup>58</sup> Passenger sales agency agreement (Resolution 824) clause 7.1. This clause also applies to sales on behalf of IATA members not participating in the BSP

<sup>59</sup> ISS Management is a separate IATA unit which manages the BSP world wide. It is explained at paragraph 27.3 below.

*Transportation Order is issued by the Agent in response to a prepaid ticket advice. In such cases the Carrier accepts responsibility for collection;*

*7.2 except as otherwise provided in Subparagraph 7.1 of this Paragraph, the Agent shall collect the amount payable for the transportation or other service sold by it on behalf of the Carrier. All monies collected by the Agent for transportation and ancillary services sold under this Agreement, including applicable commissions which the Agent is entitled to claim thereunder, shall be the property of the Carrier and shall be held by the Agent in trust for the Carrier or on behalf of the Carrier until satisfactorily accounted for to the Carrier and settlement made. The Carrier may, subject to applicable currency regulations, designate the currencies in which remittances are to be made. Unless otherwise instructed by the Carrier the Agent shall be entitled to deduct from remittances the applicable commission to which it is entitled hereunder;*

*7.3 the Agent shall remit to the Carrier such monies at such times and under such conditions as the Carrier may designate from time to time in accordance with the provisions of the Sales Agency Rules;*

*7.4 a Traffic Document shall be issued immediately money is received by the Agent for specified passenger air transportation or ancillary services sold under this Agreement and the Agent shall be responsible for remittance to the Carrier of the amount payable in respect of such Traffic Document;*

*7.5 in the event that the Agent becomes the subject of bankruptcy proceedings, is placed in receivership or judicial administration, goes into liquidation or becomes subject to a similar legal process affecting the normal operation of the Agent, then notwithstanding the normal remittance procedures under this Agreement, all monies due to the Carrier or held on behalf of the Carrier in connection with this Agreement shall become immediately due and payable.*

### **Reporting sales**

- 13.6 Instead of accounting to each airline for tickets sold, IATA accredited travel agents lodge a periodic statement with IATA reporting on all transactions on behalf of IATA members and other airlines participating in the BSP in the period covered by the statement<sup>60</sup>. The relevant paragraph of Resolution 816 provides:

*6.2 the Agent shall for each Approved Location furnish Sales Transmittals, in the form prescribed in the Billing and Settlement Plan Manual for Passenger Sales Agents, to the Clearing Bank designated under the Billing and Settlement Plan. Such Sales Transmittals shall include all transactions with respect to which Standard Traffic Documents were issued and Agency Credit and Debit memoranda received by the Agent during the period covered by the Sales Transmittal. Such transactions are hereinafter referred to as 'accountable transactions' and the period covered by the Sales Transmittal is referred to as 'the reporting period'. If there were no accountable transactions during the reporting period the Agent shall submit to the Clearing Bank a 'no sales' report in the form prescribed in the Billing and Settlement Plan Manual for Passenger Sales Agents in lieu of a Sales Transmittal. (In the following paragraphs the expression 'Sales Transmittals' includes 'no sales' reports where the context so permits.)*

- 13.7 The reporting frequency is set by the Passenger Agency Conference. The relevant paragraph of Resolution 816 provides:

*6.3.1 reporting shall be as frequent as possible and the Conference shall establish the length of the reporting period most suitable to the efficient operation of the Plan. The Conference may authorise variations to the length of the established reporting period in respect of those individual Agents as deemed necessary by the Conference to provide for the optimum integration into the Plan's operation of such Agents' method of data transfer. The length of the reporting periods established pursuant to the foregoing provisions shall in no event exceed that of the remittance period. The last day of the reporting period is hereinafter referred to as 'the reporting date'. The reporting periods shall run from the close of business on each reporting date to the close of business on the next reporting date;*

*6.3.2(a) notwithstanding the provisions of Subparagraph 6.3.1 of this Paragraph, if the Clearing Bank validates the Agents' reporting of automated tickets against ticketing data supplied by System Providers, such System Providers will, upon request, be allowed to report their ticketing data to the Clearing Bank not more frequently than once a week if:*

*6.3.2(a)(i) the System Provider's processing centre is located outside the country concerned, and*

<sup>60</sup> Sales on behalf of members not participating in the BSP are reported direct to the airline. That sales report is submitted at the same time that the agent remits payment. See Resolution 816 paragraphs 7.3 and 7.4.

*6.3.2(a)(ii) the Clearing Bank cannot provide facilities capable of accepting the System Provider's electronic wire transmission of ticketing data;*

*6.3.2(b) Under such circumstances, ISS Management may require both parties to implement online electronic wire transmission capabilities for transmission of ticketing data. Implementation of such transmission facilities shall be completed with a reasonable period of time as jointly determined by ISS Management, the Clearing Bank and the System Provider concerned.*

- 13.8 The operational procedures for reporting, including the reporting period, are set out in the BSP Manual for Agents and Local Procedures/Information Australia supplement. Reporting is performed on a weekly cycle in Australia every Monday. Sales of manual tickets over the previous week must be reported by the agent each Monday. Sales of automated tickets, however, will be reported automatically on the agent's behalf by the ticketing system.

### ***Making payment***

- 13.9 Instead of making separate payment to each airline for whom the travel agent has sold tickets, IATA accredited agents make one payment each period to IATA on behalf of all IATA members and other airlines participating in the BSP<sup>61</sup>. The relevant paragraph of Resolution 816 provides:

*6.7.1 Agents shall settle all amounts due in respect of accountable transactions and any applicable charge directly with the Clearing Bank. ISS Management, following consultation, which includes receiving comments from the local agency liaison working group, may require the Agent to provide ISS Management with the necessary information and an authorization form as may be prescribed from time to time by ISS Management, permitting the Clearing Bank to draw cheques on or debit the Agent's bank account in favour of the International Air Transport Association or the institution designated by ISS Management, in payment of all amounts due to Members and Airlines. The Agent shall give ISS Management 30 days' advance notice in writing of its intention to change banks or bank accounts;*

*6.7.2 the Conference shall establish the frequency of Agents' remittances under the Plan;*

...

*6.7.3(h) ... the frequency shall be not less than 52 times nor more than 53 times each calendar year or such greater frequency as the Conference shall determine; provided that individual Agents may elect to remit at such greater frequency and for such length of time as the Conference shall deem appropriate;*

...

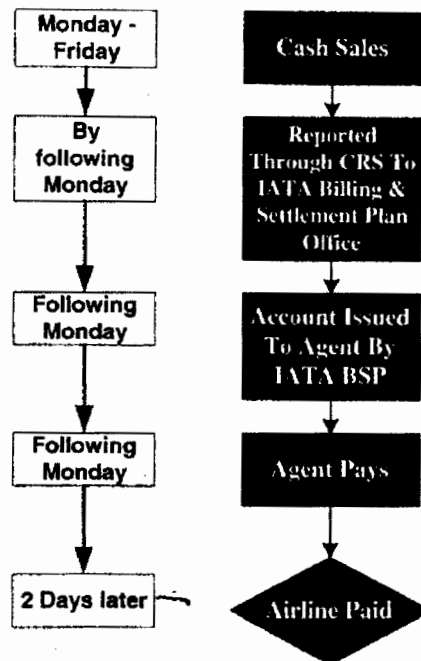
*6.7.4(b)(viii) ... if the remittance frequency so established is greater than 52 times per calendar year, remittances shall be made by the Agent so as to reach the Clearing Bank not later than its close of business on the 15th day following the reporting dates so determined, or on such earlier day established by the Conference;*

- 13.10 The operational procedures for remittance, including the remittance period, are set out in the BSP Manual for Agents and Local Procedures/Information Australia supplement. As with reporting, remittance is performed on a weekly cycle in Australia. A bill for all cash sales is issued to the agent one week after the agent submits its sales report (see paragraph 13.8 above) which is paid one week later via direct debit. Credit card sales are, however, billed direct to and paid by the credit card company. If for some reason the agent has not received the billing by the time the remittance is due, the agent must pay the amount it calculates is due and then any shortfall when the billing is received (see Resolution 815 paragraph 6.7.5).

