



## PRORATE AGENCY AGREEMENT

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### PRORATE AGENCY AGREEMENT

This Agreement, by and between the International Air Transport Association, a corporation organized under the laws of Canada, hereinafter called "IATA" and Airlines who, from time to time, may sign this Agreement, generally hereinafter called 'Participating Airlines'.

#### WITNESSETH :

Whereas the Participating Airlines have requested IATA to set up and generally supervise an organization to be known as IATA Prorate Agency for the benefit of Participating Airlines and for that purpose to permit such Prorate Agency to use the name 'IATA' in connection with its publications so long as this Agreement is in effect;

Whereas IATA is willing so to do on the express undertakings and conditions hereinafter set out but with no other cost or expenses to IATA other than specifically set out hereunder and with complete exoneration and indemnification to IATA for all costs, expenses and charges which it may or can incur by virtue of the establishment and operation of such Prorate Agency:

Whereas there is in effect at present an Agreement, hereinafter called 'the 1957 Agreement', between IATA and certain Airlines providing for the setting up and supervision of a Prorate Agency, and it is the intention of the parties that the 1957 Agreement should terminate when this Agreement comes into effect.

Therefore :

The parties have agreed one with the other as follows:

### 1. FUNCTIONS

The IATA Prorate Agency shall be established with the following functions:

- 1.1 To prepare, convene and conduct Prorate Meetings of interested Airlines and prepare and circulate the minutes thereof.
- 1.2 To submit Proration Agreements for acceptance to interested Airlines and to register the participants in these Agreements.
- 1.3 To edit and publish Airlines Proration Directories and Prorate Manuals as required from time to time by Participating Airlines at General Meetings.
- 1.4 To maintain an account of the Administrative Expenses and cost of the production and distribution of the various publications issued by the Prorate Agency, to bill and collect from all interested parties their share of such expenses, and to keep accounts of all such charges whether paid or payable.
- 1.5 To study prorate problems related to Revenue Accounting.

### 2. ADMINISTRATION

- 2.1 The Director General of IATA shall have the general supervision and control over the administration of the Prorate Agency.



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- 2.2 A General Meeting of the Participating Airlines shall be held at least once in every three years and additional General Meetings shall be held at any time on the requisition of 9 Participating Airlines or of the Director General of IATA, or of the Interline Prorate Advisory Committee. A General Meeting of Participating Airlines is empowered to deal with all matters relating to the functions of the Prorate Agency and to elect the Interline Prorate Advisory Committee.
- 2.3 The composition of the Interline Prorate Advisory Committee shall be as determined at a General Meeting of the Participating Airlines. This Committee shall advise the Director General and the Prorate Agent in technical and administrative matters pertaining to the Prorate Agency.
- 2.4 The Prorate Agent shall be a duly qualified individual retained by IATA for the purpose of administering the Prorate Agency.
- 2.5 The Assistant Prorate Agent shall be a duly qualified individual retained by IATA for the purpose of assisting the Prorate Agent and deputising for him whenever necessary.
- 2.6 IATA shall provide the Administrative Expenses of the Prorate Agency and shall be reimbursed by the Participating Airlines as stated hereinafter.
- 2.7 IATA shall provide the furniture and equipment for the Prorate Agency, but such furniture and equipment shall remain the property of IATA.
- 2.8 The Director General shall have the right to appoint an auditor or auditors.

### **3. COSTS OR EXPENSES OF THE PRORATE AGENCY AND ITS ALLOCATION**

The Administrative Expenses as detailed under 3.2. shall be borne by Participating Airlines to the complete exoneration of IATA. Each Participating Airline undertakes to pay IATA a share of the Administrative Expenses and Publication Expenses as hereinafter provided:

- 3.1 Categories of Expenses: The expenses of the Prorate Agency shall fall into the following two categories: Administrative Expenses and Publication Expenses.
- 3.2 The Administrative Expenses, which are the overhead expenses of the Prorate Agency, include:
  - 3.2.1 remuneration for the Assistant Prorate Agent, including pension payments and social insurance charges;
  - 3.2.2 cost of office accommodation and related expenses of heating, lighting and cleaning;
  - 3.2.3 office expenses including normal secretarial and clerical services and stationery supplies;
  - 3.2.4 postage and telecommunications expenses;
  - 3.2.5 expenses relating to the organisation of Prorate Meetings;



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- 3.2.6 travelling expenses, including air fares for the Assistant Prorate Agent;
  - 3.2.7 depreciation of the assets provided by IATA according to Para. 2.7;
  - 3.2.8 audit expenses in accordance with Para. 2.8;
  - 3.2.9 all other Administrative Expenses relating to the operation of the Agency, but excluding all costs of production, publication, and issue of the Airlines Proration Directories and Prorate Manuals.
- 3.3 The Publication Expenses of the Airlines Proration Directories and Prorate Manuals, which are the costs of production and issue of these publications, including printing and distribution expenses.

