




IS WEEK



IS Week 10-14 September 2012

**46th IATA Revenue Accounting Meeting
Breakout Session**


Dave McEwen Manager,
Airline Distribution Standards



**Automated Baggage Rules
(ABR): Effect on
Revenue Accounting**

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Facilitator:
David Smith

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Agenda

- Baggage rules – why change?
- Baggage implementation; a global collaboration
- Resolution 302 and the DOT
- Industry readiness
- Example cases
- Points for discussion

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Baggage Rules – Why Change?


- IATA Resolutions were set to expire April 2011
 - Tariff Composite Resolution 300 (weight system)
 - Tariff Composite Resolution 301 (piece system)
- Immunity to discuss fares and related charges was lost
- Old rules were outdated and did not support the business
- A new method was required to determine “whose rules apply” to interline journeys

- The result – Resolution 302 and a hierarchy similar to fare selection was introduced



A Global Collaboration


- IATA and ATPCO joined forces to raise awareness, educate, and mobilize the industry, including the GDS and DCS suppliers, to facilitate rapid implementation of this important industry initiative
- All IATA member airlines with scheduled flights provided their baggage rules to ATPCO by the end of September 2010
- ATPCO's Baggage Allowance and Charges database was ready by December 2010
- A solution linking the ATPCO product to existing systems (that need to be adapted) was implemented before the end of March 2011
- Raised awareness on the ABR project
- Identified airline ABR champions (airline contact responsible for the project)
- Gained commitment from airlines to send their baggage rules and fees files to ATPCO
- Identified status, implementation plans, and obstacles
- Project ran from June 2010 to the deadline of 1 April 2011 and beyond



Resolution 302 principle (recap)

Process	<p>A step-by-step process that determines which carrier's provisions (defined as free baggage allowance and baggage charges) to apply for an interline journey, where, for each checked portion:</p> <ol style="list-style-type: none"> If carrier provisions are the same, such provision will apply If different, apply provisions of Most Significant Carrier (MSC) In case this is a codeshare flight, apply the provision of operating carrier If MSC does not publish its provision, apply the rule of the check-in carrier If the check-in carrier does not publish its provision, apply operating carriers' provisions sector by sector 	
MSC	For travel between two or more Tariff Conference areas:	First carrier that crosses areas (e.g., TC1 to TC2)
	For travel within a Tariff Conference area:	First carrier that crosses from one sub-area to another (e.g., from Europe to Africa)
	For travel within a Tariff Conference sub-area:	First international carrier

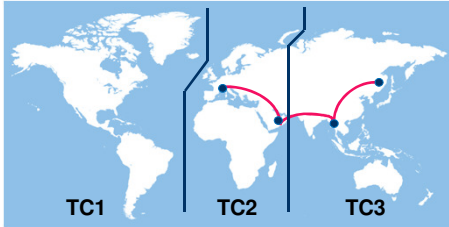
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Example of the Problem

Journey GVA BB X/AUH CC X/BKK DD BJS Y Class
 - Passenger baggage through checked-in to BJS
 - With 2 bags to check for a total of 36K

Carrier filed baggage rules
 BB: 20K allowance
 CC: Nil: pay USD50.00 per checked baggage
 DD: 23K allowance



TC1 TC2 TC3

YESTERDAY

Simply allow 20K and charge 16K excess (interline standard rules).

TODAY

Reso 302 defines whose rules will apply. In this case it should be CC rules (most significant*).