<sup>61</sup> Payment for sales on behalf of members not participating in the BSP are remitted direct to the airline. The remittance frequency is the same as that set for remittances to the BSP. See Resolution 816 paragraphs 7.3 and 7.4.

- 13.11 Although the agent receives payment for tickets in trust for the airline on which the ticket is written, the agent is entitled to deduct its agreed commission from the payment it makes<sup>62</sup>.
- 13.12 IATA then reconciles the statement from each IATA accredited agent for each airline, provides the airlines with a consolidated statement of all tickets sold in the reporting period and pays the airline the amount due to it.
- 13.13 The settlement process through the BSP, including the reporting and payment periods, for automated ticket sales other than credit card sales is illustrated in the following diagram:

**Diagram 4**  
**Settlement process - BSP Australia**  
**Automated ticket sales other than on airline credit card merchant facility**

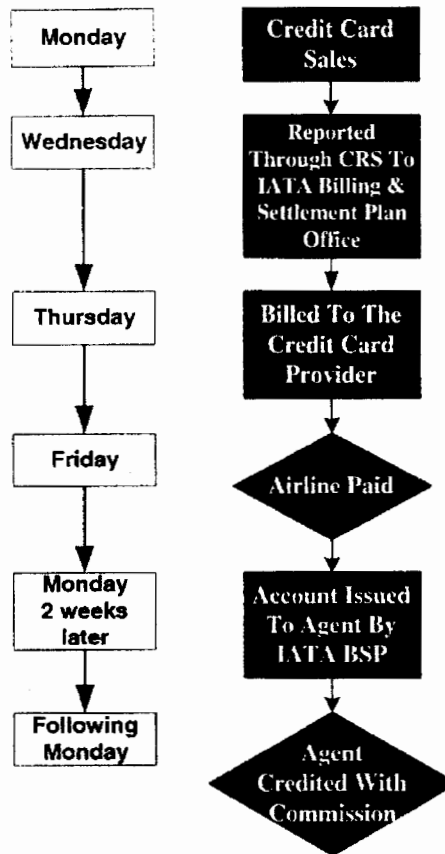


- 13.14 IATA accredited travel agents are entitled to use their own merchant facility to accept credit card payment for airline tickets. Settlement with the airlines in such cases is in the same manner as set out in Diagram 4, with the same reporting and payment periods applying. However, travel agents tend not to do so because they have to meet the credit card provider's fee out of their commission.
- 13.15 The overwhelming majority of airlines authorise IATA accredited travel agents to use the airline's merchant number with credit card providers when a customer wishes to pay for airline tickets by credit card.
- 13.16 The settlement arrangements through the BSP for all automated tickets sales by credit card are as illustrated in the following diagram:

<sup>62</sup> Passenger Agency Agreement (Resolution 824) clause 7.1. This clause also applies to sales on behalf of IATA members not participating in the BSP



**Diagram 5**  
**Settlement process - BSP Australia**  
**Automated ticket sales on airline credit card merchant facility**



## 14. Earning commissions - background

14.1 Travel agents are remunerated in a variety of ways, including fee for service, although commissions paid by the airlines and tour companies constitute by far the most important source of agents' remuneration. In 1996-97 65% of travel agency industry income in Australia was earned from ticket sales commissions<sup>63</sup>. IATA believes that this percentage has reduced steadily over the years.

14.2 Originally, all tariffs (including commission rates) were agreed through the tariff co-ordination machinery of IATA and approved by governments. The relevant article of the Bermuda I Agreement<sup>64</sup> provided:

*(1) The tariffs on any agreed service shall be established at reasonable levels, due regard being had to all relevant factors, including cost of operation, reasonable profit, characteristics of service ... and the tariffs of other airlines for any part of the specified route. These tariffs shall be determined in accordance with the following provisions of this Article.*

*(2) The tariffs referred to in paragraph (1) of this Article shall, if possible, be agreed in respect of each route between the designated airlines of the contracting parties, in consultation with other airlines operating over the whole or part of that route, and such agreement shall, where possible, be reached*

<sup>63</sup> Australian Bureau of Statistics, August 1998, *Travel Agency Services Industry, Australia, 1996-97*

<sup>64</sup> The Air Services Agreement between the UK and the USA concluded in 1950, which formed the model for air services agreements negotiated up until 1978 when the Bermuda II Agreement between those countries became the model.

*through the rate-fixing machinery of the International Air Transport Association. The tariffs so agreed shall be subject to the approval of the aeronautical authorities of both contracting parties.* [emphasis added].

- 14.3 The tariff co-ordination machinery of IATA referred to in the Bermuda I Agreement was, and continues to be, the IATA Tariff Conferences.
- 14.4 A number of the Australian Air Services Agreements<sup>65</sup> contain the following provision in relation to the setting of tariffs:
- 'Agreement on tariffs shall, whenever possible, be reached by the designated airlines concerned through the rate-fixing machinery of the International Air Transport Association.'*
- Others refer specifically to the operating airlines agreeing on tariffs, in co-ordination with other airlines<sup>66</sup>.
- 14.5 It was recognised that commissions paid to travel agents were an important part of tariffs because, without government approval of commission levels airlines could avoid charging the government-approved tariff by returning some of the commission to the customer.
- 14.6 The Bermuda Agreement<sup>67</sup> dealt with commission rates in a separate Article which provided:
- The airlines of each Contracting Party may be required to file with the aeronautical authorities of both Contracting Parties the level or levels of commissions and all other forms of compensation to be paid or provided by such airline in any manner or by any device, directly or indirectly, to or for the benefit of any person (other than its own bona fide employees) for the sale of air transportation between the territories of the Contracting Parties. The aeronautical authorities of each Contracting Party shall exercise their best endeavours to ensure that the commissions and compensation paid by the airlines of each Contracting Party conform to the level or levels of commissions and compensation filed with the aeronautical authorities.'*
- 14.7 Many of the Air Services Agreements entered by Australia before 1985 contained provisions which defined tariffs to include commissions and required the tariffs to be filed with Government for approval<sup>68</sup>.
- 14.8 As a consequence, in addition to setting tariffs for approval by government, the IATA Tariff Conferences also dealt with commission rates, setting standard commission rates for sales of all international passenger air transportation.
- 14.9 When the Trade Practices Commission (TPC) authorised the IATA arrangements in 1984, Tariff Conference Resolution 016a, which was the resolution dealing with the 9% commission rate, was one of the resolutions specifically considered and covered by the authorisation<sup>69</sup>.
- 14.10 However, by 1984 government regulation of commission rates and tariffs on most routes had relaxed. As a consequence, airlines paid the standard 9% commission through the BSP but many airlines operating in Australia also offered additional commissions, called 'override commissions', to reward agents who placed sufficient business with them for flights operated by the airline. Override commissions were paid

<sup>65</sup> eg Austria Art 9, France Art 10, Ireland Art 9, Italy Art 9, Japan Art X, Nauru Art 9.

<sup>66</sup> eg Argentina Art XIII, Brunei Art XIV, Canada Art XIV

<sup>67</sup> Bermuda II Agreement 23 July 1977 Article 13(1).

<sup>68</sup> eg Austria Art 9, Bahrain Art 15, China Art 12, Dubai Art 34.

