

UNIT - II

CURRENCY RULES

- Local Currency Fares

International fares are published in the Local Currency Fare which is normally the national currency of the country of commencement of international transportation. For example, international fares from Malaysia are denominated in Malaysian Ringgit which is the national currency of Malaysia.

However, there are groups of countries that express their Local Currency Fares in a currency other than their own national currency. These countries are divided into two main groups namely US dollar and Euro:

1. US dollar (USD) countries
2. Countries Publishing Fares in Euro

Additionally, passenger fares and excess baggage charges are established in euros for some countries that do not have the euro as their national currency. For example, the national currency in Russia is the Ruble (RUB)

NUC Conversion Procedure

In fare construction, it is sometimes necessary to add or compare fares. This process cannot be done by using different currencies. For example, TPE - KHI - BKK would need two fares, namely:

| | | |
|----------------|---|----------------|
| TPE - KHI fare | + | KHI - BKK fare |
|----------------|---|----------------|

If the fare out of TPE is in New Taiwan Dollar (TWD) and the fare out of KHI is in Pakistan Rupee (PKR), it would not be possible to add the two fares together. For this purpose, a standard unit for fares have been derived from each of the local currencies. This is called Neutral Unit of Construction or NUC. To facilitate easier fare construction, fares are published in local currency and the equivalent NUCs.

At the outset, all fare construction is done in NUC but at the end of the formula the total sum in NUC must be converted into local currency at the NUC Conversion Factor of the country of commencement of travel. This factor is better known as the IATA Rate of Exchange (IROE). You will find a table of IATA Rates of Exchange for training purposes in the 'Fares and Fares Rules' tab of the PATTECD .

It is also called the NUC Conversion Factors Table. The table lists country names in alphabetical order with each country's IROE. The IROE table displays the currency name, the alpha/numeric code for each country followed by the IATA Rate of Exchange, a column for rounding units of local currency fares and another for other charges.

In the next to last column, the table displays the number of digits that must appear to the right of the decimal point of the local currency fare when rounding is completed. The decimal requirement is only used when showing entries in the Fare and Equivalent Fare Paid boxes of tickets. Note numbers are displayed in the last column of the table. The note numbers are defined at the bottom of the IROE table. It is important to read these notes when required as they define exceptional instructions for certain currency conversions.

When a country displays two currencies, i.e. its native currency and the US Dollar, read the accompanying notes to find out which currency must be used as the Local Currency Fare. For example, in Figure 5.3, Ethiopia shows two currency codes: the USD and the ETB. However, Note 2 alongside the ETB states that international fares should be quoted in US Dollars instead of the Birr. Hence, the IROE for the Ethiopian Birr must be ignored when calculating international fares from Ethiopia. The IROE can be used in two ways:

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1. To convert the Local Currency Fare (LCF) into NUC, use division.

Example: LCF into NUC:

MUC ABZ Y EUR 858.00 ÷ IROE 0.761600 (based on COC: Germany)
= NUC 1126.57

2. To convert the NUC into local currency, use multiplication.

Example: NUC into NZD:

AKL SIN Y NUC 1893.61 x IROE 1.463335 (based on COC New Zealand)
= NZD 2771.00

POINT TO POINT FARE CALCULATION

Bearing in mind the rounding procedure and other currency regulations, you are now ready to integrate these rules with the basic steps in fare calculation.

First you have to establish what type of fare the passenger wants to purchase. Then apply the following basic steps in order to calculate the fare for direct routes or for point to point routings.

| Step | OW Application |
|------|---|
| FCP | Identify the fare construction points such as the origin and destination of the fare component. |
| NUC | Quote the fare in Neutral Unit of Construction from the origin to the destination following the appropriate global indicator, fare type and carrier code. |
| RULE | Identify the rule number, if any. Follow relevant conditions especially those regarding seasonality, time of week, periods of application, stopover and transfers and flight application. |

| | |
|------|--|
| AF | Determine the applicable fare in NUC which is the result of above steps. |
| IROE | 1. Multiply the NUC total by the IATA Rate of Exchange based on the COC or country of commencement of international travel. 2. Drop trailing zeroes, if any. |
| LCF | 1. Round the resulting Local Currency Fare. Follow any accompanying notes that give further instructions on how to round off. 2. Then show the exact number of decimal places required for the currency. |

The next couple of examples will outline these steps again to give you a practical understanding of how the formula is applied from start to finish. The examples will also demonstrate the corresponding fare breakdown in the fare calculation area of the ticket.