#### 4. ALLOCATION OF ADMINISTRATIVE EXPENSES

The financial year of the Prorate Agency shall be from January 1st to December 31st. The annual Administrative Expenses of the Prorate Agency shall be based on a budget adopted by the Interline Prorate Advisory Committee and approved by the Director General of IATA; provided that if any budget shows an increase of more than 15% over the previous year such budget shall not be effective unless approved by the Participating Airlines, provided further that every third annual budget, commencing with the budget for the year 1973, shall be submitted to and require the approval of a General Meeting of Participating Airlines. At any other General Meeting the budget shall be included in the agenda as an item for discussion. The Administrative Expenses shall be allocated to Participating Airlines according to the following method:

- 4.1 25% of the annual Administrative Expenses of the Prorate Agency will be shared equally among Participating Airlines.
- 4.2 The remaining 75% of the annual Administrative Expenses of the Prorate Agency will be divided between Participating Airlines in proportion to the revenue ton kilometres performed by all the Airlines during the preceding calendar year on international services provided that the maximum amount assessed for this 75% of the annual Administrative Expenses will not exceed 2% of the total annual Administrative Expenses.

Example (assuming 100 Participating Airlines):

Total Administrative Expenses: USD 200,000

25%: USD 50,000

Shared equally: USD 500 per Participating Airline

75%: USD 150,000 (to be assessed proportionately based on RTKs)

Maximum 2% of total Administrative Expenses: USD 4,000

Maximum contribution per Participating Airline:

USD 4,500 (being USD 500 plus USD 4,000)

- 4.3 The revenue ton kilometres performed by IATA Members will be determined in accordance with the statistics used by IATA for the purpose of computing membership dues.



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- 4.4 The revenue ton kilometres performed by non-IATA Members will be determined on the basis of reports by such airlines and for this purpose each such airline shall, on or before 1st June in each calendar year, report to the Prorate Agency the revenue ton kilometres performed by it on international air services during the preceding calendar year.
- 4.5 For Participating Airlines who operate all cargo services only the assessment will be based on 50% of their revenue ton kilometres on international services for the preceding year.

### 5. METHOD OF COLLECTION

From Participating Airlines shall be as follows:

#### 5.1 Administrative Expenses

The Prorate Agent shall assess each Participating Airline on or before September 1st of each financial year beginning with the financial year 1970, on the basis of the budget adopted by the Interline Prorate Advisory Committee and approved by the Director General of IATA and/or Participating Airlines, the full share of each Participating Airline. In making this assessment, the Prorate Agent shall take into consideration and make appropriate adjustments for any difference in the amounts collected from Participating Airlines and the actual Administrative Expenses of the previous financial year.

#### 5.2 Payment of Contribution

The Participating Airlines, having been assessed as prescribed above, shall pay their contributions to the Prorate Agency within 60 days of the notice issued by the Prorate Agent. After 60 days from the date of the Prorate Agent's notice, unpaid assessments will be subject to a penalty of 1% for each month or part of a month. After 90 days from the date of the Prorate Agent's notice, unpaid assessments will be reported by the Prorate Agent to the next General Prorate Meeting for appropriate action by the other Participating Airlines.

### 6. ALLOCATION AND COLLECTION OF PUBLICATION EXPENSES

With respect to the Publication Expenses, the difference, if any between the costs of each publication and the revenue from copies sold shall be shared by the Participating Airlines on a basis to be determined by the Interline Prorate Advisory Committee. The amount allocated to each Participating Airline shall be included in the Prorate Agent's assessment under Paragraph 5.1 and shall be payable in accordance with Paragraph 5.2 and shall be subject to the provisions relating to unpaid assessments therein provided.

### 7. INDEMNIFICATION OF IATA

Participating Airlines undertake to indemnify and hold IATA harmless from any/all damages or expenses, including the costs of defending any litigation which may have been caused by, or arisen from, the operation of the Prorate Agency, the Directories, the Prorate Manuals or any other publication of the IATA Prorate Agency.



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### 8. EFFECTIVE DATE

On or before 15 August 1970 the Director General of IATA shall decide, on the advice of the Interline Prorate Advisory Committee established under the 1957 Agreement, whether an adequate number of airlines have executed counterparts of this Agreement as Participating Airlines. If the Director General decides that an adequate number of counterparts have been so executed, this Agreement shall be executed on behalf of IATA and shall come into effect on 1 January 1971. In this event IATA shall cancel the 1957 Agreement by giving due notice of cancellation to take effect on 31 December 1970.

### 9. WITHDRAWAL

Any Participating Airline may withdraw from this Agreement with effect from the end of any financial year, providing written notice to the effect is given before July 1st of the financial year concerned to the Prorate Agent who shall inform the Director General of IATA and all Participating Airlines. If such written notice of withdrawal is given, the Participating Airline shall nevertheless pay his full part of the Administrative Expenses of the financial year in which the withdrawal is given, the Participating Airline shall nevertheless pay his full part of the Administrative Expenses of the financial year in which the withdrawal takes effect.