<sup>69</sup> See Authorization A90408, 31 October 1984

direct to the travel agent once the customer had taken the flight. By 1984 price competition had become a feature of the market in Australia for international air services and travel agents competed in that market by sharing their commissions, including override commissions, with their customers.

- 14.11 IATA airlines have subsequently repealed Resolution 016a, consistent with changes that have taken place in the regulatory regime in most countries. As a consequence there is no IATA resolution concerning the rate of commission payable by airlines to travel agents. Commission or other remuneration is determined between the airline and the agent.

## 15. Earning commissions<sup>70</sup> - current position

- 15.1 The IATA passenger sales agency agreement (Resolution 824) provides for airlines to pay commissions to travel agents who are party to it but does not specify the rate of that commission. Clause 9 of the agreement provides:

*For the sale of air transportation and ancillary services by the Agent under this Agreement the Carrier shall remunerate the Agent in a manner and amount as may be stated from time to time and communicated to the Agent by the Carrier.*

*Such remuneration shall constitute full compensation for the services rendered to the Carrier.*

This is reinforced by Resolution 816, which provides:

*9.2.1.1 Accredited agents duly appointed by the Member shall be paid commission or other remuneration for the sale of international air passenger transportation<sup>71</sup>.*

Resolution 816 also provides for airlines to pay commissions to agents that have applied for but not yet been granted accreditation (see paragraph 9.2.1.2).

- 15.2 When an airline decides, whether through general concurrence or otherwise, to authorise a travel agent to sell tickets on the airline, the airline decides what commission rates or remuneration it is prepared to pay the agent. This is a matter determined separately by each airline and agreed between the travel agent and the airline - IATA and the Traffic Conferences play no part in determining what that commission rate should be.
- 15.3 The rules provide that no commission is to be paid on a miscellaneous charges order unless it has been issued for air transport and the details of the relevant airlines and flights are specified on it. This is because miscellaneous charges orders can be issued for unspecified air travel and also to cover collection of payments for charges other than air transport, such as excess baggage charges or car hire. In Australia, miscellaneous charges orders are often issued for stopover packages and commission is payable on them.
- 15.4 The relevant paragraph of Resolution 816 provides:

*9.1 Commission or other remuneration paid to Agents for the sale of international air passenger transportation shall be as may be authorised from time to time by the Member, provided that the Agent complies with the applicable rules governing sales of the transportation.*

<sup>70</sup> The Resolutions define 'commission' to mean any form of remuneration: see Resolution 824a

<sup>71</sup> This paragraph has been inadvertently omitted from Resolution 816 in the current edition of the Passenger Agency Conference Resolutions manual. The paragraphs numbered 9.2.1.1(a) and (b) which are in its place have been repealed, as has the provision in the paragraph heading which indicated that this paragraph was only applicable in New Zealand.

*It is recommended that notification of changes to such commission or other remuneration will be given well in advance.*

*No commission or other remuneration shall be paid on Miscellaneous Charges Orders unless the air transportation for which they have been issued is specifically described therein. Taxes on commission or other remuneration, collectable by the Member on behalf of the competent fiscal authorities, shall be deducted from any commission or other remuneration paid to or claimed by the Agent.*

- 15.5 Each airline advises the BSP data processing centre, on a confidential basis, the base commission rate it has agreed that its agent is permitted to withhold on ticket sales remitted to the BSP. Airlines may agree different commission rates with different agents and on different fares and are free to vary the commission rates as they think fit.
- 15.6 The data processing centre enters the relevant commission rate for each airline, by agent, into the BSP system and that rate is used to determine the amount the travel agent is obliged to account to the BSP for in relation to sales made on each airline.
- 15.7 The rules make specific provision for agents to be paid commission in relation to interline sales - sales made for travel on one ticket on a number of IATA airlines providing travel for the one journey. The rules also specifically provide for a member to pay commission to agents for travel on airlines which are not IATA members, where the other airline has authorised the member airline to do so.
- 15.8 The relevant paragraph of Resolution 816 provides:
- 9.3 the amount of fare on which commission shall be computed may include, and the level of any other remuneration may take into account, interline passenger transportation over the services of other Members with which the Agent's principal has an interline traffic agreement. A Member may also pay commission or other remuneration to an Agent for passenger transportation sold on the services of an air carrier that is not a Member when the Member has been so authorised by such air carrier.*
- 15.9 There are rules designed to define what commission is payable on, but these rules are not designed to restrict the payment of commission or the rate decided upon by each individual airline. The relevant paragraphs of Resolution 816 provide:
- 9.4.1(a) where commission is payable to an Agent, it shall be calculated only on the amount of the fares applicable to the air passenger transportation or charter price paid over to the Member, or to the Clearing Bank under the Billing and Settlement Plan, and collected by the Agent; provided that this shall not prevent commission or other remuneration being paid where such sale is made:*
- 9.4.1(a)(i) pursuant to the Universal Air Travel Plan or a credit plan recognised by the Member (provided the Agent has procured and forwarded to the Member the Universal Credit Card Charge Form or other documents required under the credit plan, validated by an imprint of the date of issuance and Agent's name), or pursuant to an installment plan of a Member made available to the public by the Member concerned; or with respect to bona fide immigrants to South Africa, pursuant to a government assisted passage loan or contribution plan wherein the government lends or contributes part or all of the cost of transportation to the passenger;*
- 9.4.1(a)(ii) on a prepaid ticket advice when the Agent issues the ticket or arranges for the issuance of the ticket and the fare is paid by the purchaser directly to the Member, the Member's Passenger General Sales Agent or to an air carrier with which the Member has an interline traffic agreement (or such carrier's General Sales Agent);*
- 9.4.1(a)(iii) by means of a charter agreement and the Agent has forwarded to the Member a cheque for the entire charter price drawn by a person other than the Agent to the Member as payee, together with written certification by the charterer that the Agent effected the sale;*
- 9.4.1(b) the 'fares applicable' are the fares (including fare surcharges) for the transportation in accordance with the Member's tariffs and shall exclude any charges for excess baggage or excess valuation of baggage as well as all taxes and other charges collected by the Agent.*
- 15.10 Although there are specific rules concerning payment of commission on sales to governments, as a result of the deregulation of commission rates these rules are no

longer applied in practice in Australia. The relevant paragraph of Resolution 8<sup>1</sup> provides:

*9.6 no commission or other remuneration shall be paid to, claimed or withheld by an Agent for transportation sold to a government:*

*9.6.1 at a government discount; or*

*9.6.2 when payments for such transportation are wholly or partly made directly to a Member or paid by a government transportation request, unless such request is drawn in favour of the Agent who cashes it and remits the proceeds to the Member or to the Clearing Bank under the Billing and Settlement Plan.*

- 15.11 Finally, the programme does specify that only accredited agents may hold ticket stock (neutral IATA ticket stock or a carrier's own dedicated tickets). However, this restriction is of little practical effect since most airlines would be unlikely to deposit their own ticket stock with such agents because of the administrative burden this would impose on the carrier. The relevant provision of Resolution 816 provides as follows:

*5. Only Accredited Agents at Approved Locations may hold Traffic Documents and Carrier Identification Plates. ISS Management shall provide Agents with stocks of Standard Traffic Documents. (OPATBs to be printed in a STP Location shall be assigned by the controlling Host Location from its own stock and delivered to the STP Location concerned). Accordingly no Airline or Member participating in the Billing and Settlement Plan shall place stocks of its own Traffic Documents with any Agent.*

## 16. Agent charges

- 16.1 The charges which a travel agent has to pay to become and remain an IATA accredited travel agent in Australia are described in the following table.