Example 1:

Fare Type: Normal Economy

Journey: CPT

AMS SA

Fare Construction Steps:

FCP CPT AMS

NUC EH Y OW 2317.28

RULE Y046

AF NUC 2317.28

IROE X 7.422480

LCF ZAR 17199.96 ~ (H10) ZAR 17200

Fare Calculation Box:

Fare Calculation

| |
|--|
| CPT SA AMS2317.28NUC2317.28END ROE7.422480 |
|--|

Example 2:

Journey: YMQ

BOM AC

Fare Construction Steps:

FCP YMQ BOM

NUC Y AT OW 2370.75

RULE G9710

AF NUC 2370.75

IROE X 1.177260

LCF CAD 2790.9 ~ (N1) CAD 2791.00

Fare Calculation Box

| |
|--|
| YMQ AC BOM2370.75NUC2370.75END ROE1.177260 |
|--|

The LCF may be shown in the fare calculation to reflect the applicable single sector published fare for YMQ to BOM.

| |
|--------------------------------|
| YMQ AC BOM2370.75CAD2791.00END |
|--------------------------------|

SPECIFIED ROUTINGS

A point-to-point routing is composed of only two ticketed points. Such routes are calculated using direct route fares based on the shortest route operated by any carrier in any direction between such points. In this unit we are introduced to journey pricing for indirect routings.

Application of Routings

The following is an example of a direct routing with two ticketed points (SIN and ZRH), travelled on the shortest route operated:

SQ 346 Y 02SEP 5 SINZRH HK1 2 2330 0630+1 E*

The fare for this SIN to ZRH direct routing is assessed using a point-to-point (SIN to ZRH) roundtrip fare. No mileage fare calculation is required to price direct routing journeys.

The same journey could be travelled indirect:

LH 791 Y 02SEP 5*SINMUC 2305 0550 03SEP E 0 343

LH2366 Y 03SEP 6*MUCZRH 0735 0830 03SEP E 0 319

To price this trip as an indirect SIN-ZRH routing, a mileage fare calculation is required unless the routing qualifies as a specified routing. Now we'll examine indirect routings where point-to-point fares apply when

the indirect routing qualifies as a Specified Routing. A Specified Routing is an exception to the use of the Mileage System. Indirect routings that qualify as Specified Routings do not require mileage (TPM vs. MPM) calculation, even if the routing exceeds the highest mileage surcharge of 25M (mileage surcharge is explained in Unit 7). Eligible routings are also exempt from checks such as the Higher Intermediate Point (HIP) check. A Specified Routing is an indirect routing that can be priced at a direct fare. Specified Routings are defined in either

- the table of Specified Routings, or
- Specified Routing section with numeric references

When the routing matches the conditions of a Specified Routing, you may quote the published direct fare from origin to destination via the points listed in the Specified Routing table subject to the following conditions:

1. The fare construction points are the same as the origin and destination
2. The route is via the intermediate points specified. Cities must be in the same sequence as the list shown from left to right or right to left. No additional intermediate point(s) can be included. (You may delete via point(s) but not add more points!)
3. Where two or more cities are separated by the “/” symbol, only one of them may be selected as an origin, destination or via point.

4. Where two cities are separated by the “–” symbol, both cities may be used as via points.
5. Any notes displayed in the Specified Routing table, if any, are followed.
6. The routing is read from left to right or v.v. Although route options appear to be shown in one direction only, for travel in the opposite direction, you must follow the sequence in the reverse direction.

Fare Calculation Formula, One Way, HIP, BHC

Bearing in mind the rounding procedure and other currency regulations, you are now ready to integrate these rules with the basic steps in fare calculation. First you have to establish what type of fare the passenger wants to purchase. Then apply the following basic steps in order to calculate the fare for direct routes or for point to point routings.

| Step | OW Application |
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| FCP | Identify the fare construction points such as the origin and destination of the fare component. |
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Fare Construction:

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NUC EH Y OW 2317.28

RULE Y046
AF NUC 2317.28
IROE X 7.422480
LCF ZAR 17199.96 ~ (H10) ZAR 17200
Fare Calculation Box:
Fare Calculation

CPT SA AMS2317.28NUC2317.28END ROE7.422480

In the fare breakdown shown above, the fare basis code may optionally be shown after the amount of the applicable fare.

Example 2:

Journey: YMQ

BOM AC

Fare Construction Steps:

FCP YMQ BOM

NUC Y AT OW 2370.75

RULE G9710

AF NUC 2370.75

IROE X 1.177260

LCF CAD 2790.9 ~ (N1) CAD 2791.00

Fare Calculation Box

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The LCF may be shown in the fare calculation to reflect the applicable single sector published fare for YMQ to BOM.

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