IATA

INTERNATIONAL AIR TRANSPORT ASSOCIATION

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IATA

Giovanni Bisignani
Director General & CEO

International Air Transport Association
Annual Report 2006
62nd Annual General Meeting
Paris, June 2006

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as at 1 May 2006

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Challenging times continue for our industry. Airlines are **improving** their prospects. But the price of oil remains a wild card. None-the-less, some cautious **optimism** is beginning to return to air transport.

Giovanni Bisignani
Environment Summit, Geneva, April 2006

Cautious optimism returns.

Cautious optimism is returning to the industry. In the two years up to 2005 passenger numbers have risen by one quarter, to over 2 billion. Freight grew 5% at the end of 2005, beginning of 2006. Revenues grew over 9% in 2005 and losses globally narrowed to US$3.2 billion. But many enormous challenges remain.

Of those, oil is the single most important. The industry's fuel bill will rise another US$21 billion in 2006 to over US$110 billion.

The industry's response has been an unprecedented drive for greater efficiency. Over the past decade, fuel efficiency has improved 21%. Labour productivity has increased 54%. Load factors are at record levels. These impressive efficiency gains have been outstripped, however, by the surging price of fuel and the airlines will see a further US$3 billion in industry losses this year, before returning to the black in 2007.

The efficiency gains are a part of an impressive track record of achievement and responsibility by the airline industry. Nowhere has this been clearer than in the area of safety. Despite US$41 billion in losses over the past five years, the safest form of travel continues to get safer. The hull loss rate for the industry for 2005 was the lowest ever, at 0.76 per million flights-one accident for every 1.3 million flights. For IATA member airlines, the rate was even more remarkable, at one accident for every 2.9 million flights. The IATA Operational Safety Audit (IOSA) is at the core of our commitment to do even better. It will become a condition of IATA membership from year-end 2007, adding a further mark of quality to the association.

Too often our partners do not match this drive for efficiency and quality.

While governments discuss environment, airlines are delivering results. Air transport's contribution to global

Enormous challenges remain.

emissions is small - 2%. The drive for fuel efficiency underlines the responsible approach to the environment. But our efforts are being hindered. Governments are quicker to react to myths about air transport and climate change than to make hard decisions that could improve air traffic management efficiency by up to 12% with programs such as the Single European Sky.

We are driving an agenda to simplify the business - eliminating US$6.5 billion in costs and improving passenger convenience. E-ticketing accounts for over half of the tickets issued through the IATA Business Settlement Plans (BSPs) system. To meet our 2007 target of 100% e-ticketing, the pace of change to paperless ticketing must increase. But our fate is in our hands, and I am confident of meeting our targets.

E-freight, however, is a different story. In value terms, 35% of international trade moves by air. And airlines are prepared to facilitate a quantum leap in the efficiency of international trade by eliminating paper. But success is in the hands of governments, and with rare exceptions, governments have made little progress in creating the legal and business conditions to realise the efficiencies of e-freight.

Counterproductive behaviour is a theme repeated far too many times in our industry:

- Airlines in an increasingly competitive world have made air travel more accessible than ever. But governments have been too slow to replace the old and restrictive bilateral system by which they regulate airlines with a system that grants airlines the commercial freedom enjoyed by all other industries: to serve markets where they exist.
- Airlines have reinvented themselves with enormous efficiency improvements that have dramatically reduced costs. But many airport monopolies happily continue to present airlines and their passengers with the bill for their continued inefficiencies.
- Airlines reduced their distribution unit costs 58% in the last ten years. But global distribution systems - where they are not deregulated - persist with per transaction charges that bear no relationship to costs incurred.
- Airlines have worked hard to ensure their long-term viability by reinventing their businesses. Far too often, though, labour waits for corporate bankruptcy before understanding that it shares a common future.
- Airlines have left no stone unturned to mitigate the impact of high oil prices. Conversely, oil suppliers have happily pocketed a US$14 billion windfall in 2005 from increased refinery margins without reinvesting in refinery capacity to ease the crisis on airlines and consumers in general.

As members of a responsible industry, airlines have done their homework and made every effort to survive while continuing to improve service to consumers. Our industry provides great value globally by connecting goods to markets and people to business. Airlines are the US$450 billion heart of a value chain that stimulates US$3 trillion of economic activity - 8% of global gross domestic product (GDP).

This report highlights many of IATA's activities that are helping drive the industry in the direction of greater efficiency and commercial freedom. From shortening air routes to facilitating common use self service check-in. From harmonising security measures to best practice on fuel efficiency. From e-ticketing to improved back-office efficiency.

There is no turning back. It is time that our partners and stakeholders replace half measures with the results our customers deserve.

Giovanni Bisignani
Director General and CEO

01
The State of the Industry

Industry profitability has improved despite a rise in fuel costs, driven by airline cost-cutting, robust economies, and rapidly developing markets.

The industry break-even oil price jumped from US$22 per barrel in 2003 to US$50 in 2005. However, fuel prices are forecast to remain much higher than this.

Based on strong demand, we forecast some reduction in 2006 from the estimated net losses of US$3.2 billion sustained in 2005. But the risks facing the industry and its financial performance remain high.

The imperative to cut costs remains strong.

www.iata.org/economics

AIRLINE PROFITABILITY IS RECOVERING

Cost-cutting, robust economies, and rapidly developing markets are driving an improvement in airline profitability.

Losses in 2005 narrowed to US$3.2 billion. Airlines are coping better with high fuel prices. But fuel costs in 2005 increased more than 50% from the year before, from US$61 billion to US$91 billion. And that rise, for the second year running, more than offset a boom in revenues, which grew over 9%.

Substantial regional differences in financial performance remained in 2005. North American airlines, as in previous years, accounted for more than the industry's global losses, at US$7 billion, according to estimates. European airlines, by contrast, improved their profitability to US$1.6 billion. Asia-Pacific airlines saw their profitability fall to US$2 billion, but they continue to deliver the largest absolute profits in the industry.

Barring a further demand shock, such as an influenza pandemic, or a further hike in fuel prices, IATA forecasts that global airline industry net losses will be reduced slightly to US$3 billion in 2006.
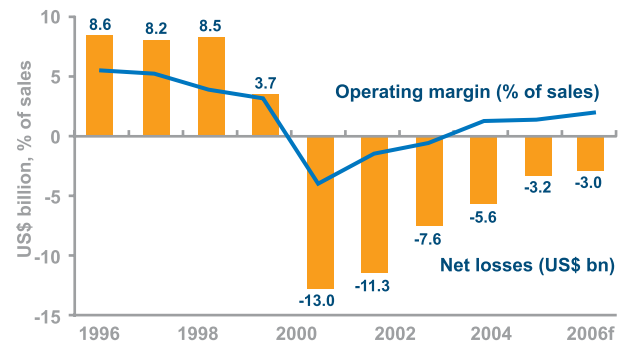
AIRLINE RETURNS REMAIN BELOW THE COST OF CAPITAL

To pay investors the 7% to 8% return on capital they expect from investments in industries of similar risk, airlines would need to generate net profits in excess of US$25 billion. Yet even in the most-recent upturn during the late-1990s, the industry was unable to achieve this and cover its cost of capital.

The reasons for this low rate of return include a number of cyclical pressures on the industry, such as high fuel prices. Among the more-fundamental structural issues are a lack of competition among suppliers, leading to inefficiency, and the incomplete deregulation of the airline industry, which prevents a rational restructuring of capacity.
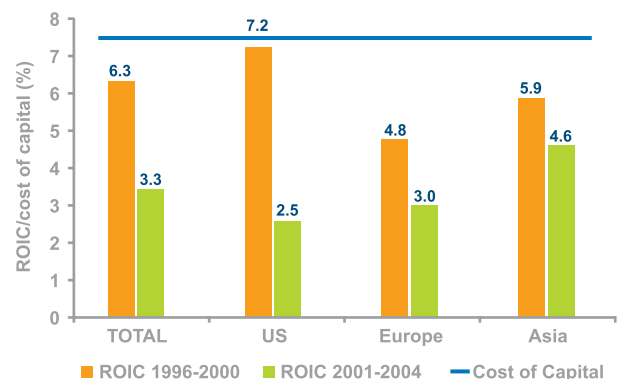
FUEL PRICES REMAIN HIGH

Fuel costs have dominated the drivers of airline financial performance over the past two years. In 2005, fuel costs accounted for US$91 billion, or 22%, of operating costs - almost double the 12% average experienced in the decade to 2003. Fuel costs in total are estimated to reach US$112 billion in 2006, even though airlines have hedged an estimated 45% of the year's fuel bill. This is not just because of higher oil prices. A barrel of jet fuel cost US$6 more than oil in the decade to 2003. Since then, that refinery margin has risen to over US$15, which added US$14 billion to the 2005 fuel bill.

