

PRACTICAL GUIDING PRINCIPLES

To assist members to interpret and uphold the Code of Business Practice, here are some guidelines that capture the spirit of partnership. These guiding principles are not compulsory, however they may assist you as a member to:

- 1.support other members
- 2.understand the Code and its intent
- 3.recognise and respect other business models
- 4.foster positive mutually beneficial commercial relationships

<p>I'm a buyer</p>	<ul style="list-style-type: none"> • Adhere to the agreed payment terms – pay on time • Higher commissions and more favourable rates and/or extended payment terms can be negotiated provided there is a solid track record for prompt and within contractual terms, payments • Recognise that the contract is the contract • Avoid pressuring sellers to hold rates or offer special deals • Agree to shorter payment terms (for example 14 days) to demonstrate commitment to partnership and facilitate access to credit terms • Consider pre-payment in fresh commercial negotiations to build trust and partnership • Do not on-forward nett rates to other entities who do not honour parity • Do not use inbound rates for the domestic market • Be open and communicative. Avoid waiting to be followed up for payment(s) • Keep your seller partners informed of market trends and opportunities • Be transparent about where the booking is coming from to allow sellers to measure success • Explore technology and how it may help your business • Avoid demanding exclusivity • Prefer ATEC seller members • Report deviations from 'best practice' to ATEC for consideration by the Ethics Committee
<p>I'm a seller</p>	<ul style="list-style-type: none"> • Higher commissions and more favourable rates /extended payment terms can be negotiated provided there is a solid track record for prompt and within contractual terms, payments • Consider tiered approach to commission structures to support partners that support you • Consider more flexibility with cancellation fees • Commissions for add-ons should be set at 10% • Be reasonable with booking deposits: be supportive when bookings have long lead times. Try to negotiate terms relating to date of travel rather than date of booking • Avoid complex rate structures with too many seasons • Be proactive with sending out rates in a timely fashion to your buyer partners • Respect the distribution system. Avoid providing rates direct to offshore wholesalers that are the same as the nett rate to ITOs • Consider where static rates may have a valuable role • Consider removing non commissionable components from nightly rates • Prefer ATEC member buyers • Report deviations from 'best practice' to ATEC for consideration by the Ethics Committee

GENERAL SUGGESTIONS

- Commission levels, rates and payment terms are negotiable between parties and are dependent upon mutually beneficial outcomes. A solid partnership will result in higher commissions, better payment terms and longer lines of credit.
- Foster positive commercial relationships via active communication, clarity and transparency

OPERATING EXAMPLES

FACT SHEET: WHY ARE PRE-PAYMENTS FOR INDIVIDUAL SERVICES PROBLEMATIC?

The scenario:

A supplier requests payment at the time of booking (\$250) in order to confirm, OR, for a 20% deposit to be paid at time of booking, e.g. \$100 for a \$500 service. The service will not be provided until October 2021. The typical lead time is 182 days for FIT bookings. Right now of course it's a lot longer because of border closures.

Here's why this can be problematic:

- The service is likely to be one of dozens of services within an extended itinerary, let's say e.g. \$5,000 worth in total.
- Typically for an October 2021 booking, we would invoice the agent in August or September 2021, and receive payment either in advance (Sept), or post travel (Oct-Nov 2021).
- This booking would be invoiced along with say 50 other files for the same agent, also travelling in October, and all payable at the same time. For the offshore agent this allows for efficient payment in bulk.
- Supplier payments can be made in advance, e.g. 30 days prior to travel if necessary, by which time the booking is finalised and very unlikely to cancel.
- If we have to pay today, we have to either cover the amount ourselves (which is what typically happens), or, if it's a large amount e.g. over \$1000, we invoice the agent now and try to secure payment.
- We then have to pay the supplier outside our "normal" processes, which causes friction in the efficiency of the payment processing, and can be overlooked.
- If the booking cancels, we then have to start a process which we don't currently have, in order to track down and retrieve the payment from the supplier. This is also extremely inefficient for the supplier.

The best practice approach:

Work within an ITOs payment schedules where possible. If pre-payment is required, then pre-payment should relate to date of travel, rather than time of booking.

FACT SHEET: PAYMENT TERMS

We will want to ensure that compatible payment trading terms are able to be put in place before working with any products and suppliers with reasonable volume. To keep our overheads low, we try to be as efficient as possible, including streamlining our accounts work by providing structure and schedules where we process payments once a month. We also have credit arrangements in place with many overseas customers who have sufficient volume of business. It is important that our supplier partners support this.

FACT SHEET: RATE SETTING – STATIC VERSUS DYNAMIC IN ITO BUSINESSES

ITOs may have certain set packages which include a bundle of services, some as long as a 28 day self-drive, others just a 2-3 night city module.