**Table 6**  
**Annual agency fees - Australia - 2001**

<i>Fee type</i>	<i>Amount</i>
<b>APPLICATION FEE:</b>	
- head office	\$A1,314.50
- branch office	\$A1,160.50
<b>ANNUAL FEE:</b>	
- head office	\$A165.00
- 1st to 30th branch office	\$A110.00
- 31st to 60th branch office	\$A55.00
- 61st and above branch office	\$A38.50

*Note: Figures include GST*

- 16.2 The resolutions entitle the General Assembly to set additional charges payable by accredited agents. These are in the nature of administrative charges designed to compensate for misuse of the BSP system. The relevant paragraph of Resolution 816 provides:

*6.6.1 the Assembly may, subject to the provisions set forth in this Section and following local consultation, which includes receiving comments from the local agency liaison working group, implement a programme of cost-recovery charges to be levied on Agents under the following circumstances:*

*6.6.1.1(a)(i) excessive voiding of Standard Traffic Documents, as established from time to time by the ISS Management, in consultation with the Local Customer Advisory Group – Passenger, and published in the Billing and Settlement Plan Manual for Passenger Sales Agents,*

**6.6.1.1(a)(ii)** excessive usage of manual Standard Traffic Documents by automated Agents, as established from time to time by the ISS Management, in consultation with the Local Customer Advisory Group – Passenger, and published in the Billing and Settlement Plan Manual for Passenger Sales Agents,

**6.6.1.1(a)(iii)** late or incorrect reporting of automated ticketing transactions by Agents with electronic-reporting capability,

**6.6.1.1(a)(iv)** any other failures to comply with BSP procedures and instructions, which generate additional cost to airlines;

**6.6.1.1(b)** the levels of such charges shall be determined by the Assembly from time to time and, thereafter, notified to all Agents subject to the Plan and published in the Billing and Settlement Plan Manual for Passenger Sales Agents;

**6.6.1.2** Clearing Bank Charges as provided for in Paragraph 6.6 of this Section, which shall be in the amount debited to ISS Management by the Clearing Bank as a result of the Agent's failure to report and/or remit as prescribed, increased, if applicable, by an amount to compensate for any extra efforts incurred by ISS Management in relation to such failure;

**6.6.2** charges debited to Agents pursuant to this Paragraph shall, except as otherwise specified, be included by the Clearing Bank in its first subsequent billing to the Agent/Location concerned and shall be due and payable by the Agent by the remittance date applicable to such billing. Such charges shall, for the purpose of Subparagraph 6.10.1.2(b) of this Section, be deemed to be part of all amounts owing by the Agent;

- 16.3 In Australia the following administrative charges will be levied against an accredited agent on failure to comply with reporting or remittance procedures:

**Table 7**  
**Agent administrative charges - Australia - 2001**

<i>Charge</i>	<i>Amount</i>
<i>Late reported transaction</i>	1% of gross fare value for each billing period late (minimum of \$A10.00) plus fixed fee of \$A27.50
<i>Overdue or dishonoured remittance</i>	\$A112.20 plus any consequent bank charges incurred by the BSP
<i>Excessive cancelled tickets (agent's total IATA ticket usage consists of more than 3% cancelled tickets)</i>	\$A1.10 for each cancelled ticket
<i>Automated ticketing sequence errors (automated ticket numbers reported by agent do not match physical ticket number)</i>	\$A11.00 for each reporting period in which occurs, plus \$A1.10 per corrected ticket

*Note: Figures include GST*

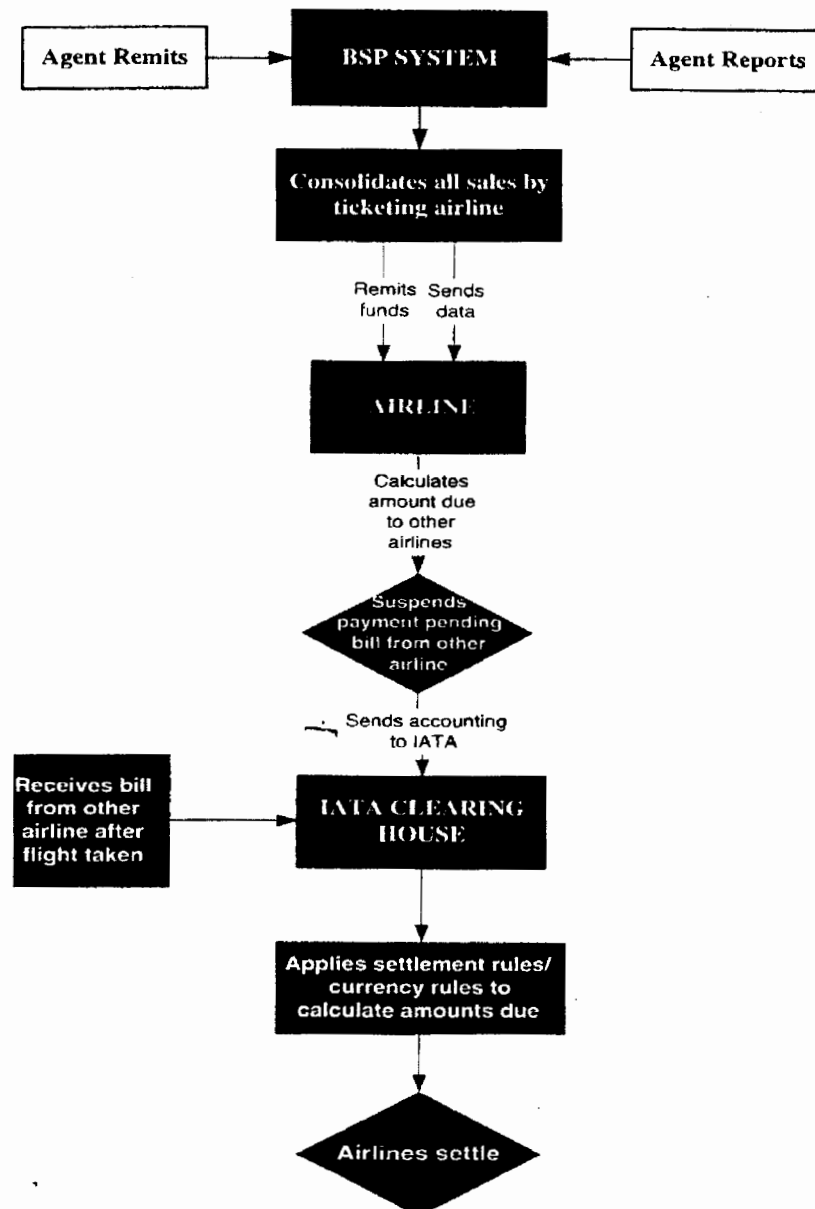
- 16.4 With the exception of the excess cancelled ticket charge, the large majority of agents do not incur any of these charges because they report and remit on time.

## **17. Settling between airlines**

- 17.1 The BSP provides the mechanism for accredited agents to account to the airlines for, and pay amounts due on, tickets sold by the agent for all participating airlines.
- 17.2 Where the ticketed travel is on more than one airline, generally the ticket will be written on the airline operating the first international leg of the journey (see paragraph 13.2). The agent accounts to and pays that airline through the BSP.

- 17.3 The airlines then need to settle between themselves for their respective sectors of the journey and this is the function of the IATA Clearing House. As its name implies, the IATA Clearing House provides a forum and rules for settlements between airlines world wide. Although the Clearing House is not part of the current authorisation application, both it and the IATA agency programme are integral parts of IATA's efficient and effective global settlement system.
- 17.4 The following diagram illustrates the settlement system:

**Diagram 6**  
**Airline settlement system**



## 18. Agent non-compliance with reporting procedures

18.1 As with any credit system, the IATA passenger agency programme contains rules dealing with situations in which accredited travel agents do not provide timely reports of sales to IATA on behalf of the airlines participating in the BSP<sup>72</sup>. Three eventualities are dealt with:

- failure to report on time
- provision of an incomplete report
- late or unreported transactions.