Analysts are predicting that the price of Brent crude oil will remain high over the next two years. Although claims that oil is rapidly running out should be treated with scepticism, there are no signs of new supply or of a decline in demand that would bring oil prices down significantly. There is, moreover, limited spare capacity in OPEC crude oil supply and with oil refineries worldwide. That looks unlikely to change quickly. Instead of investing in new refinery capacity, the major oil companies are reportedly returning US$250 billion to their shareholders over the next two years.
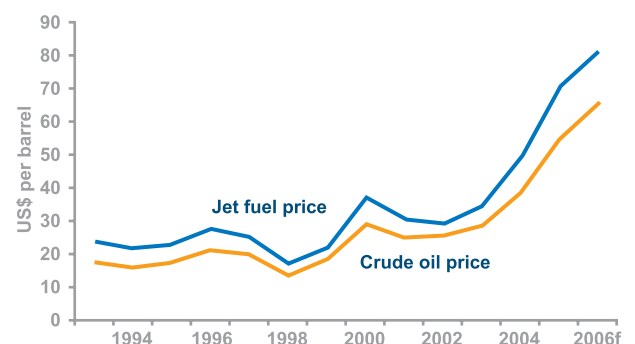
PROFITS RECOVERING IN SPITE OF FUEL COSTS

Each dollar added to the price of oil increases industry costs US$1.3 billion. But the bottom-line impact of higher fuel costs is by no means automatic. At the operating level, the industry moved from an operating loss of US$1.5 billion in 2003 to an estimated operating profit of US$4.3 billion in 2005 in spite of ballooning fuel costs.
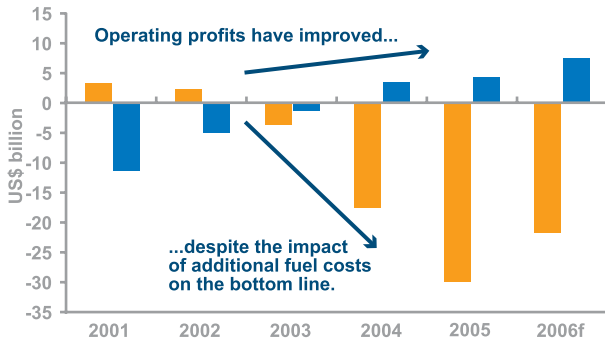

This improvement in operating performance is due to efficiency gains and strong revenues through increased passenger demand. Many airlines also have effective fuel hedging programmes, though putting in place new hedges has become extremely expensive.

The improvement in performance has taken the industry from a point where it required an oil price of US$22 a barrel in 2003 to break even at the global level to a 2005 break-even point of US$50 a barrel.

THE GLOBAL INDUSTRY COULD BREAK EVEN WITH OIL AT US$50 PER BARREL
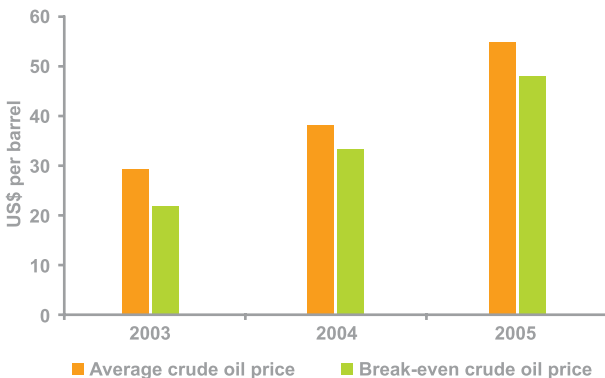
DRAMATIC IMPROVEMENTS IN AIRLINE EFFICIENCY
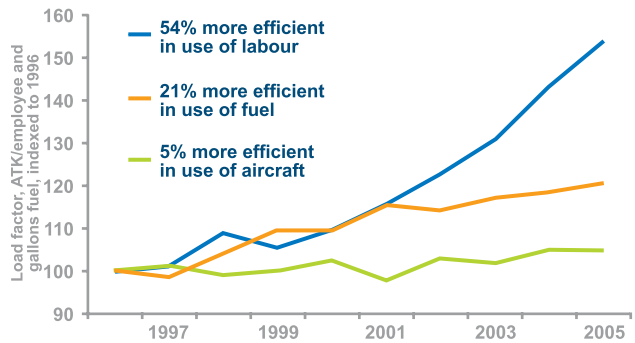
Airline efficiency gains have been dramatic. In the decade to 2005, the industry became 54% more efficient in its use of labour, 21% more efficient in its use of fuel, and 5% more efficient in its use of aircraft.

These efficiency gains are reflected in the industry's control of unit costs despite inflation in salaries and in the prices of other inputs, not least fuel. Adjusting for currency effects due to the fall in the US dollar, non-fuel unit costs have dropped an estimated 14% since 2001.

ISSUES OF MARKET POWER IN THE VALUE CHAIN CONTINUE
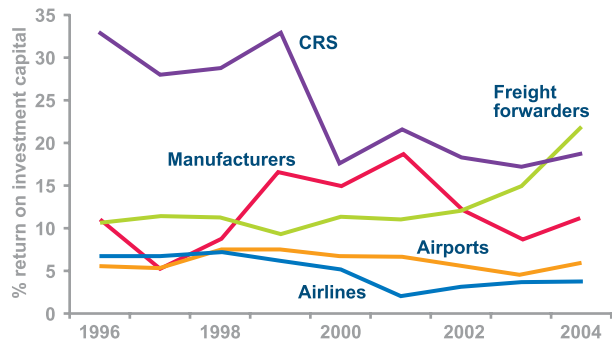
However, some costs continue to resist reduction. Insufficient competitive pressure has led to varying returns on invested capital across the air transport value chain. The lack of competition in some sectors, such as airports, may be reflected in inefficiency and high costs

even if returns on capital are not among the highest. Investors in the airline industry, moreover, where returns are the lowest, also bear almost the highest degree of risk in the industry. This must change.

IMPROVEMENT IN YIELDS DOES NOT SIGNAL A CHANGE IN PRICING POWER

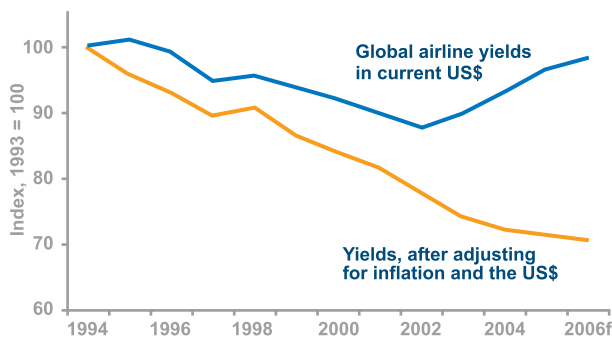The fall in the US dollar has given the false impression that the historic decline in yields has ended. When compared against other consumer prices, it is clear that the recent rise in dollar yields has at best merely interrupted the ongoing decline in real yields, which continue to be driven lower by industry deregulation and competition.

The US is the one market where pricing power appears to have recovered, albeit modestly. A 1% cut in US market capacity in 2005, together with robust economic growth and a 2.6% rise in customer demand, led to a yield increase of 1.9% (before adjusting for inflation) for the first time in years.

REAL YIELDS HAVE FALLEN 30% DURING THE PAST DECADE IN MOST MAJOR MARKETS

Outside the US, yields remain under pressure, particularly in some Asian markets, where capacity continues to be added by new-aircraft deliveries and by new competitors from the US and the Middle East. With market deregulation continuing and new-aircraft deliveries representing almost 6% of the fleet in each of the next two years, the downward trend in real yields is set to continue.

Efficiency gains and increased passenger demand have lead to improved operating performance.

STRONG CARGO AND PASSENGER VOLUMES

Strong traffic volumes are the other side to the recent strength of airline revenues. The passenger business went through recession from 2001 to 2003. In the three years since, the number of passengers has risen by almost a quarter, to over 2 billion.

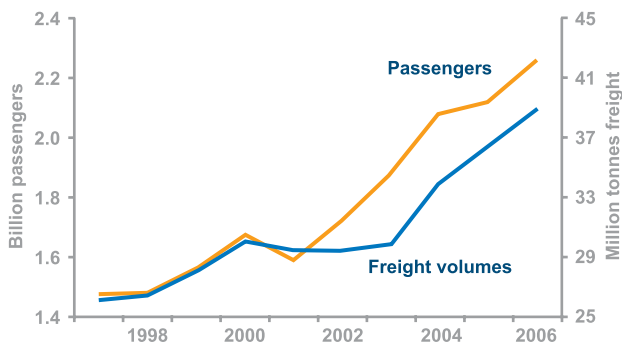Passenger business in 2006 will be driven by stronger-than-expected economic expansion in Europe and in Japan and some other key Asian economies. In 2006, passenger numbers are forecast to reach 2.2 billion.