Our wholesale clients need to be able to promote a price for a given period in order to advertise, to put it on their website, and to attract customers to book. If a product moves off static pricing on to fully dynamic, we cannot take the risk of including it in any packages because we won't know what the price (higher or lower) may be at time of booking.

We fully support dynamic as a principle of yield management, but our partners are not connected to our systems in order to access these prices in their time zone, and per above, we cannot include them in packages. Therefore, wholly dynamically priced products will likely only be booked by an ITO reservations team when no other alternative exists, as a back-up to the preferential products with static pricing. Static rates would never be requested by an offshore agent because they have no way of pricing them to the customer. The trick to high volume is to drive the demand at the offshore agent end, the top of the funnel, and too many of them are unable to handle dynamic properly yet.

FACT SHEET: IMPORTANCE OF FLEXIBLE CANCELLATIONS

Currently, many European and UK wholesalers guarantee a 'free cancellation' in case clients can't travel due to COVID travel restrictions. They want Australian ITOs to guarantee that no fees will apply even if the booking has to be cancelled

within the cancellation fee period (in case the border situations change, which can happen from one day to another). Apparently in other countries suppliers are much more accommodating, so Australia might well be missing out and clients will travel elsewhere altogether.

Cancellation policies are necessary, but for partnerships where there is a significant history and/or volume of business, we would expect that it is still a relationship-driven business and that cancellation charges would only be applied if the cancellation resulted in real damages or financial loss to the supplier. Where there are extenuating circumstances that caused the cancellation, the parties would discuss and negotiate to try and arrive at a fair outcome.

The best practice approach:

Work together on cancellations: recognise that future business will drive Australia's recovery.

FACT SHEET: PAYMENTS AND EXPLAINING THE REASONS FOR REQUIRING PRE-PAYMENT

Scenario 1

A distribution partner (wholesaler/agent) with a head office off-shore - files for liquidation – even though they have paid their bills on time.

As a supplier, you are an unsecured creditor and have little recourse over the debt owing. You may get some cents in the dollar

Outcome – As a supplier this becomes a bad debt and is written off – the supplier 'wears' the exposure.

Scenario 2

A distribution partner (ITO/OTA) who is Australian based and in credit but relies on in market partner payments to then pay a supplier, comes to a supplier and requests that they will pay x% now and that the supplier writes off the remaining amount (y%).

As a supplier we accept x% right now but the balance is still owing of y% and therefore there will be no credit given until x% is paid and then credit will not be allowed until 3 – 6 months trading post the settlement of y%. Bookings can still be made but prepayment must be made prior to arrival.

Outcome – As a supplier we seek to recover all debt as all services have been delivered to the distribution partners' guest.

Scenario 3

A local distribution partner (ITO/OTA) approaches a seller/supplier and says they are struggling to pay – one who usually pays on time and within terms. The parties discuss and agree to a mutual payment plan over the next x months. Credit is stopped until they have paid debt back in full. They can still book clients but must prepay.

Outcome – the debt is paid off but they may not go back on credit until they have satisfied the supplier that they are capable of paying on time.

The best practice approach:

Pay on time and within contracted terms to encourage and secure credit or extended payment terms. Communicate openly if challenges arise to preserve commercial relationships.

FACT SHEET: CHALLENGES WITH CANCELLATIONS

Some distribution partners have cancellation policies enforced not fairly or reasonably aligned with the suppliers – such as providing a full refund for a cancellation within 24 hours prior to departure on all "impacted bookings" – in some cases these could be a no-show with no reason provided (e.g. they may not have been covid-related). This is problematic with the flow-on implications for 3rd party inclusions.

Often, customers enquire directly with the supplier as to why they haven't received a refund for a cancelled booking. We then referred them back to their agent for the refund, but the customer would still direct some of their frustration at us in the lack of response they've had. In reality, we had not received payment from the agent for the cancelled booking ourselves, nor invoiced them.

The best practice approach:

Ensure your work openly and communicatively with your trade partners. Avoid applying cancellation policies that are not previously agreed to within contracted terms and work in partnership to address customer inquiries.

FACT SHEET: RATE SETTING AND WORKING WITH THE TRADE

Commission structures need to be in place, typically 25% or 30%, but higher commissions or different arrangements could be offered to benefit all parties to achieve agreed objectives such as volume, yield, etc. An example is where we have 30% commission in place, but for this supplier, they also have a package targeting groups that includes a meal in the buffet restaurant that will need to operate regardless of the volume of customers that day. The supplier needs to ensure a base volume of customers to cover costs, so they offer us a package price of entry and meal at a reduced package price that would represent around 45% off the full retail price. When included in our group package program, it represents great value to entice customers to book and helps the supplier with a base volume of business. Depending on if the product is packaged as part of a whole tour program, it may also have the side benefit of not exposing these deeply discounted rates direct to consumers.