### 10. TERMINATION

10.1 If the Director General of IATA, on the advice of the Interline Prorate Advisory Committee, decides before July 1st of any financial year, that the extent of participation in the Agreement is insufficient to justify the continuation of the Prorate Agency, the Agency shall be terminated at the end of the financial year concerned, and all Administrative Expenses including those expenses that may arise from the termination of the Agency's activities, as well as all Publication Costs exceeding the revenue from copies sold, shall be allocated according to the terms of this Agreement to all Participating Airlines whose participation is effective up to December 31st of the financial year concerned.

10.2 IATA hereby reserves the right, for such reason or cause as it may deem appropriate, to cancel this Agreement on 120 (one hundred and twenty) days' notice addressed to each of the Participating Airlines. At conclusion of such notice this Agreement shall cease and terminate and the IATA Prorate Agency hereby established shall come to an end. The Participating Airlines agree that they will not, jointly or severally, thereafter, except with the written consent of IATA, use or permit to be used the name 'IATA' in connection with any other Prorate organisation or any Prorate Manuals or other publication thereafter issued. The conclusion of this Agreement shall not, however, terminate the obligations of the Participating Airlines to indemnify and hold IATA harmless from any/all damages or expenses (including the cost of defending any litigation) which may have been caused or arisen from the operation of the Prorate Agency or publications of manuals or from any of its publications.



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### 11. EXECUTION

This Agreement may be executed in any number of counterparts, the originals of which shall be deposited with the Director General of IATA and copies of which shall be transmitted to the Prorate Agent. All such counterparts, taken together, shall constitute one original instrument.

Executed this \_\_\_\_\_ day of \_\_\_\_\_ year \_\_\_\_\_

\_\_\_\_\_  
(IATA)

\_\_\_\_\_  
Participating Airline

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Contact details

\_\_\_\_\_  
Email Address

## APPENDICES TO THE PRORATE AGENCY AGREEMENT

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### Appendix A, Administration

1. The Prorate Conference Participants wish to modify the obligation to conduct a General Prorate Meeting once every year, because in some years, it has been unnecessary. The Members will commit to hold a General Prorate Meeting at least once every three years. They will also commit to hold either a General or Special Prorate Meeting upon the request of nine signatories, of the Director General of IATA, or of the Interline Prorate Advisory Committee.
2. The General Prorate Meeting may decide the size and composition of the Interline Prorate Advisory Committee, which, is fixed at no more than seven members in the 1957 Agreement.
3. The Prorate Agent shall have an Assistant Prorate Agent to assist him/her in all functions of the Prorate Agent and to deputize for him/her whenever necessary. The Prorate Agent, Assistant Prorate Agent, and other support staff shall be employees of IATA. The appointment of the Prorate Agent shall be made after consultation with the IPAC.
4. IATA shall act as accountant to the Prorate Agency. However, the Prorate Agency shall maintain its own bank accounts, separate from IATA's.

### Appendix B, Costs or Expenses of the Prorate Agency and its Allocation

1. The reference to the "Agent's Fee" in the 1957 Agreement shall mean the expenses of all Prorate Agency staff, including the Prorate Agent, Assistant Prorate agent, and secretarial support staff.
2. In addition to auditing the financial records of the Prorate Agency, the Director General, after consultation with the IPAC Chairperson, may engage other necessary professional services, and their expenses will become part of the administrative expenses of the Prorate Agency.

### Appendix C, Method of Allocating Costs

1. Participating Carriers wish to adopt a new method of allocating the expenses of the Prorate Agency amongst them. They wish to:
  - a) eliminate the distinction between those airlines which are participants in the IATA Clearing House and those which are not.
  - b) eliminate the minimum payment of one hundred Dutch guilders per annum.
  - c) establish a new cost sharing formula that provides for:
    - i) 25% of the Agency's budget be shared equally among all participating airlines. The remaining 75% of the annual assessment of the Prorate Agency costs will be divided between Participating Carriers in proportion to the international revenue tonne kilometer's (RTK) performed by all Participating Carriers during the preceding calendar year on international services provided that the maximum amount assessed to any one.
    - ii) Participant for its share of the 75% shall not exceed 2% of the total annual Administrative expenses. International RTKs, for IATA members, will be based on the RTKs reported to IATA for the purpose of calculating IATA dues. For non-IATA members, it shall be based on their reports delivered to the Prorate Agent before June 1<sup>st</sup> of the following year.
    - iii) For participants who operate only all cargo services, the assessment will be based on 50% of their RTKs for the preceding year.

### Appendix D, Method of Collection

1. The Prorate Agency shall determine each airline's assessment on or before September 1<sup>st</sup> of each financial year on the basis of the approved budget. Airlines payment is due within 60 days of the notice issued by the Prorate Agency.
2. After 60 days, unpaid assessments will be subject to a penalty of 1% of the amount owing for each month, or part of month, in which the amount remains unpaid.
3. After 90 days from the date of the Prorate Agency's Notice, unpaid assessments shall be reported to the next General Prorate Meeting for action by the other members of the Prorate Conference.