Freight growth was surprisingly subdued in 2005, growing just 3% after rising more rapidly than the passenger business following 9/11. However, a recovery at the end of 2005 and at the beginning of 2006 boosted freight growth rates over 5%. World trade has picked up, including in the important semiconductor industry in Asia, which should ensure annual growth rates of nearly 7% over the next two years.

WIDER BENEFITS FOR ECONOMIC DEVELOPMENT

New routes and increased flight frequencies to destinations of economic significance are generating much of the passenger and freight volume growth, particularly in such liberalising regions as central Europe and Asia.

In a recent study published by IATA, research by Oxford Economic Forecasting demonstrates that network expansion brings important economic development benefits to a country.

The 25% rise in the past three years in the destinations served by the European Union (EU) accession countries, for instance, is estimated to have added 3% to those nations' GDP potential.

Similarly, in India the 8% rise in destinations and 58% increase in flight frequencies from its capacity-constrained four major airports in the past three years are estimated to have added 2% to India's GDP.

The air transport network connects business to global markets. It is in the interests of governments to nurture this key infrastructure asset.

The proliferation of proposals to tax and constrain the industry in 2005 risks damaging crucial economic development benefits generated by network expansion. In the United States, for example, some 26% of the cost of a ticket goes to taxes. All too often governments see the airline industry as an easy target for raising revenues.

INDUSTRY PROSPECTS

Prospects for the industry over the next two years have improved, though risks from fuel prices and potential demand shocks, such as an influenza pandemic, remain.

Stronger economic growth is underpinning revenues, and efficiency improvements have cut non-fuel unit costs.

Where capacity has been cut, as in the US market, the improvement in profitability is forecast to be greatest. Increasing competition, particularly in the liberalising markets of Asia, will put yields under pressure. Nonetheless, dynamic regional traffic growth and a favourable cost structure should keep Asia-Pacific producing the highest absolute profits in the industry.

The industry's return to profitability is all too dependent on a number of variables outside its control. It is therefore vital that airlines and their partners and governments worldwide share a common vision for a successful air transport industry.

They must fully understand the case for change.

Network expansion brings vital economic benefits to the global marketplace.
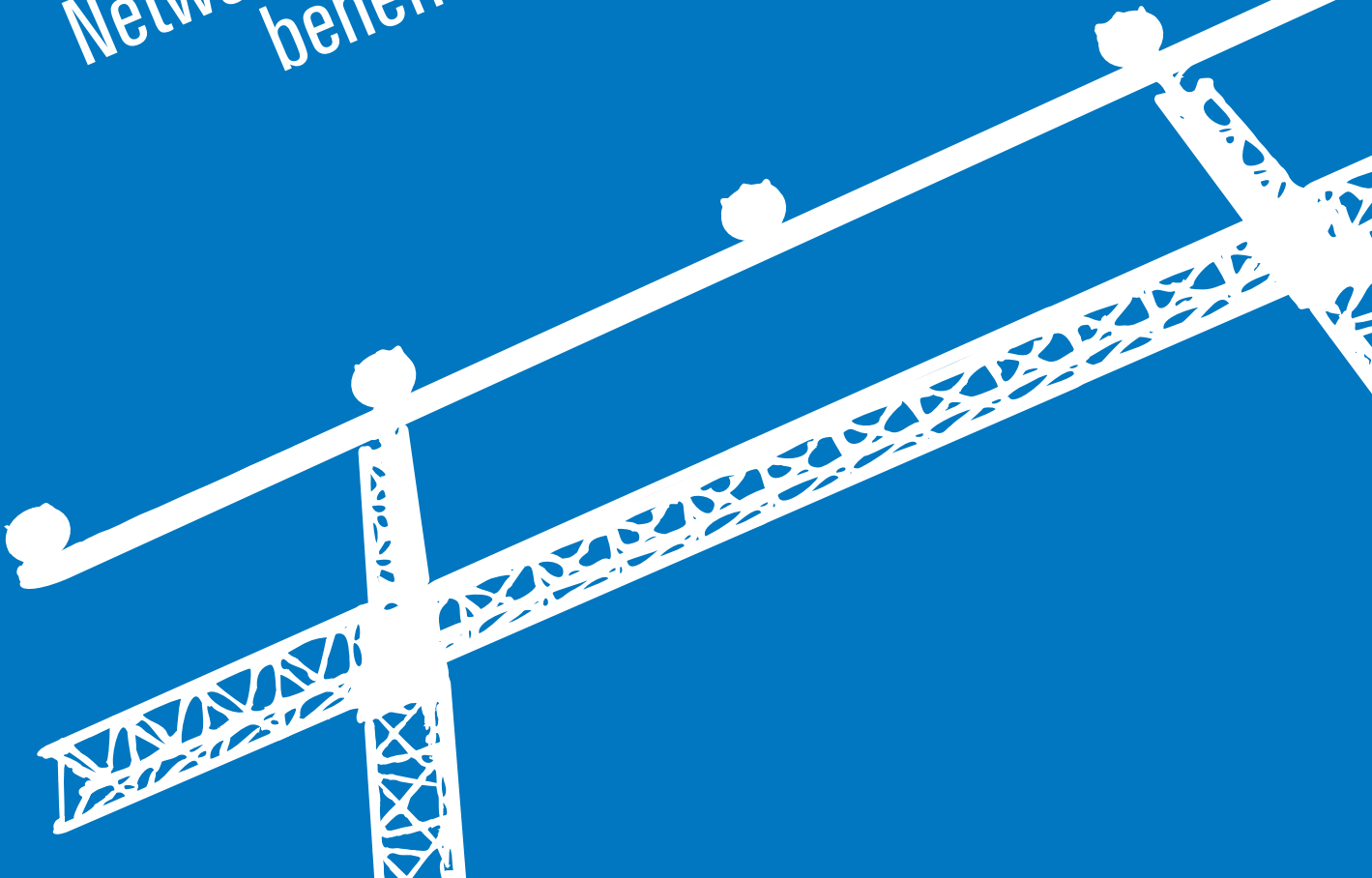
02. Simplifying the Business

Consumers, airlines and their partners are starting to reap the benefits of industry efforts to simplify.

The industry reached its 2005 global target of 40% electronic or e-ticketing (ET) penetration in November 2005, but the progress of some member airlines lags behind.

The pace of ET implementation must pick up in 2006.
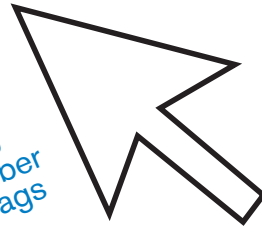
www.iata.org/simplibiz

Consumers and airlines and their partners are starting to reap the benefits of industry efforts to simplify. Streamlined processes that leverage technology are key to the success of IATA's five Simplifying the Business (StB) projects. They include 100% e-ticketing by year-end 2007, common-use self-service check-in (CUSS), bar-coded boarding passes (BCBPs), radio frequency identification (RFID) for baggage management, and IATA e-freight.

But to capture the full value of added consumer convenience and US$6.5 billion in annual savings generated by StB, the industry must continue to pick up the pace of implementation, particularly of ET.

THE CASE FOR SPEED

The deadline for 100% ET is the end of 2007.

Fully 60% of airlines active in Billing and Settlement Plans (BSPs) had not issued a single BSP e-ticket by the end of March 2006. These airlines, though, are only responsible for 13.4% of all BSP tickets.

Only 56% of BSP tickets issued by ET-capable airlines are e-tickets.

Merely 25% of the airlines using BSPs had concluded an interline ET (IET) agreement at the end of March 2006. The total number of IET agreements is only 3% of the total number of interline agreements registered with IATA.

All of the above make it clear the pace must pick up.

E-TICKETING

IATA worked with airlines worldwide to clear roadblocks and speed the implementation of e-ticketing in 2005. A global network of StB "champions" from IATA and member airlines and a comprehensive support programme helped the industry meet its 2005 global target of 40% ET penetration in November.

Less than two years remain before IATA turns off the flow of paper tickets at the end of 2007.

Airlines that don't meet the deadline will have to distribute paper tickets on their own and will risk losing interline revenues from carriers that have made the transition to ET. Each airline has its own ET challenges to overcome. But as an industry there is no turning back.