SAMPLE APPLICATION FOR NEW CREDIT

Application for new credit: <ENTER COMPANY>	
<enter ABN>	
Name of Company/Trustee	
Trading as:	
Business Structure: Please tick <input type="checkbox"/> Sole Trader <input type="checkbox"/> Partnership <input type="checkbox"/> Company <input type="checkbox"/> Trust	
Inbound Tour Operator: <input type="checkbox"/> Govt Dept <input type="checkbox"/> Travel Agent <input type="checkbox"/> Other:	
Member of ATEC: <input type="checkbox"/> Yes <input type="checkbox"/> No Member of <other entity> <input type="checkbox"/> Yes <input type="checkbox"/> No	
ABN: ACN(if Company):	
Registered office address:	P/code:
Postal Address:	P/code:
Website address:	Your Travel Agent number:
Business commenced:	Nature of business:
Approx. monthly credit required A\$:	Purchase order/vouch number request:
Nominated Purchase Officer:	email:
Reservations phone:	Reservations email:
Accounts Payable contact:	Direct phone:
Email:	Fax number:

ATEC MEMBER CODE OF ETHICS AND BUSINESS PRACTICE

Trade Reference 1:	
Name of business:	
Address:	Monthly spend:
Name of contact:	Phone #:
Email:	

Trade Reference 2:	
Name of business:	
Address:	Monthly spend:
Name of contact:	Phone #:
Email:	

Trade Reference 2:	
Name of business:	
Address:	Monthly spend:
Name of contact:	Phone #:
Email:	

as the Applicant whose details appear above ever been bankrupt, in liquidation, in administration, in receivership, insolvent or made an arrangement with or assignment for benefit of their creditors?

If Yes, please provide brief details:

Are financial statements audited? Date of last prepared financial statements:

Bankers: Branch: Phone:

Accountant: Phone:

GUARANTEE: We the undersigned agree to the Terms and Conditions of credit.

Names and addresses of proprietors/directors

TERMS AND CONDITIONS OF CREDIT

1. Settlement in full will be due and payable within seven (7), fourteen (14) or thirty (30) days from the date of monthly statement, depending on the terms offered. Payment must be made by direct debit to the relevant <insert company> bank account in Australian dollars. <Insert company> will charge a late payment fee of 1.5% on the total overdue balance for all accounts that fall outside the terms of this agreement.
2. <Insert company> has the right, without notice, to terminate any or all credit facilities to the agent at the Company's discretion and all just debts to the Company will then become due and payable immediately upon demand.
3. The agent will indemnify the company for the costs, being either legal costs and/or collection agent's cost or commission of recovering just debts owing by the agent to the <insert Company>.
4. The right is reserved in the event of cancellation within 48 hours prior to travel or a no show to charge a cancellation fee.
5. In the event of the sale of the business to another party a new application for credit will be required to be submitted by the new director(s) of that party. Company directors are accountable for debts incurred by a company during any period they hold the office of director.
6. Customers agents who pay their monthly credit account by credit card will be incur administration handling fee of 3% (calculated on the amount paid, GST inc). Visa, MasterCard and Amex will be acceptable.

IMPORTANT NOTICE (SECTION 18E(8)(C) PRIVACY ACT 1998)

I, the applicant by signing below agree and acknowledge with <insert Company name> as follows:

1. That <insert Company name> hereby informs me that it may disclose to a credit reporting agency certain personal information about me including: information contained in this application; my identification; the amount of credit applied for; payments which may become more than 60 days overdue; advice that payments are no longer overdue; a serious credit infringement which <insert Company name> believes that I/We have committed.
2. That <insert Company name>, in assessing this application and any later request for a credit limit increase, may obtain from a credit reporting agency a credit report containing personal credit information about me, a credit report containing information about my commercial activities or commercial creditworthiness.
3. That <insert Company name> may give to and obtain from any credit provider(s) that may be named in a credit report held by a credit reporting agency about my personal or commercial credit arrangements including information about my creditworthiness, credit standing, credit history or credit capacity for the particular purpose for which the information is required.

Signature: _____ Date: _____

Name: _____ Position: _____

<insert Company name> _____

OFFICE USE ONLY*

Date received: _____ ABN checked: _____ Trade ref. checked: _____

Date approved: _____ Approved by: _____ <insert name> software: _____

Tour commission set: _____ <insert name> software: _____

Credit limit per company A\$: _____ <insert name> software: _____

Credit terms offered (days): _____ <insert name> software: _____

Marketing Director to approve: _____ General Manager to approve: _____

Group Accountant to approve: _____

Comments: _____