### *Failure to report on time*

18.2 If an accredited travel agent fails to file its sales report ('Sales Transmittal') with the BSP on the due date the IATA Agency Administrator is informed. If the report is received by close of business on the next business day nothing more is done about it on that occasion, although repeated late filing can lead to further action (see paragraph 20.11 below). If the report is not received by the following business day the Agency Administrator sends the agent a notice of irregularity (see paragraph 21.2 below). If the report is not received within a further 7 calendar days then the agent is declared in default and the process described at paragraph 21.4 below is instituted.

18.3 The relevant paragraph of Resolution 816 provides:

*6.8.1.1 if a Sales Transmittal due in respect of an Approved Location is not in the possession of the Clearing Bank by the submission date, the Clearing Bank shall immediately so advise the Agency Administrator in the most expeditious manner and confirm such initial advice by letter sent immediately thereafter. The Agency Administrator shall immediately upon receipt of the initial advice verify if such Sales Transmittal has been received by the Clearing Bank in the meantime. If the Sales Transmittal has not been received by the Clearing Bank by its close of business on the day following the Clearing Bank's initial advice, the Agency Administrator shall immediately send to the Agent a notice of irregularity in respect of the Approved Location concerned. Where the Sales Transmittal is delivered to the Clearing Bank by its close of business on the day following the Clearing Bank's initial advice no further action should be taken except that the provisions of Subparagraph 6.8.4 of this Paragraph shall apply.*

*6.8.1.2 if the Agent has been sent a notice of irregularity in respect of the Location concerned under the provisions of Subparagraph 6.8.1.1 of this Paragraph, and the Sales Transmittal is not in the possession of the Clearing Bank within seven calendar days of the submission date, the Clearing Bank shall so advise the Agency Administrator in the most expeditious manner and shall confirm such advice in writing immediately thereafter. The Agency Administrator shall immediately notify the Agent and default action with respect to all Locations of the Agent shall be taken in accordance with the provisions of Paragraph 6.10 of this Section;*

### *Providing incomplete information*

18.4 Incomplete information in relation to a reported transaction means that the BSP will be unable to calculate the amount owing to the airline concerned:

18.5 If the amount owing on a transaction cannot be determined due to a lack of required information, the agent and the Agency Administrator are advised. If the sales report is promptly completed by the agent nothing more is done about it on that occasion,

<sup>72</sup> Although it is of little practical relevance in Australia because all but three IATA airlines operating in the Australian market participate in the BSP, corresponding rules exist in relation to reporting sales to members not participating in the BSP. As the sales report is due at the same time as remittance, the consequences of a failure to report on time are part of those for overdue remittance. There are separate rules dealing with failure to include any transactions in a report.



although repeated problems can lead to further action (see paragraph 20.11 below). If not then the Agency Administrator sends the agent a notice of irregularity (see paragraph 21.2 below). If the problem is not remedied within a further 7 calendar days then the agent is declared in default and the process described at paragraph 21.4 below is instituted.

18.6 The relevant paragraph of Resolution 816 provide:

*6.8.2.1 if a Sales Transmittal submitted by an Agent to the Clearing Bank is incomplete in that it does not comply with the requirements of Paragraph 6.2 of this Section, and the Clearing Bank is unable to determine accurately the indebtedness of the Agent in respect of any one or more accountable transactions included in such Sales Transmittal, the Clearing Bank shall so advise the Agent in writing in the most expeditious manner, with copy of such advice to the Agency Administrator. Upon receipt of such advice the Agency Administrator shall determine whether the Agent has completed the incomplete Sales Transmittal in the meantime. If the Agency Administrator determines that the Sales Transmittal was completed in time for the Clearing Bank to incorporate the outstanding information in the last ordinary billing of the remittance period, no further action shall be taken except that the provisions of Subparagraph 6.8.4 of this Paragraph shall apply. If the Agency Administrator determines that the Agent has not completed the Sales Transmittal in time for the Clearing Bank to incorporate the outstanding information in the last ordinary billing of the remittance period, it shall immediately send to the Agent a notice of irregularity in respect of the Approved Location concerned and so notify ISS Management,*

*6.8.2.2 if the Agency Administrator determines that the Sales Transmittal was completed before the close of business by the Clearing Bank on the first day on which the Clearing Bank was open for business after the submission date, no further action in the matter shall be taken,*

*6.8.2.3 if the Agent or the Approved Location concerned has been sent a notice of irregularity in accordance with the provisions of Subparagraph 6.8.2.1 of this Paragraph and the Agent has not completed the Sales Transmittal within seven calendar days of such notice, the Clearing Bank shall so advise the Agency Administrator, who shall immediately notify ISS Management and the Agent. Thereupon, default action with respect to all Approved Locations of the Agent shall be taken in accordance with the provisions of Paragraph 6.10 of this Section;*

#### ***Late or unreported transactions***

18.7 Late or unreported transactions mean either that the agent has made an error or that there is some fraud involved. The agency programme deals with this at three levels, with different action for each:

- ISS Management<sup>73</sup> may discover that an agent is delaying reporting sales by reporting them in a later reporting period
- an airline may discover unreported sales
- ISS Management may discover unreported tickets

18.8 If an agent is found by the BSP to have been delaying reporting sales by reporting them in a later reporting period the Agency Administrator is notified immediately. The Agency Administrator advises the agent of the problem and may levy late charges on the agent (see Table 8 above). If a transaction is reported two or more billing periods late then the Agency Administrator sends the agent a notice of irregularity (see paragraph 21.2 below). Late reporting can result in further action if repeated (see paragraph 20.11 below).

18.9 The relevant paragraph of Resolution 816 provides:

*6.8.3.1(a) if an Agent includes in a Sales Transmittal any accountable transaction pertaining to a period covered by a previous Sales Transmittal and such late reporting is detected by the Clearing Bank, the*

<sup>73</sup>

ISS Management is a separate IATA unit which manages the BSP world wide. See paragraph 27.3 below

Clearing Bank shall immediately notify the Agency Administrator in writing and the following provisions shall apply:

**6.8.3.1(a)(i)** if the late reported transaction pertains to a Sales Transmittal of the same remittance period, the Agency Administrator shall, upon receipt of such notice, notify the Agent in writing that an instance of late reported transaction in respect of the Location concerned will be entered in the record kept under the provisions of Subparagraph 6.8.4 of this Paragraph, and, if so decided by the Assembly, the Agency Administrator shall instruct the Clearing Bank to debit the location concerned for charges as prescribed in Subparagraph 6.6.1 of this Section;

**6.8.3.1(a)(ii)** if the late reported transaction pertains to a Sales Transmittal of a previous remittance period, the Agency Administrator shall, instruct the Clearing Bank to debit the Location concerned for charges as prescribed in Subparagraph 6.6.1 of this Section;

**6.8.3.1(a)(iii)** in addition to the charges provided for in Subparagraph 6.8.3.1(a)(ii) above, accountable transactions reported two billing periods or more late shall cause the Agency Administrator to send to the Agent a notice of irregularity in respect of the Location concerned;