Airlines must speed up ET implementation. ET penetration reached 48.8% in March 2006, for an average monthly rise of 2% since the 2005 high point in November 2005, of 41%. This rate needs to rise to 3% per month to reach the 70% year-end 2006 target.

To do that, the road ahead is being cleared of obstacles. One such roadblock is the lack of ET skills and know-how at smaller airlines. To help close the knowledge gap, IATA introduced a wide array of online support tools; held ET workshops; and invested US$1.2 million in the ET Buddy programme, which provides on-site expert consultancy.

IATA has also brokered industry standards on issues such as infant travel, blocked-space code share, and irregular operations. In addition, IATA is working with authorities in the very few countries where regulatory obstacles to ET remain. Several Commonwealth of Independent States (CIS) countries, for example, still require local airlines to issue paper tickets as a confirmation of an air travel purchase.

Airlines and IATA, meanwhile, also are pressing ground-handling service providers using systems that cannot handle electronic ticketing to upgrade or replace their systems immediately.

ET PERCENTAGE BY REGION AND MONTH
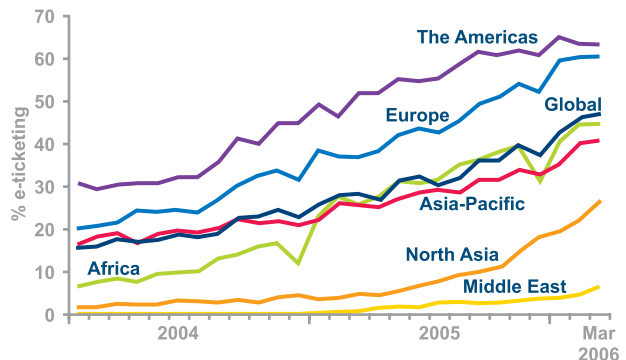
Interline ET (IET) agreements are another area of focus because they are complex and time-consuming to put in place. To help speed the process, early in 2006 IATA introduced its interline ET Matchmaker, an online service that directs requests for an IET agreement to the right person in participating airlines. As of 1 April, more than 200 airlines had registered for the service and had logged 1,370 requests, 105 of which have resulted in successful matches. In 2006, IATA will launch another new service that will significantly automate the process of producing an IET agreement, offer regional IET workshops, and extend the Buddy programme to include IET.

Systems issues also still exist for many airlines. Most of these require system upgrades to enable the issuance of e-tickets. There are, however, a number of carriers running proprietary systems that are not ET capable. Those airlines must either develop ET functionality or migrate to a new ET system. IATA has signed memoranda of understanding (MOU) with seven leading providers offering ET solutions to help airlines with system issues.

The targets set are challenging. But the growing realisation of the compelling benefits ET offers and continued industry commitment to deliver make them achievable.

COMMON-USE SELF-SERVICE CHECK-IN

CUSS allows passengers to check in on a number of airlines from one kiosk. CUSS offers a solution to ease airport congestion and to cut check-in times and costs. In 2005, IATA spurred CUSS implementation by raising awareness, by generating initial commitment from airlines and airports to adopt CUSS, and by demonstrating the huge benefits of CUSS to all industry players.

The building blocks are in place. An industry standard for CUSS technology was developed in 2003. And an additional standard that enables a common-user interface - similar to the approach used for ATMs - was published in 2005.

CUSS is being rolled out around the globe. As of April 2006, 27 airports were operating CUSS and more than 35 others were working on CUSS projects. IATA also signed 13 MOUs with airports and with ground handler Swissport during 2005 to implement CUSS on a progressive basis.

● Existing CUSS installations   ● Potential/current projects
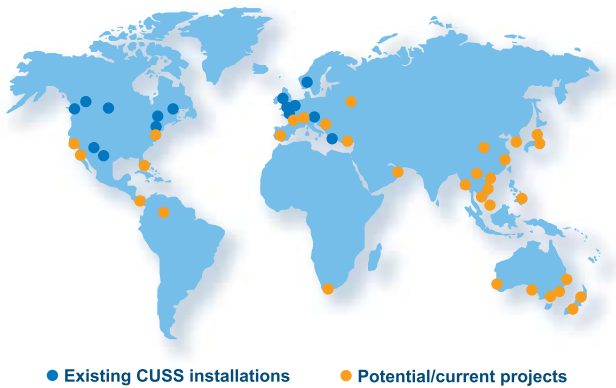
In addition, over 40 airlines offer CUSS, 100 are actively developing CUSS, and 210 are investigating CUSS as a check-in channel for their passengers. Key to this progress has been close collaboration between airports and airlines.

CUSS IMPLEMENTATION AND PROJECTS
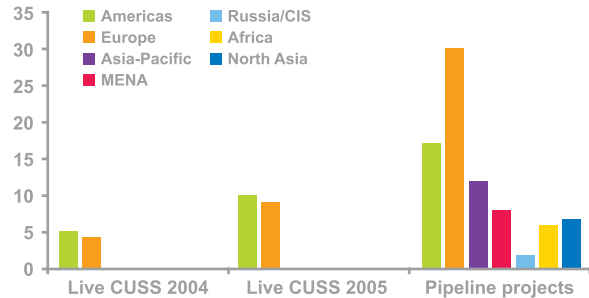
The pace of CUSS implementation will accelerate in 2006. The goal is to move from pilot projects and test sites to an aggressive global expansion targeting 15 new CUSS locations by year-end. To meet that goal, IATA is developing a regional strategy and a broad education programme for CUSS. This includes the release of a CUSS implementation guide for airlines, airports, and ground handling service providers (GHSPs) and StB airport workshops, conferences, and one-to-one consultations.

"I want to ring a warning bell. By the end of 2007, IATA will no longer print paper tickets. This is a firm deadline - and it was the unanimous decision of the IATA membership at our 2004 AGM. The savings are enormous: US$3 billion annually. And I have come here to ask for the one key ingredient that only you can provide - your personal commitment."

Giovanni Bisignani, Arab Air Carriers Organisation AGM, Sana, November 2005

BAR-CODED BOARDING PASSES

The use of BCBPs is growing as consumers increasingly recognise the convenience of at-home check-in and as airlines see the value of replacing their outdated and expensive magnetic stripe boarding passes. IATA developed an industry standard for higher-memory, two-dimensional (2-D) bar codes in late 2004. This standard enables the use of BCBPs across multiple carriers for interline journeys.
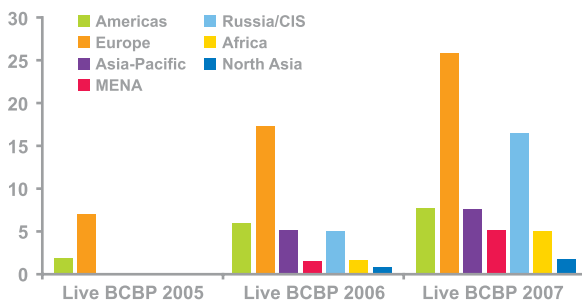
Efforts are focused on promoting the standard with airlines and airports. The aim is to support its adoption by first-time users or conversion to it by carriers using one-dimensional (1-D) bar codes that only support single-carrier, point-to-point travel. In 2005, IATA conducted a cost-benefit analysis of BCBPs and produced an implementation guide for airlines, airports, and ground handlers. The guide encompasses equipment, upgrades, processes, time, costs, and vendors.

As of April 2006, the standard was in use by 15 airlines. Fully 60 more airlines have confirmed their intentions to adopt it over the next two years.

RADIO FREQUENCY IDENTIFICATION BAGGAGE TAGS

IATA introduced a global standard for RFID baggage tags (RP1740c) in November 2005 that exploits developments in ultrahigh frequency (UHF) radio identification tags. The UHF band is globally interoperable and low cost. IATA also participated in a series of RFID baggage trials conducted by the Transport Security Administration (TSA) that proved the technology works in a baggage environment. In addition, the cost per tag has dropped from US$0.37 to US$0.16 in the past three years.

In 2006, IATA will continue to work with airlines and airports to complete the business case for widespread RFID implementation. This is a complex task whose success relies on airport and airline cooperation to provide the RFID infrastructure and to realise the benefits. It also involves analysing the benefits across many different processes, often carried out by different stakeholders. A cross-organisational view is needed to justify the investment. IATA has also broadened the scope of the project to include such other areas as cargo containers and freight packages and parts.

BCBP IMPLEMENTATION AND PROJECTS 2005

The 2006 target is to increase the total number of airlines issuing BCBPs to 25. IATA will be developing a proposal for a firm deadline for industry-wide BCBP implementation.

...speed and convenience for passengers, cost-savings for airlines and partners.

E-FREIGHT

The goal of the IATA e-freight project is to simplify complex cargo processes and free them of paper. At present, each shipment can require up to 35 pieces of paper. The e-freight project will cut costs, increase information transparency, and reduce the time needed to move cargo to destination.