Issue for Revenue Accounting

- Carriers will have their interline partners' rules applied to their own operated services
- Multiple applications of carrier-based rules per passenger, per flight
- How to ensure correct allowances and charges

*Is the carrier that crosses from one sub-area to another

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US DOT Reservation on Resolution 302

US entry/exit point

When origin or destination or the furthest checked point from the origin of a ticket is a point in the United States, the baggage provisions selected at the beginning of the itinerary must apply **throughout the journey**, regardless of stopover

Codeshare

In the case of codeshare flights that include a point in the United States, the MSC shall be the **marketing carrier**

Rules

First Marketing Carrier's rules apply for international journeys to/from the United States, and the selected carrier must file general rules tariffs to/from the United States



US DOT Ruling 399.87

- **Baggage allowances and fees.**
- For passengers whose ultimate **ticketed origin or destination is a U.S. point**, U.S. and foreign carriers must apply the baggage allowances and fees that apply at the **beginning of a passenger's itinerary throughout his or her entire itinerary**. In the case of codeshare flights that form part of an itinerary whose ultimate ticketed origin or destination is a U.S. point, U.S. and foreign carriers must apply the baggage allowances and fees of the **marketing carrier throughout the itinerary** to the extent that they differ from those of any operating carrier.



US DOT Ruling 399.85 eff. 24 July 2012 (1/2)

- **Baggage Disclosure.**
- (c) On all **e-ticket confirmations** for air transportation within, to or from the United States, including the summary page at the completion of an online purchase and a post-purchase email confirmation, a U.S. carrier, a foreign air carrier, an agent of either, or a ticket agent that advertises or sells air transportation in the United States **must include information regarding the passenger's free baggage allowance and/or the applicable fee for a carry-on bag and the first and second checked bag.**



US DOT Ruling 399.85 eff. 24 July 2012 (2/2)

- **Baggage Disclosure.**
- Carriers must provide this information in text form in the e-ticket confirmation. Agents may provide this information in text form in the e-ticket confirmations or through a hyperlink to the specific location on airline websites or their own website where this information is displayed. The fee information provided for a carry-on bag and the first and second checked bag must be expressed as specific charges taking into account any factors (e.g., frequent flyer status, early purchase, and so forth) that affect those charges.
- For more information, visit <http://airconsumer.dot.gov/rules/rules.htm> to read the DOT's Frequently Asked Questions about the ruling, among other materials.



Industry Readiness: Standards

- IATA Resolution 302
- DOT mandate and clarification
- CTA (Canadian Transportation Agency) now reviewing
- The following elements have been added to the ticketing standards to support requirement for transparency of pricing
 - Allowable Baggage Characteristics
 - Maximum Free Baggage Characteristics
 - Baggage Charge Details for checked bags
 - Carry-on Allowable Baggage Details



Industry Readiness: ATPCO

- Collection and distribution of data to support industry requirements
 - Baggage allowance
 - Baggage charges
 - Prepaid baggage charges
 - Embargoes
 - Carry-on baggage
- ATPCO Baggage Calculator
 - Integrated calculator compliant with all requirements
 - Online baggage calculator compliant with all requirements



Industry Readiness: ATPCO

360+

Carriers with baggage allowance or charges released in subscriptions

12

Pricing engines receiving hourly Baggage Allowance and Charges subscriptions



Industry Readiness: Systems

- By the end of 2011, all the major system providers had baggage allowance information and were able to assess baggage allowances in accordance with Resolution 302
- DCS and ground-handling remains an issue however this may in the future be mitigated once the richer content for baggage data elements are incorporated into electronic ticket records.
- *“Six Global Distribution Systems (GDS) as well as the other system providers released their solution between April and November 2011 in order to be compliant with the IATA Resolution 302 and the US Department of Transport (DOT) rules.”*



Sample Case 1: Discussion Points

- LON BB FRA CC BKK (priced at GBP500.00)
 - Prepaid XSB sold by agency for carrier BB (Validating Carrier)
 - Applicable fee was GBP600.00
 - Prorate shares:

➤ LON – FRA	Factor = 842	GBP 57.97
➤ FRA – BKK	Factor = 6422	GBP 442.03
 - Applicable fee prorate shares:

➤ LON – FRA	GBP 69.61 (+11.64)
➤ FRA – BKK	GBP 530.39 (+88.36)
- Integrating into the audit process – to collect extra GBP100.00
- Billing the applicable fee (current MPA rules state 'on the basis of the original information') (CC billing additional GBP 88.36)
- Reporting correct baggage revenue to the route



Sample Case 1: Discussion Points

- Consequences of losing track of the applicable fee:
 - Carrier BB (Validating Carrier) forward sales loss of GBP 100.00
 - Carrier BB (Operating Carrier 1) revenue loss of GBP 11.64
 - Carrier CC (Operating Carrier 2) revenue loss of GBP 88.36
 - If EMD not issued, carrier CC may not have a document to bill – revenue loss of GBP 530.39
- Incorrect baggage route revenue at 17% less than applicable rates



Sample Case 2: Discussion Points

- PAR BB X/LON CC NYC CC LON BB PAR
- Assuming the baggage rules of BB state 2 pieces at EUR100.00 per piece and an extra piece at EUR150.00, passenger checks in at PAR with 3 pieces.
- 2 pieces are prepaid on a CC validated document
 - Should BB get a portion of the prepaid fees (excess baggage)?
 - How has the fulfillment document (e.g. EMD) been issued?
 - Assuming the charge for the extra piece is collected at PAR does this still follow normal SRP arrangements for excess?
 - If it is paid in advance, what happens to changes (e.g. reissue, refund)



Sample Case 3: Discussion Points

- Example 1 PAR BB X/LHR CC JFK
- Example 2 JFK BB PAR CC X/LHR BB JFK
 - LHR JFK coupon submitted for Refund
 - How do you calculate the Refund value?
- There is nothing stopping a carrier if choosing to recalculate and refund; however there are no automated rules defined today



Sample Case 4 Discussion Points

- ATL BB PAR CC FRA
- Carrier BB rules apply
- Carrier BB files free baggage allowance of 6 free bags
- Carrier CC has no free baggage allowance
- Concurrence is not an issue for baggage.
- The rules which apply are determined by 302 and DOT and as such if there is not "concurrence" or parity then there are set rules to apply based on the MSC for the baggage journey.
- On the above, if the rules are not the same for BB and CC, the first marketing carrier applies as long as they file, if not, the check in carrier, if not, segment by segment

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Sample Case 5: Discussion Points

- Example: LON BB FRA CC HKG (pickup) DD SYD EE AKL (pickup)
- MSC 1 = CC
- MSC 2 = DD
- MSC is determined based on where the bag is checked, and where it is picked up.
- There could be multiple MSCs for one journey, based on baggage checked portions.
- For the first time a check in carrier may have to apply another carriers rules.

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Issues for Discussion

- Standards
 - No standard for interline baggage allowances
 - No standard for what is excess baggage (charge vs. first bag)
 - Differentiating prepaid baggage vs. traditional excess baggage
 - Baggage can be sold just like an air ticket with myriad rules and a fee calculation similar to fare calculation

- Sales Data and Fulfillment
 - Reporting the baggage sale through all standard processes
 - EMD not adopted in high volume – how to drive the accounting process



Issues for Discussion

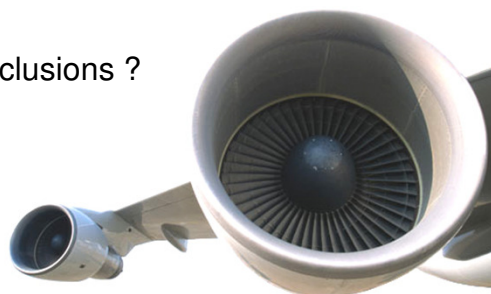
- Audit
 - Verification and audit that the applicable fee was collected
 - Ensuring the correct rules are applied

- Settlement
 - Interline proration and settlement through standard processes
 - Incorporation into current settlement methodologies (e.g. sampling, First & Final)

- Post Price Processing
 - How to process changes (reissues and refunds)



Questions, Summary, Conclusions ?



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