18.10 Unreported transactions detected by the airlines are more serious. If an airline discovers an unreported transaction the agent and the Agency Administrator are informed immediately by the airline, and the Agency Administrator sends a notice of irregularity to the agent (see paragraph 21.2 below). The agent can then remedy the situation by immediately filing the necessary report but if the agent does not do so then the Agency Administrator must take default action against the agent (see paragraph 21.4 below). Late charges will also be levied on the agent (see Table 8 above). Repeated unreported transactions can result in further action (see paragraph 20.11).<sup>74</sup>

18.11 The relevant paragraphs of Resolution 816 provide:

**6.8.3.1(b)** if an Agent fails to include an accountable transaction in any Sales Transmittal and such failure is detected by the Member or Airline to which payment is due for such unreported transaction, that Member or Airline shall immediately send to the Agent, with copy to the Agency Administrator, a registered letter or certified letter with return receipt requesting immediate submission of the unreported transaction to the Clearing Bank for incorporation by the Clearing Bank in the current billing and the following shall apply:

**6.8.3.1(b)(i)** on receipt of such letter, the Agency Administrator shall immediately send to the Agent a notice of irregularity in respect of the Location concerned for the reporting period in which such failure was detected, or instruct the Clearing Bank to debit the Location concerned for charges as prescribed in Subparagraph 6.6.1 of this Paragraph, or take both actions, as decided by the Assembly;

**6.8.3.1(b)(ii)** if the unreported transaction is not received by the Clearing Bank in time for inclusion in the current billing, the Clearing Bank shall so advise the Agency Administrator who shall immediately notify the Agency Administrator and the Agent. Thereupon, default action with respect to all Approved Locations of the Agent shall be taken in accordance of the provisions of Paragraph 6.10 of this Section;

18.12 Finally, the programme deals with unreported use of IATA ticket stock placed with an agent. The Agency Administrator is immediately notified by the BSP if there is a discrepancy between the reported use of ticket stock and the agent's actual usage. The Agency Administrator requests an explanation from the agent. Failure to provide an explanation will lead to a notice of irregularity (see paragraph 21.2 below). A series of steps are then taken depending on the reason for the discrepancy. It may be as simple as a failure by the agent to void tickets, in which case the agent is advised to do so in its next report. If the matter is more serious, the agent will be sent a notice of irregularity (see paragraph 21.2 below) and immediate reporting and accounting to the BSP for the

<sup>74</sup>

Although it is of little practical relevance in Australia, similar provisions apply in relation to failure to include sales in reports to members not participating in the BSP. The airline issues a notice of irregularity to the agent which is copied to the Agency Administrator. If the agent fails to remit payment for that sale then the airline must declare the agent in default. As with sales within the BSP, repeated unreported transactions can result in further action. See Resolution 816 paragraph 7.5.4.

transaction concerned will be required. If that does not occur default action is taken (see paragraph 21.4 below).

18.13 In appropriately serious cases of failure to report the use of IATA ticket stock the Agency Administrator can suspend the agent's credit by removing all IATA ticket stock and carrier identification plates and request a review by the Travel Agency Commissioner. Pending any such review airlines may deal with the agent on a cash basis only, but the agent may earn commission. However, as noted at Table 8 below the number of agents declared in default in any year is extremely small.

18.14 The relevant paragraphs of Resolution 816 provide:

**6.8.3.1(c)(i)** if an Agent fails to include a Traffic Document in any Sales Transmittal and such failure is detected by the Clearing Bank, the Clearing Bank shall immediately so notify the Agency Administrator who shall thereupon investigate the failure with Agent, and if deemed necessary request a written explanation from the Agent and the following provisions shall apply:

**6.8.3.1(c)(i)(aa)** if the unreported Traffic Document had been voided, the Agency Administrator shall instruct the Agent to include such Traffic Document in its next Sales Transmittal,

**6.8.3.1(c)(i)(bb)** if the unreported Traffic Document had neither been voided nor issued, the Agency Administrator shall instruct the Agent to void such Traffic Document if it has not been issued in time for inclusion in the Agent's next Sales Transmittal,

**6.8.3.1(c)(i)(cc)** if the unreported Traffic Document had been duly issued and the Agent had failed to include it in an earlier Sales Transmittal, the Agency Administrator shall immediately send to the Agent a notice of irregularity and demand immediate reporting and accounting and settlement of the unreported transactions. If the Agent fails to comply default action with respect to all Approved Locations of the Agent shall be taken in accordance with the provisions of Paragraph 6.10 of this Section,

**6.8.3.1(d)** if, contrary to the information supplied by the Agent to the Agency Administrator during the investigation undertaken in Subparagraph 6.8.3.1(c)(i) of this Paragraph, at the time of receipt of the next Sales Transmittal the Agency Administrator determines that the unreported Traffic Document had either been issued prior to the investigation, or is still unreported, the Agency Administrator shall withdraw all Standard Traffic Documents and Carrier Identification Plates in the custody of the Agent, demand an immediate accounting of all transactions made by the Agent at the Location concerned, whether or not the submission date for reporting thereof has arrived and initiate a review by the Travel Agency Commissioner pursuant to the provisions of Resolution 816, Subparagraph 2.1.7. Pending the Travel Agency Commissioner's decision on the review, Members and Airlines may continue to do business with the Agent on a commissionable Cash Basis until otherwise advised by the Agency Administrator;

**6.8.3.2** if, where the Agent has been required to provide a written explanation in accordance with the provisions of Subparagraph 6.8.3.1(c)(i) of this Section, the Agent fails to provide the Agency Administrator with such explanation within 10 days of the date of the Agency Administrator's letter, the Agency Administrator shall immediately send to the Agent a notice of irregularity and demand immediate reporting of the unreported Traffic Documents;

**6.8.3.2(a)** if the Agent fails to comply with the Agency Administrator's demand for immediate reporting of the unreported Traffic Document pursuant to Subparagraph 6.8.3.2 above, the Agency Administrator shall withdraw all Standard Traffic Documents and Carrier Identification Plates in the custody of the Agent, demand an immediate accounting of all transactions made by the Agent at the Location concerned, whether or not the submission date for reporting thereof has arrived and initiate a review by the Travel Agency Commissioner pursuant to the provisions of Resolution 816e, Subparagraph 2.1.7. Pending the Travel Agency Commissioner's decision on the review, Members and Airlines may continue to do business with the Agent on a commissionable Cash Basis until otherwise advised by the Agency Administrator;

**6.8.3.2(b)** provided that, when in the circumstances described in Subparagraphs 6.8.3.1(b), 6.8.3.1(c), and 6.8.3.2 above, the local Billing and Settlement Plan procedures require an Agent to include in a Sales Transmittal a previously unreported transaction, the Agency Administrator shall instruct the Agent accordingly and such out-of-period reporting shall be exempted from application of the provisions of Subparagraph 6.8.3.1(a) above.

## 19. Agent non-compliance with remittance procedures

- 19.1 Failure by agents to pay money due to the airlines participating in the BSP to IATA on time is a serious matter. Accordingly, the IATA passenger agency programme contains strict rules dealing with late payment and failure to pay<sup>75</sup>. These rules are an elaborate effort to distinguish between mistake and misconduct.
- 19.2 The rules deal with failure to pay in a number of ways, each of which are explained below:
- overdue remittances
  - dishonoured payment
  - remittance delayed by official government action.