A year after its launch, IATA e-freight features prominently on the cargo landscape. An industry action group including six top cargo carriers, the World Customs Organization (WCO), and Freight Forward International was established in 2005 to ensure collaboration across the air cargo supply chain. The project was also aligned with United Nations' and EU global e-trade initiatives. Business e-freight process standards, processes, and documents were mapped out and developed.

Most importantly, IATA conducted exhaustive research to gauge legal and regulatory challenges and overall e-freight readiness. To implement e-freight requires that a country is in compliance with international treaties Montreal Protocol 4 (MP4) and Montreal Convention 99 (MC99) and has aligned its government and customs procedures.

IATA's research revealed an alarmingly low state of e-freight readiness by the vast majority of customs organisations and governments worldwide. Although

53 governments surveyed have MP4 in force and 66 apply MC99, there is no government with all the legislation in place to fully allow IATA e-freight to operate.

While Hong Kong, Singapore, South Africa, Australia, New Zealand, and Korea are committed to delivering e-freight within the 2010 target, most countries do not share this sense of urgency. Fully 131 countries have signed letters of intent with the WCO to implement the WCO single-window concept, but only a few have committed to timelines for so doing.

In 2006, IATA will challenge governments to accelerate legislation to enable their countries to participate in e-freight. The goal is to deliver 100% e-freight, where legislation allows, by December 2010. Work will also continue to solidify technical solutions and to help prepare customs organisations in prioritised countries to plan pilot programmes on strategic trade routes for 2007.
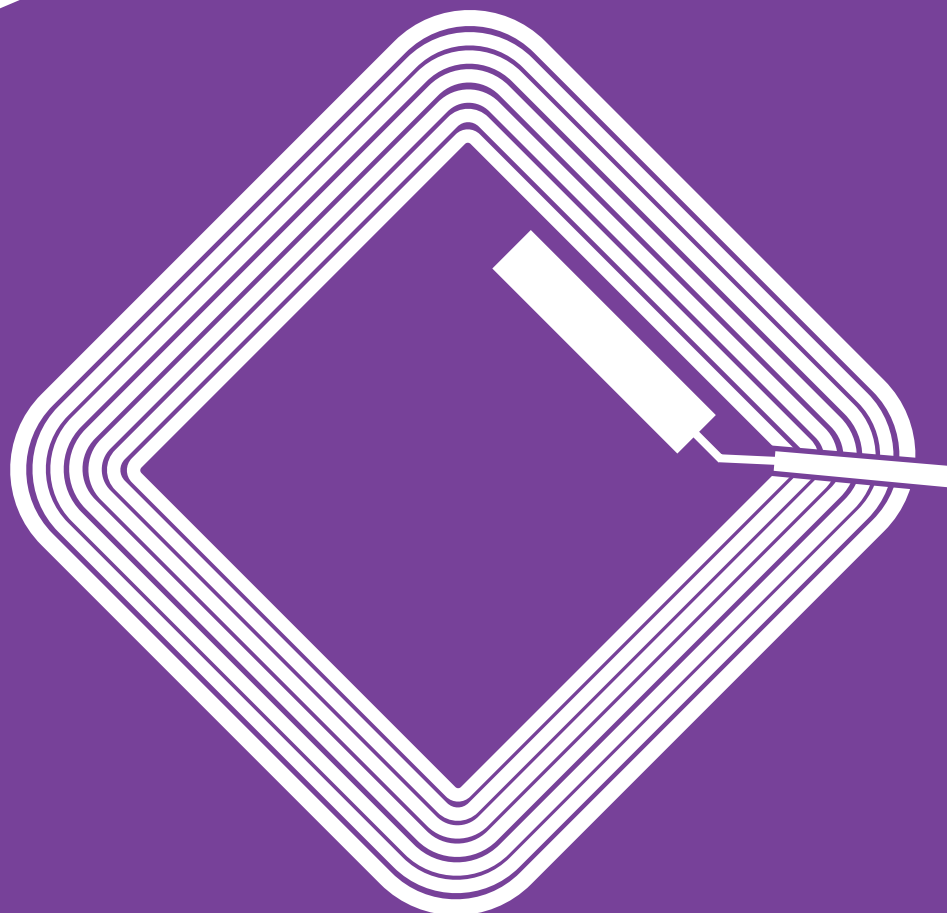
03

Safety

The hull loss rate for 2005 was the lowest ever.
The IATA Operational Safety Audit (IOSA) programme
will help the industry drive it even lower.
IOSA will be a condition of IATA membership by the
end of 2007.

www.iata.org/safety

...air travel is the safest form of mass transportation.

SAFETY IS OUR NUMBER ONE PRIORITY

Air travel is the safest form of mass transportation, and it is getting safer every year.

In 2005, the hull loss rate continued its seven-year decline, with a rate of 0.76 per million sectors flown. IATA member airlines, which account for 94% of all scheduled international traffic, surpassed that remarkable result with a 0.35 accident rate per million sectors. There was, however, an increase in fatalities in 2005.

Overall, there has been a 42% improvement in the accident rate over the past 10 years. The industry has set a goal of further reducing the accident rate to 0.65 by the end of 2006.

WESTERN-BUILT JET TRAFFIC HULL LOSS RATE
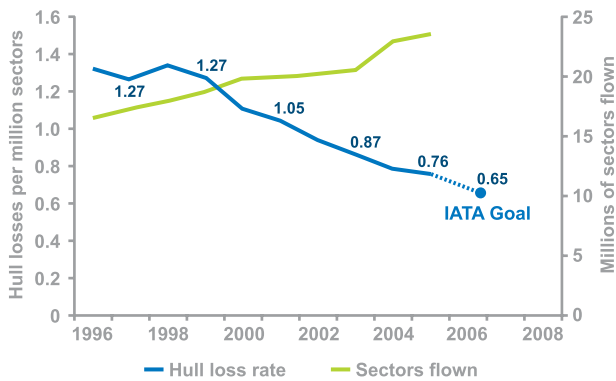
The IATA Operational Safety Audit (IOSA) will help the industry meet this target.

IOSA is a key element of IATA's Six-Point Safety Programme - a systematic approach to safety that brings together efforts in safety auditing, infrastructure safety, data management and analysis, safety management systems, flying operations, and cargo safety.

OPERATIONAL SAFETY AUDITING

IOSA, launched in 2003, is the first and only global standard for airline operational safety management. It is an internationally recognised evaluation system that is a cornerstone of the industry's drive to enhance safety. IOSA is designed to assess the operational management and control systems of an airline. The IOSA Programme itself has been audited under the provisions of ISO 9001:2000, underlining the principles by which IOSA is managed.

IOSA is becoming a condition of membership. From 2006 onward, any airline wishing to join IATA must first successfully complete an IOSA audit. And all existing IATA members will have to undergo an IOSA audit by the end of 2007 to retain their membership. As of 1 April 2006, 52% of IATA members have either been audited or have contractually committed to undertake an audit.

There are many initiatives underway worldwide to enhance aviation safety. Blacklists, for example, are one approach being used in the EU. While they do play a role in deterring the practice of registering under flags of convenience, blacklists do nothing directly to improve safety. They are reactive and punitive. IATA is promoting the use of IOSA with governments as a proactive and effective tool that provides transparent criteria to gauge airline safety levels. IATA has offered nations full access to IOSA audit reports to enhance and help focus their oversight activities. The EU Aviation Safety Committee, when determining its safety oversight programmes, should take IOSA audit reports into account.

Governments around the world are being urged to use IOSA in their certification processes. In March 2006, Chile became the first country to announce that it is making IOSA a component of its airline licensing process. Other countries considering this include Madagascar, Jordan, Bahrain, Egypt, Turkey, Mexico, and Ethiopia. IOSA is complementary to most regulatory authority oversight since its standards were developed using International Civil Aviation Organisation (ICAO) annexes and industry best practices.

PARTNERSHIP FOR SAFETY

To address regional safety gaps, IATA launched its Partnership for Safety (PfS) programme in 2005. This programme helps airlines in developing nations reach IOSA standards by providing awareness training, gap analysis, and technical support. IATA is funding this initiative with a US$3 million investment. Engine and airframe manufacturers are also providing funding or support. PfS efforts have initially been focused on Africa. In 2005, IATA held five PfS seminars and seven gap analysis audits for selected airlines. PfS has been expanded to include Latin America in 2006.

An IOSA audit will be a condition of IATA

INFRASTRUCTURE SAFETY

The air navigation infrastructure in the 188 ICAO-member countries comprises an increasingly fragmented collection of different technologies, systems, concepts, and services. Globally harmonised and interoperable systems are needed to enhance safety and efficiency.

