



Africa & Middle East
ISS Operations Service Center

IMPORTANT AND CRITICAL INFORMATION

10th November, 2015

FAQ – NEW Local Financial Criteria (LFC) – BSP South Africa (ZA)

1. What is an APJC (Agency Program Joint Council)?

Definition:

A council consisting of an equal number of representatives of Air Carriers and Travel Agents established to assist the Conference in the performance of its functions by **making recommendations** on local accreditation and retention criteria in the country or area concerned.

Executive officers of agent associations without a designated representative may attend the APJC as observers.

The Agency Service Manager (IATA Representative) acts as the secretariat to the Council.

Authority and Terms of Reference:

The role of the APJC is to develop the Local Financial Criteria (LFC) and it may also consider all aspects of the Agency Program in the country or area and make recommendations in the form of agenda proposal to the Passenger Agency Conference. The Councils are required to provide a report to Conference every year.

2. Who are the current members of the APJC?

Air Carriers

- | | |
|-------------------------|---------------------|
| - South Africa Airways: | Ms. Lindsay Olitski |
| - Air France: | Ms. Maria Riberio |
| - British Airways | Ms. Michelle Butler |
| - Air Mauritius | Ms. Carla da Silva |
| - Emirates | Mr. Fouad Caunhye |

Travel Agents

- | | |
|------------------------------|--------------------------------|
| - Tourvest | Ms. Lidia Folli (Chair Person) |
| - Sure Voyager Travel | Ms. Janet Aldworth |
| - Bid Travel | Mr. Colin Mitchley |
| - XL The Travel Professional | Mr. Tiekie van den Heever |
| - eTravel | Mr. Albert Visser |

3. How are the members nominated?

By written Notification to the Agency Administrator;

- BSP Airlines nominate a person of senior management standing (the nominee). Members/Airlines must not designate a General Sales Agent as their APJC representative. GSAs are also not permitted to attend APJC meetings as observers.
- Representatives, who are Accredited Agents, selected from the agent community as coordinated by the agency association(s). Agent representation shall constitute half of the Council's membership.

4. What is the Local Financial Criteria (LFC)?

The local criteria recommended by the APJC and adopted by the Passenger Agency Conference (PAConf) considers Travel Agents Accreditation criteria in respect of financial standing from a local perspective and requirements for new Agents and maintenance of accreditation for existing agents.

5. What necessitated the changes to the LFC?

The changes to the LFC were a culmination to a lengthy consultative process between Airlines and Agents on the APJC to meet the constantly changing business environment. In addition to being one of the oldest BSP operations in the world, the current LFC had not being updated in over 15years.

APJCs must meet at minimum once a year and review the Local Financial Criteria.

6. What are the Key Changes to the new LFC?

The LFC seeks to align to Resolution 800f which was used as best practice including:

- Increased agent remittance options
 - o Monthly, Fortnightly and Weekly
- Introduction of Minimum Financial Security amounts subject to Remittance Frequency
 - o Weekly Remittance: ZAR 160,000.00 (or equivalent in NAD, LSL, SZL or BWP for each country operation as communicated by IATA)
 - o Fortnightly Remittance: ZAR 250,000.00 (or equivalent in NAD, LSL, SZL or BWP for each country operation as communicated by IATA)
 - o Monthly Remittance: ZAR 500,000.00 (or equivalent in NAD, LSL, SZL or BWP for each country operation as communicated by IATA)
- New Financial Test Ratios
- Financial Risk Formula Calculation
 - o Additional financial Security = Risk amount less net equity
 - Risk Amount = Last 12 months BSP cash sales / 365) * Days Sales at Risk subject to remittance frequency
 - "Days Sales at Risk" means the number of days from the beginning of the Agents reporting period to the remittance date.

- Net Equity includes; Share capital, Share premium, Retained earnings, Other distributable reserves and Shareholder's loans if subordinated less declared dividends

7. What is the effective date?

The effective date for an accredited location to ensure compliance is 01st February 2016.

8. How will these affect my business?

In December 2015, IATA will undertake an **extra ordinary financial assessment** applying the new local financial criteria against the current audited financial statements as held by IATA.

The assessment will be based on the twelve (12) months sales period between 01st December 2014 and 30th November 2015.

The result of this assessment will be communicated directly with each accredited BSP agent with a compliance date of 01st February 2016 as a deadline to provide the requested Financial Security.

Travel agents will have to provide a minimum amount of Financial Security subject to the Remittance Frequency selected or a value higher subject to the calculated amount at risk based on the Financial Assessment results.

9. How does this relate to my Annual Financial Review process?

An agent's financial year end process will remain unchanged; agents will be requested to upload their financial statements and to undergo the annual review of the accounts subject to agents financial year ends and communicated submission deadlines.

10. My current Financial Security is about to expire, how will this affect me?

It is the agents responsibility to ensure that the Financial Security is and remains valid, and is renewed before the expiry date.

11. Is a Bank Guarantee the only accepted form of financial security?

Current acceptable Financial Security Types in Southern Africa as per Resolution 850p:

Provided by banks:

- Bank Guarantee

Provided by a Provider:

- Default Insurance Programme

Any Provider of the acceptable financial security must be assessed and approved by IATA.

Important Note:

IATA has been engaging with a Provider for the introduction of a Default Insurance Programme (DIP). Further details of the scheme will be communicated to the trade in the near future.

12. Who can I speak to for any further clarifications on this matter?

If you require any further information or clarification in terms of the new local financial submit your enquiry to the dedicated email address: newzalfc@iata.org

13. Are there any other key changes anticipated in the near future to the LFC?

Earlier this year, the PConf Services Group (PSG) reviewed the unrecovered debts in all BSPs globally (181 Countries/Territories). The LFCs of the 14 BSPs with the top unrecovered debts in 2013, which include BSP Southern Africa, were further reviewed.

Consequently, the PSG has directed the APJC to further align the LFC with Resolution 800f. The current changes to the LFC are part of this process as the first steps towards fulfilling the PSG recommendations.

14. Is there anything my Travel Agent can do to fast-track the process?

No not at this moment. The process will be commenced for the entire market in December 2015 as soon as the sales reports of November 2015 are ready.

Kind Regards,
ISS Operations Service Center
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