### *Overdue remittances*

- 19.3 If payment to the BSP becomes overdue ISS Management advises the Agency Administrator who sends a notice of irregularity to the agent (see paragraph 21.2 below)<sup>76</sup>. The Agency Administrator also demands immediate payment and then undertakes an investigation into the reason for the remittance being overdue.
- 19.4 If the agent does not pay on demand the Agency Administrator takes default action against the agent, including arranging withdrawal of all IATA ticket stock and carrier identification plates (see paragraph 21.4 below). The agent is also billed for charges resulting from the fact that remittance is overdue.
- 19.5 The relevant paragraphs of Resolution 816 provide:

*6.8.5 if the Clearing Bank does not receive a remittance due with respect to any Approved Location by the remittance date, or immediately on receipt by the Agent of a delayed billing a remittance in respect of shortage as provided for in Subparagraph 6.7.5.2 of this Section, it shall immediately so advise the Agency Administrator who shall thereupon send to the Agent a notice of irregularity in respect of the Approved Location concerned or, where the Agent has been authorised to remit through one designated office under the provisions of Subparagraph 6.7.7 of this Section, in respect of all Approved Locations covered by such authorization. The Agency Administrator shall investigate the failure with the Agent and the following shall apply:*

*6.8.5.1 the Agency Administrator shall demand immediate payment from the Agent of amounts due including any Clearing Bank charges incurred as a result of the overdue remittance;*

*6.8.5.2 if the Agent fails to make complete settlement of amounts due on demand, the Clearing Bank shall immediately so advise ISS Management. The Agency Administrator shall thereupon notify ISS Management and the Agent and default action with respect to all Locations of the Agent shall be taken in accordance with Paragraph 6.10 of this Section. Notwithstanding such default action, the Agency Administrator shall instruct the Clearing Bank to debit the Agent for Clearing Bank charges incurred as a result of the Agent's failure to make complete settlement. The Clearing Bank shall immediately bill the Agent and the charges so debited shall, for the purpose of Subparagraph 6.10.1.2(b) of this Section, be deemed part of all amounts owing by the Agent;*

<sup>75</sup> Although it is of little practical relevance in Australia, corresponding rules exist in relation to remittance to IATA members not participating in the BSP.

<sup>76</sup> Although it is of little practical relevance in Australia, similar provisions apply in relation to overdue payments to IATA member airlines not participating in the BSP. The airline issues a notice of irregularity to the agent which is copied to the Agency Administrator. If the agent fails to remit payment then the airline must declare the agent in default. As with sales within the BSP, repeated unreported transactions can result in further action. See Resolution 816 paragraph 7.5.1.

### ***Dishonoured payment***

- 19.6 If an agent pays the BSP with a cheque or other method of payment that is dishonoured the same steps are taken as with an overdue payment.<sup>77</sup> If the agent subsequently establishes to the satisfaction of the Agency Administrator that the dishonoured payment is due to bona fide bank error, any notice of irregularity issued and default action taken will be withdrawn.
- 19.7 The relevant paragraphs of Resolution 816 provide:

**6.8.6.1** if a cheque or other method of payment in settlement of amounts due is dishonoured after the remittance date by non-payment by the drawee bank, the Clearing Bank shall immediately so advise the Agency Administrator which shall thereupon send to the Agent a notice of irregularity in respect of the Location concerned and shall without delay demand immediate payment from the Agent. Such notice shall count as two listed instances of irregularity for the purposes of the lists provided for in Subparagraph 6.8.7 of this Paragraph. If payment is not received on demand, the Clearing Bank shall immediately so advise the Agency Administrator who shall thereupon notify ISS Management and the Agent and default action with respect to all Locations of the Agent shall be taken in accordance with Paragraph 6.10 of this Section. In addition to any action prescribed in this Subparagraph, the Agency Administrator shall instruct the Clearing Bank to debit the Agent for costs incurred as a consequence of the dishonoured cheque or other method of payment;

**6.8.6.2** if it is subsequently established that non-payment by the drawee bank of such cheque or other method of payment is due to a bona fide bank error and settlement of all amounts due is received on demand, the irregularity recorded shall be withdrawn and if default action has been taken, the Agency Administrator shall immediately withdraw such default and its instruction to debit the Agent for costs;

**6.8.6.3** a bona fide bank error is one of the following circumstances substantiated by evidence acceptable to the Agency Administrator:

**6.8.6.3(a)** when on the date the cheque or other method of payment was presented to the Bank for payment, sufficient funds should have been available in the account on which the cheque or other method of payment was drawn by virtue of a valid written line of credit or other written arrangement, dated and executed between the bank and the Agent prior to the reporting period involved, and the bank erroneously fails to honour such line of credit or other arrangement, or

**6.8.6.3(b)** if the bank erroneously fails to honour a valid cheque or other method of payment when sufficient collected funds are in the Agent's account on which the cheque or other method of payment was drawn and available for immediate withdrawal at the time the cheque or other method of payment was presented to the bank for payment.

Note: 'uncollected funds' shall not be considered funds available for immediate withdrawal;

### ***Remittance delayed by official government action***

- 19.8 IATA recognises that, in some countries, an agent may not have remitted the funds required to be paid to the BSP because the agent is not able to do so due to official government action such as exchange controls. In such cases no action will be taken against the agent for late remittance as long as the agent demonstrates that the relevant amount has been made available for remittance at a recognised bank but cannot be remitted due to government action.<sup>78</sup>
- 19.9 The relevant paragraph of Resolution 816 provides:

**6.11** notwithstanding any other provision contained herein an Agent shall not be sent a notice of irregularity, debited for bank charges nor declared in default with respect to all or any part of a remittance to the extent that the Agent is unable to make full settlement because of official Government action which directly prevents such settlement; provided that the Agent demonstrates that the amount due has been

<sup>77</sup> Although it is of little practical relevance in Australia, if an agent pays a non-BSP participating IATA member with a dishonoured cheque the same steps are taken as with an overdue payment - see Resolution 816 paragraph 7.5.2.

<sup>78</sup> An identical provision applies in relation to remittances to non BSP-participating IATA members - see Resolution 816 paragraph 7.7.

*made available for remittance at a recognised bank but cannot be remitted owing to such official Government action.*

## **20. Investigations**

- 20.1 As one would expect with any credit system, IATA has audit and inspection procedures designed to ensure that accredited agents are not unable to pay or deliberately avoiding paying for tickets sold by keeping BSP accounting irregularities and fraud to a minimum. The passenger sales agency agreement requires agents to keep adequate records and accounts, and IATA:
- undertakes annual financial standing reviews of all accredited agents;
  - conducts inspections of accredited agents' premises;
  - undertakes audits and investigations of compliance with BSP accounting requirements where the need arises;
  - can act on outside information received;
  - keeps records of repeated non-compliances by an agent.
- 20.2 Accredited agents are required to maintain the standards which had to be met to obtain accreditation. For this reason, an agent can be reviewed at any time in relation the qualifications and criteria discussed in section 9 above. The relevant provision is contained in Resolution 816 paragraph 3.2.
- 20.3 A full review of an accredited agent's financial standing is carried out annually against the prudential requirements for accreditation (see Schedule 4). In Australia, travel agents must satisfy solvency requirements in order to obtain and retain registration under the statutory licensing scheme. That scheme is administered by the Travel Compensation Fund (TCF). IATA and the TCF have an arrangement under which a joint financial review form is issued to agents, and once the agent responds, the TCF conducts an initial review. The results of that review are provided to IATA which can then decide whether any further action is required for an agent to obtain a satisfactory financial evaluation under Resolution 816. This coordination between IATA and the TCF minimises the workload on the travel agency community.
- 20.4 An agent that is found to no longer meet the necessary prudential requirements will, if appropriate, be given an opportunity by the Agency Administrator to rectify the deficiency. If the agent does not do so the Agency Administrator will terminate the agent's sales agency agreement in which case airlines can continue to deal with the agent on a cash basis. The agent can avoid termination by rectifying the deficiency before it takes effect. An agent that is terminated can request a review by the Travel Agency Commissioner. In assessing an agent's satisfaction of the financial criteria normal business fluctuations are taken into account. These provisions are contained in Resolution 816 paragraphs 3.4.1(a) and (b).
- 20.5 The BSP is entitled to conduct inspections to check that accredited agents are complying with the minimum security standards for the storage of IATA ticket stock and airline plates. In practice these inspections are generally only conducted when an accredited agent changes premises. Where such an inspection reveals a security deficiency, the agent has 10 days to rectify it (or 30 days if it can make satisfactory alternative temporary arrangements). If the agent does not do so then the agent's sales agency agreement will be terminated. The airlines can continue to deal with the agent

on a commissionable cash basis. The agent can avoid termination by correcting security deficiency before it takes effect. An agent that is terminated can request a review by the Travel Agency Commissioner in which case the airlines can continue to deal with the agent on a non-commissionable cash basis until that review is complete. The relevant provisions are contained in Resolution 816 section 11.