IATA supports the introduction of navigation procedures using the Global Navigation Satellite System (GNSS) to replace ground-based aids. Although GNSS is already in use in certain regions, a coordinated global application is required to fully exploit its benefits.

The worldwide application of GNSS will help standardise operational procedures and cockpit displays and simplify avionics, maintenance, and training requirements. GNSS also will reduce the risk of human error by eliminating the need for crews to constantly swap between different navigational applications with subtly different procedures and responsibilities.

GROUND DAMAGE PREVENTION

In conjunction with seven member airlines, IATA launched its Ground Damage Prevention Programme (GDPP) in 2005 to halve the estimated US$4 billion annual cost of ground damage in five years. The programme analyses ground-handling processes to identify the cause and effect of ground damage. It then helps in developing operating procedures and a safety culture to reduce damage and associated costs. The programme's early lessons are being translated into industry standards and business processes that can be applied by airlines and ground-handling companies. One of the initiatives stemming from the GDPP is the development of the IATA Ground Operations Safety Audit (IGOSA).

membership from the end of 2007.

IOSA AUDIT REPORT (IAR) REQUESTS

Number of IAR requests

- Completed audits
- Audits saved
- Registrations

300
250
200
150
100
50
0

Sep '03   Jan '04   Jan '05   Jan '06   Mar '06
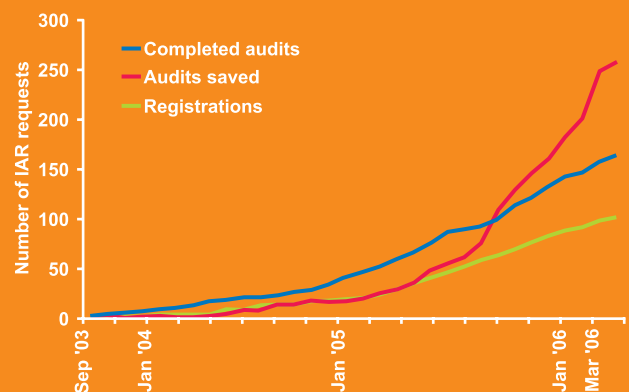
As of 1 May 2006, 160 audits had been completed for airlines representing 75% of the world's passenger traffic. In addition, 100 carriers were listed on the IOSA Registry.

SAFETY DATA MANAGEMENT AND ANALYSIS

Data can tell us a lot about the causes of accidents. IATA has compiled, classified, and analysed accident data for over 40 years in its *IATA Annual Safety Report*. IATA also provides members with real-time operational safety data through a suite of services developed under its Safety Data Management and Analysis (SDMA) programme. SDMA covers the full spectrum of airline and industry data requirements.

The pillar of SDMA is IATA's Safety Trend Evaluation Analysis and Data Exchanges System (STEADES) - a tool to identify accident precursors. Using STEADES, the 300,000 air - safety reports provided by partici- pating airlines are analysed and consolidated, and the findings are then conveyed through *IATA's Monthly Safety Bulletin and Trend Analysis Report*.

In 2005, STEADES participation grew at its highest rate since its launch in 2001. The goal is to further increase STEADES participation in 2006 to heighten the quality of the analysis output. IATA will also introduce Web-based interactive modules and will link with IATA's GDPP to involve ground-handling organisations in 2006.

IATA's new Flight Data Analysis (FDA) service, launched in 2005, is another proactive approach to accident prevention. Airlines submit flight data to IATA for analysis and receive information and summary results on their normal operations. Twelve customers joined the IATA FDA service within the first six months of FDA's launch. IATA's goal is to expand the service to include modules for identifying operational efficiencies and for international trending. This will enable airlines to drive down costs and to share and compare their FDA results.

FLYING OPERATIONS

A high percentage of accidents occur during the approach and landing phases of flights. IATA initiatives tackle safety issues related to flight operations, includ- ing the go-around decision, flight crew interaction with automation, monitoring skills, and distractions faced by flight and ground crews. Also addressed are ground and cabin operations, maintenance, dispatch, and emergency response planning (ERP).

SAFETY MANAGEMENT SYSTEMS

IATA has developed a Safety Management System (SMS) that provides airlines with the organisational structure, resources, policies, and procedures to systematically identify and mitigate risks associated with flight operations, related ground operations, and aircraft engineering or maintenance activities.

SMS comprises SDMA, quality management, and risk management systems. SDMA provides information to identify significant trends and issues that can adversely affect operational safety. Quality management is essential to ensure that SMS consistently achieves the desired outcomes, while risk management ensures the proper identification of operational hazards and the development of effective mitigation strategies. A successful SMS requires the adoption of a "safety culture" that includes a commitment to safety from all levels throughout an organisation.

In October 2005, IATA published its *SMS Senior Airline Manager's Implementation Guide*. In recognition of the inter-relationship between SMS and other airline management systems, IATA is developing a publication called *An Integrated Management System for Safety, Security and Quality*, scheduled for distribution at the end of 2006. This, along with IATA's other ongoing SMS initiatives, will ensure that airlines are able to meet the objectives of the IOSA standards and recommended practices and future SMS require- ments as implemented by ICAO.

CARGO SAFETY

In 2005, incidents involving cargo operations represented almost 20% of accidents, while cargo operations accounted for only 8% of total flights. A 2005 data-gathering exercise revealed that causes relate more to issues seen in passenger aircraft accidents, such as flying conditions, than to the mishandling of shipments or to cargo-loading issues.

IATA promotes SMS implementation among cargo operators. It has also launched IOSA for dedicated cargo carriers to ensure that they meet international safety standards.

"IOSA will be a condition of IATA membership from the end of 2007.

This is a giant step for IOSA.

The registry is online - transparent for all to see. And it adds another dimension of quality to IATA membership."

Giovanni Bisignani,
Wings Club, New York, March 2006

VALUABLE PARTNERSHIPS

In March 2006, ICAO and IATA signed a memorandum of cooperation on safety to exchange information on incident data collection, safety audits, and flight data analysis. This will help identify trends and prevent potential threats.

To drive the accident rate ever lower, IATA worked with its industry partners to develop the Global Aviation Safety Roadmap. This is an action plan to coordinate and guide the development and application of safety policies and initiatives. It identifies the accountabilities of regulators and industry stakeholders. The ICAO Air Navigation Commission will review the roadmap for adoption and inclusion in the ICAO business plan. In 2006, roadmap implementation plans will be developed, highlighting those regions where help is needed most.

IATA also led the production of a roadmap for air traffic management (ATM) that will cut airline costs by enhancing airspace capacity and the performance of ATM services. It has been integrated into ICAO's new Global Air Navigation Plan for worldwide ATM systems implementation by ICAO-contracting countries.

04
Security

Governments must avoid knee-jerk security measures.
The industry needs mutually accepted, cost-efficient, and
effective security measures.

www.iata.org/security

...does not have to be inconvenient to be effective.

The aviation industry takes the issue of security very seriously. However, since the tragic events of 9/11, air transport has endured a continuous stream of stopgap security measures. The majority of these were rushed into effect with little or no industry input. Many were the result of knee-jerk reactions to ill-informed political and media pressures.

More than four years after 9/11, security measures are still not effectively harmonised across borders. In many locations, passengers still endure long queues. And behind the scenes, the battle with bureaucracy continues.

Security does not have to be inconvenient to be effective. It should prevent unlawful acts, but with minimal disruption to passenger and cargo flows. Governments must implement effective, cost-efficient security measures through a global framework that ensures the mutual recognition of those measures among countries.

In 2005, IATA helped the industry avoid US$650 million in costs by demonstrating to governments the potential impact of security proposals such, as Man Portable Air Defence Systems (MANPADS) measures, and the lack of mutual security screening standards between the EU and the US.

Likewise, by providing alternative measures to the US's Advance Passenger Information (API) minus 60 proposal, IATA helped save the industry an estimated US$2 billion. API as proposed would have required flights to close 75 minutes prior to departure. This would have had an adverse impact on the minimum connecting times, airline flight schedules, and passenger wait times. As it is, airlines shouldered US$5.6 billion in security costs in 2005 - costs that should have been absorbed by governments, which are responsible for the protection of citizens on the ground and in the air.

AIRPORT PASSENGER THROUGHPUT

Different national procedures and time spent at security and border-control checkpoints keep many travellers from flying, especially for short-distance flights. IATA is working directly with airports and regulators to keep security and border-control checkpoint wait times to a minimum while ensuring high standards of security and facilitation. IATA's work resulted in average wait time reductions at Los Angeles from 75 minutes to 35 minutes (security) and at Caracas from 35 minutes to 7 minutes (immigration). IATA also developed new screening procedures at Tegucigalpa to keep wait times down.

Improved efficiencies in this area resulted in savings of US$75 million in 2005.

MUTUALLY ACCEPTABLE MEASURES

Governments must focus on the results of the security process rather than on its individual steps. Key regulators must strive for globally acceptable security regulations. The EU and the United States, for example, do not mutually recognise the level of screening applied to hold baggage outside their own territories. This is a major cause of delays and could annually cost the industry in excess of US$500 million.

Another example is the lack of mutual recognition of cargo security screening standards between the EU and the US. This affects 85% of cargo in Europe and has a potential cost to the industry of US$250 million per year. IATA is working with the Transportation Security Administration (TSA) and the EU to satisfy the EU's concerns regarding the security of cargo originating in countries outside the EU.

IATA is also working with ICAO and the WCO to put in place global standards that will provide a mutual acceptability framework for cargo transportation and supply chain security. The objective is to reduce the industry's cargo security costs US$350 million by the end of 2007.

PASSENGER AND CREW DATA EXCHANGE

IATA seeks to ensure that all countries requiring passenger data consistently apply ICAO global standards and avoid unilateral action. Every change to airline passenger data requirements directly affects the industry's bottom line. Proposals for tracing passengers after they have flown in the event of a disease outbreak, for example, could cost the industry nearly US$4 billion over 10 years.

Governments must be aware of the impact of their requirements on the travelling public and the aviation industry and must promote alternative measures that use and build on existing systems. An example is interactive API, whereby data is transmitted to border-control authorities every time a passenger checks in for a flight. This enables governments to perform watch-list checks and to send a message back to the carrier confirming or denying boarding privileges. It also effectively pushes the border back to the point of embarkation and allows for a risk-based approach to screening upon arrival, improving facilitation while enhancing security.

The future of data sharing must be interactive, and the whole of the transport chain must work together to keep nations, airlines, and passengers safe and secure.

TOTAL HOLD BAGGAGE SCREENING

ICAO has mandated countries to screen all hold baggage for explosives on international flights as of 1 January 2006. IATA's efforts to ensure that every country implements a screening system that provides a high standard of security without impeding passenger and air traffic flows saved over US$200 million in 2005.

MAN PORTABLE AIR DEFENCE SYSTEMS

IATA has established a Counter-Man Portable Air Defence Systems Task Force. Its role is to develop industry positions and to provide guidance to the industry and governments during the development and implementation of defence countermeasures.

IATA is promoting the implementation of a programme of airport risk assessments and response plan development with countries and international organisations. IATA is also promoting the expansion of global anti-proliferation initiatives.

SECURITY MANAGEMENT SYSTEMS

Security management systems (SEMS) are a performance-based approach to managing aviation security. IATA member airlines must integrate the SEMS concept into their operational security programme no later than 1 July 2007. This concept is based on the proven safety management system model, which has produced dramatic safety improvements in civil aviation. Compliance with SEMS will be assured through IOSA.

IATA and its member airlines are developing additional tools that will facilitate the implementation of SEMS into their operations, including provisions for regular risk assessments. IATA also is working with ICAO to have national authorities adopt SEMS as the basis for their regulatory framework.

SIMPLIFYING PASSENGER TRAVEL

New technologies can be used to simplify, enhance, and secure each journey. To that end, the Simplifying Passenger Travel Interest Group (SPTIG) - a self-funded interest group comprising airlines, airports, ground handlers, government authorities, and technology suppliers - has been formed to develop secure and simplified passenger travel.

The SPTIG has developed an "ideal process flow" document, which incorporates the use of biometrics, including the biometrics advocated under ICAO's blueprint for e-passports. The document sets out the steps involved in completing a journey by air in the most hassle-free way, from the moment the passenger books a flight to the completion of entry formalities upon arrival at destination. Where appropriate, biometrics is incorporated, such as identity verification at check-in, upon entry to restricted zones, and even when boarding an aircraft.

Automating entry-and-departure processes is crucial to handling expected passenger growth amid limited government resources. As a result, the SPTIG will be actively pursuing collaborative, cross-border projects that test the interoperability of biometrics and other technologies, such as the SPT Multilateral Initiative between the United Kingdom, the United Arab Emirates, and Hong Kong. Biometrics is not a panacea for aviation security ills. Governments must also implement robust data privacy laws, adopt regulations that allow airlines to read biometrics stored in passports, and provide real-time responses to airlines regarding passenger data received in advance of flights.

Security measures are still not effectively harmonised across borders. Passengers still have long queues; and behind the scenes, the battle with bureaucracy continues.

05 Regulatory & Public Policy

Governments must stop treating airlines like cash cows.

Taxing air passengers to fund development will adversely affect the very people the tax is meant to help.

Governments must give air transport the freedom to run its business like any other enterprise.

www.iata.org/whatwedo/policies

Air transport provides the only worldwide passenger and cargo mass-transportation network. It transports over 2 billion passengers per year and is certainly not a luxury enjoyed by a privileged few. It connects people and businesses to the global economy and has an estimated global economic impact of US$2,960 billion - equivalent to 8% of world GDP. Yet rather than nurture such a feeding hand, governments seem more inclined to bite it. They impose non-related taxes on the industry, as well as costly and often unnecessary regulation.

AGENDA FOR CHANGE

In recent years, the air transport industry has been rocked by a series of economic disasters. But it is doing its part to survive and adapt. It is cutting costs and dramatically improving efficiency. This, however, will not be enough. Airlines cannot survive and adapt by themselves. Without effective political leadership, the airline industry's efforts to meet rapidly changing market conditions will fail.

With this in mind, in 2005 IATA outlined the industry's five-point Agenda for Change. This agenda calls upon governments to

- Stop treating air transport like a cash cow
- Ensure that monopoly suppliers get serious about cost efficiency
- Stop distorting competition
- Stop micromanaging the air transport industry
- Give air transport the freedom to run the financial and commercial areas of its business like any other enterprise

The Agenda for Change underpinned IATA's lobbying in 2005 and will continue to do so in 2006 and beyond.

AIRLINE TAXES TO FUND POLITICIANS' PET CAUSES

There is a worrying trend for some governments to tax airline passengers to fund non-aviation-related causes. This runs counter to the policies of the International Civil Aviation Organization (ICAO). These governments see air transport as a profit centre rather than as an engine of economic growth.

Recent examples of proposed taxes on the industry range from a 12.24% tax on first- and business-class airfares in India to bolster the Indian government's coffers, to a proposal by the Austrian chancellor to tax air travel to solve EU budget problems to a proposed Chilean tax on air tickets to beat world poverty.

Two taxes are particularly absurd: the Swedish proposal to tax airline passengers to help the environment and the "Chirac" tax that will tax airline passengers to fund aid in developing countries.

"CHIRAC" TAX

The French government will tax airline tickets to fund aid for developing countries from 1 July 2006. The tax ranges from Euro 1 to Euro 40 per flight depending on the distance travelled and the type of ticket. It is forecast to raise Euro 210 million annually for developing countries - just 2.5% of the French aid budget.

President Chirac is trying to persuade other countries to follow France's lead. In 2005, he wrote to 150 nations, urging them to adopt the tax, and hosted a conference on the issue in March 2006. But as of 1 April 2006 only 12 nations had agreed to consider a similar scheme and of these just Chile has taken concrete steps to implement such a tax.

The air transport industry should not be singled out for such taxes. Chirac's proposal, for that matter, is counterproductive. No industry does more to aid development than air transport. Air transport is the backbone of global tourism. Airlines connect people to business and products to markets. A 10% increase in air transport utilisation in a given country adds 1.1% to its GDP. That means jobs and economic activity. This tax will adversely affect the very people it is meant to help.

In Africa, the role of air transport is especially important given the absence of effective ground transport networks. Air transport generates 470,000 jobs in Africa and contributes US$11.3 billion to African GDP. Africa enjoyed a 9.9% growth in passenger traffic in 2005 (against a global average of just 7.6%).

Why put this at risk?

Even those countries that this initiative is supposed to help are opposed to it. The African Union urged its member states to oppose the "imposition of taxes that would add to the cost of air transport and that would drain away the income of the sector towards other activities".

SWEDISH ENVIRONMENT TAX

The Swedish government plans to impose an environmental tax on air passengers, ranging from Euro 10 for the cheapest short-haul trips to Euro 45 for long-haul journeys.

The stated purpose of the tax is to discourage air travel to reduce emissions and help the environment. But none of the tax revenue will be invested for environmental purposes. It will simply go into general government coffers. This is out of sync with a global commitment through ICAO to achieve an international solution on the environment by 2007. And taxing the industry only results in less money to invest in fuel-efficient technology.