- 20.6 Where the BSP finds frequent anomalies in an accredited agent's reporting or remittance records, such as tickets issued out of sequence, it can arrange an inspection of the agent's BSP accounting records. The authority for conducting these audits and the security standards inspections discussed above, is contained in the Passenger Sales Agency Agreement (Resolution 824) as follows:

*6.2 The Carrier or ISS Management acting on its behalf shall be entitled at any time to audit or procure an audit of Traffic Documents and Identification Plates, or to ascertain that security standards are met;*

*10. the Agent shall maintain adequate records and accounts, together with supporting documents, recording the details of all transactions effected under this Agreement. Such records, accounts and documents shall be preserved by the Agent for at least two years from the date of the transactions to which they relate and shall be available for inspection or for copying by the Carrier whose Traffic Documents have been issued.*

This is reinforced in Resolution 816 as follows:

*5.5.3 a Member or Airline or ISS Management acting on its behalf shall be entitled at any time to audit or procure an audit of Traffic Documents and Identification Plates, or to ascertain that security standards are met;*

- 20.7 If such an audit or investigation reveals irregularities, which the Agency Administrator believes indicates a deliberate attempt by the agent to avoid compliance with reporting and remittance procedures and seriously prejudices the airlines' ability to collect monies owing to them by the agent, then serious consequences follow. The Agency Administrator suspends the agent's credit by removing all IATA ticket stock and carrier identification plates and the agent is required to pay all amounts owing immediately. A review of the agent's accreditation by the Travel Agency Commissioner is requested. Pending that review airlines may deal with the agent on a cash basis only but, unless the agent fails to pay all amounts owing, the agent may still earn commission.
- 20.8 The relevant paragraphs of Resolution 816 provide:

*6.8.10.1(a) in the event an audit or other investigation reveals such irregularities on the part of an Agent as:*

*6.8.10.1(a)(i) failure to include in the Sales Transmittal all Traffic Documents issued during the reporting period,*

*6.8.10.1(a)(ii) falsely reporting Traffic Documents as having been sold against UATP or other credit cards,*

*6.8.10.1(a)(iii) post-validating of Traffic Documents, alteration of the validation date on Traffic Documents, or consistent or extensive reporting of Traffic Documents out of numerical sequence,*

*6.8.10.1(a)(iv) inability to account for missing Traffic Documents or to account for all coupons of Traffic Documents reported as void,*

*6.8.10.1(a)(v) permitting blank Traffic Documents and/or Traffic Documents validated but not fully completed to be removed from the Approved Location for sale elsewhere,*

*6.8.10.1(a)(vi) permitting alteration, omission or other falsification of credit card data or other required information in the 'form of payment' box on all coupons of original Traffic Documents or on any reissues thereof,*

*6.8.10.1(a)(vii) issuing or reissuing single or multiple Traffic Documents reflected as credit card sales having an aggregate face value exceeding the established 'floor limit' without full disclosure to*

and the authority of the pertinent credit card company; or complicity in the issuing or reissuing of Traffic Documents reflected as credit card sales to circumvent credit or reporting procedures,

**6.8.10.1(a)(viii)** falsification of reports and documents,

**6.8.10.1(a)(ix)** validating Standard Traffic Documents and/or Refund Notices by using Carrier Identification Plates assigned to and/or held by another Agent/Approved Location or offering Carrier Identification Plates for use by another Agent/Approved Location,

**6.8.10.1(a)(x)** violation of Traffic Document exchange or refund procedures as specified in the applicable IATA Resolutions and their Attachments, the Ticketing Handbook or as published in carrier's tariffs, instructions or elsewhere, and provided to the Agent,

**6.8.10.1(a)(xi)** failure to prevent the unauthorised or fraudulent use of computer generated document numbers for issuance of Electronic Tickets,

**6.8.10.1(a)(xii)** falsification and/or manipulation of issued Electronic Tickets, such that electronic ticketing data included in Sales Transmittals differs from electronic ticket data provided to the carrier whose Electronic Ticket has been issued,

**6.8.10.1(a)(xiii)** persistent failure to meet the requirements of Paragraph 6.2 of this Section,

**6.8.10.1(a)(xiv)** failure to comply with credit card sales instructions provided by Members, as prescribed in the Travel Agent's Handbook and Billing and Settlement Plan Manual for Passenger Sales Agents;

**6.8.10.1(b)** under circumstances which lead the Agency Administrator to believe that the Agent is attempting to circumvent the reporting and settlement requirements of this Section, with the result that Members' or Airlines' ability to collect for Traffic Documents sold is seriously prejudiced, the Agency Administrator, in consultation with the Local Customer Advisory Group – Passenger<sup>79</sup>, shall withdraw all Standard Traffic Documents and Carrier Identification Plates from the Agent, demand an immediate accounting and settlement of all amounts owing by the Agent, whether or not the remittance date for payment thereof has arrived, transmit to the Clearing Bank the accounting obtained and any monies received and notify all Members and Airlines of the action taken. Thereupon, the Agency Administrator shall request the Travel Agency Commissioner to a review and re-determine the approval of the Agent or Approved Location in accordance with Subparagraph 2.1.7 of Resolution 816e. Pending this review, the Agent may request an interlocutory review of the Agency Administrator's action by the Travel Agency Commissioner in accordance with the provisions of Subparagraph 1.1.7 of Resolution 816e. Thereafter and pending the Travel Agency Commissioner's final decision on the review, Members and Airlines may do business with the Agent on a commissionable Cash Basis unless the Agency Administrator advises them that the Agent failed to settle as required in which case commission payment shall immediately be withheld until otherwise advised;

20.9 The Agency Administrator may also form a belief that airlines' ability to collect monies owing to them by an accredited agent may be prejudiced on the basis of written information received. In that case, the Agency Administrator can decide to suspend the agent's credit by removing all IATA ticket stock and carrier identification plates and request a review by the Travel Agency Commissioner.

20.10 The relevant paragraphs of Resolution 816 provide:

**6.8.11.1** in the event that the Agency Administrator receives written information which leads to the belief that Members' and Airlines' ability to collect monies for Standard Traffic Documents may be prejudiced, the Agency Administrator may remove all Standard Traffic Documents and Carrier Identification Plates in the Agent's possession;

**6.8.11.2** the Agency Administrator shall so advise ISS Management and, thereupon, the Agency Administrator shall request an immediate review by the Travel Agency Commissioner;

**6.8.11.3** the Travel Agency Commissioner shall review such written information and other factors and shall commence a review under the terms of Resolution 816e, Subparagraph 2.1.8 within three working days from receipt of such a request.

20.11 IATA also keeps records of instances in which an agent has corrected overdue or incomplete reports or late-reported transactions in time to avoid IATA having to issue a

<sup>79</sup>

This group is described at paragraph 27.13.