The Swedish government and other governments should be earmarking money for research into alternative fuels and cleaner technologies. This was the thrust of the G8's conclusions in summer 2005. Governments must also ensure greater efficiencies in the way air space is used. Failure to implement an effective single sky in Europe causes airlines to generate up to 48 million tonnes of unnecessary CO_2 emissions each year.

This is where the Swedish government should be focussing, rather than on a tax that has more to do with political posturing than with helping the environment. The challenge is to define an environmental policy that maintains the economic benefits of air travel, encourages operational improvements, and facilitates investment in new technology.

IATA will continue to campaign loudly against these and other absurd taxes.

SLOTS:
UNDERSTANDING THE REAL PROBLEM

Several governments and the European Commission are investigating the adoption of market mechanisms for allocating slots at congested airports. Any new system must coexist with worldwide scheduling guidelines without adding cost to the industry or creating competitive disadvantages. Regulators, moreover, must address the real problem: the lack of airport infrastructure that led to the lack of slots. IATA and its members will continue to lobby regulators to ensure that any proposed regulation is technically feasible and addresses these concerns.

Scheduling processes have remained largely unchanged for several decades. IATA is conducting a review to determine whether the processes can be simplified. The review will be completed by September 2006 and presented to stakeholders.

Without effective political leadership, the airline industry's efforts to meet rapidly changing market conditions will fail.

"Governments have a central role in safety and security.

And they have a fundamental role in setting a level playing field for competition.

Where there is no competition, regulation is needed.

Full stop.

Governments should not be involved in other areas of our business."

Giovanni Bisignani,
UK Aviation Club, London, April 2006

BLOCK EXEMPTIONS: THE WAY FORWARD

The European Commission will eventually withdraw all of IATA's exemptions from competition law for tariff consultations on interline prices. These include, for example, itineraries involving two or more air carriers but on a single ticket.

Following IATA's submission on the economic and legal implications of such a withdrawal, the exemption for intra-EU interline traffic will be renewed until December 2006, (with no further extensions thereafter). Similarly, the exemption for interlining between the EU and third countries will be renewed until July 2008, with, however, the possibility of further extensions.

Recognising that the short intra-EU extension is temporary, IATA made a proposal to EU competition authorities to alter the pricing of interline tickets in the EU. The proposal involves taking an average of the fares offered by individual airlines and adding a premium to reflect the added value of multilateral interlining. This addresses regulators' concerns that IATA fares signal changes to the industry and drag carrier-specific fares up.

The intention is to have the alternative pricing mechanism operational by the end of 2006, provided the regulatory authorities give an assurance that it meets competition law requirements.

IATA has been working on the same issue with the Australian Consumer and Competition Commission (ACCC). It expects that its application for reauthorisation will be addressed before the end of 2006. However, the successful introduction of the new system within the EU may lead to increased pressure from other regulatory authorities.

DENIED BOARDING COMPENSATION: FRAGMENTING INTERNATIONAL AVIATION STANDARDS

In January 2006, the European Court of Justice ruled against IATA's appeal regarding European Union Regulation 261/04. This regulation provides compensation and assistance to passengers in the event of denied boarding, long delays, and cancellation even in cases that are completely outside airline control, such as delays due to inclement weather or air traffic control strikes or capacity limitations. Legal experts have expressed surprise at the ruling, but the ruling is final, and there is no possible appeal to another EU body.

In the long run, the worst consequence of this ruling will not be the US$779 million that it will cost the airlines annually but the blessing it gives to the further fragmentation of international aviation standards. Other regulators will be encouraged to impose their own passenger protection regulations, which will undoubtedly clash with EU regulations because both will allow for extraterritorial application.

If the European Commission elects to reform regulation 261/04 in ways that may be further damaging to the airline business, IATA stands ready for another intense lobbying campaign.

Unilateral decisions further fragment international aviation standards.

PASSENGERS WITH REDUCED MOBILITY: HARMONISATION REQUIRED

Legislation relating to persons with reduced mobility (PRM) is pending in the United States and Europe.

In Europe, the consultation period has finished and the adoption of legislation is imminent. Despite intense lobbying efforts, airport operators will be responsible for providing PRM-handling services, and airlines will not be able to continue to provide their own services. It was, however, possible to secure a stronger voice for the airlines in the establishment of the costs and service standards related to PRM handling.

More than one thousand responses to the US's PRM proposal were filed. The US Department of Transportation (DOT) is now further evaluating the proposal's legal and practical aspects.

As it stands, the European legislation and the US proposal are incompatible. If they are adopted they will result in confusion for passengers and additional costs for airlines (IATA estimates US$1.2 billion to US$1.7 billion for the US proposal alone). IATA will continue to fight for a globally harmonised approach to the PRM issue. It also will discourage other jurisdictions from establishing their own legislation, which could potentially conflict with the US and European regulations.

BIRD FLU: BEING PREPARED, BEING ALIGNED

There have so far been no reported cases of the bird flu virus mutating to a virus transmitted from human-to-human. If a human-to-human pandemic does occur, air transport will be an integral part of any measures to contain the spread of the virus. IATA is urging governments to align their national preparedness plans with a globally coordinated effort.

The lessons from the SARS crisis have been valuable in addressing the public health threats of an influenza pandemic. With the assistance of a medical professional on staff, IATA has

- Created a crisis management plan, and established a response team that can be activated at short notice.
- Developed an Emergency Response Plan and action checklist for use by air carriers in the event of a public health emergency. This is aligned with the WHO Global Influenza Preparedness Plan.
- Provided a series of guidelines and best practices for airline staff in the event of public health emergency.
- Worked with WHO and ICAO to finalise a passenger "locator" card, and established a technical group to examine ways to electronically facilitate contact tracing.
- Created a business continuity plan for IATA's critical services to members - such as IATA Clearing House and Billing Settlement Plans - during any public health emergency.

In preparation for a potential influenza pandemic, IATA has worked closely with the WHO, ICAO, and other government partners in the United Sates and Europe to coordinate planning and promote a harmonised approach.

06 Environment

Air transport is an environmentally responsible industry.
Government attempts to impose environmental taxes on aviation cripple
the industry's ability to invest in cleaner technology.
Modern aircraft achieve a fuel efficiency per passenger better than any
passenger car on the market.

www.iata.org/environment

Air transport is an environmentally responsible industry. It accounts for 2% of global CO_2 emissions, but it contributes 8% to global GDP. Significant investments have made aircraft operations quieter and cleaner than ever before.

Over the past decade, fuel efficiency improved over 20%. IATA's voluntary goal is to improve fuel efficiency 10% between 2000 and 2010, and the industry is on target to meet that goal. In 2005, fuel efficiency and therefore CO_2 emissions improved 1.8%. IATA will build on these achievements and strive for ever greater efficiencies.

AVIATION AND CLIMATE CHANGE

In December 2005, IATA endorsed an industry strategy for addressing climate change and emissions trading. The strategy is designed to achieve maximum benefit with a globally consistent approach. It consists of four core principles:

1 > Technology is key to addressing aviation's greenhouse gas emissions. Lighter materials and more-efficient engines have driven progress so far. Now it is time for governments to ensure that oil companies invest in research on alternative fuel sources.

2 > Infrastructure and operations must be a part of the solution. Airlines are on track with their voluntary commitment to reduce emissions per passenger kilometre by 10% between 2000 and 2010. Governments and air traffic service providers must contribute as well. Globally, optimised air traffic procedures could deliver 12% greater efficiency.

3 > Fuel and greenhouse gas taxes must be avoided. They do nothing for the environment. On the contrary, they increase industry costs while making it harder for airlines to invest in newer, cleaner equipment. And they kill the economic and social benefits that air transport brings. We must not limit airlines' ability to invest in new technology.

4 > Emissions trading may be a part of the solution. But it must be a global solution agreed on through ICAO. There is no time to get distracted with local or regional schemes that will be less effective than a global solution.

In 2006, IATA will promote its climate change strategy to ensure ICAO and the EU consider it in their policies. IATA will continue its active contribution to the work of ICAO's Committee on Aviation Environmental Protection (CAEP) to ensure a positive and comprehensive solution to the 2007 ICAO assembly. IATA also will seek to ensure that nations do not unilaterally impose emissions trading rules on carriers outside their jurisdiction.

DEBUNKING PERSISTENT MYTHS ABOUT AVIATION AND THE ENVIRONMENT

MYTH: AIR TRANSPORT WAS EXCLUDED FROM KYOTO AND DOES NOTHING ON THE ENVIRONMENT.

FACT:

Domestic aviation is included in the Kyoto Protocol. International air transport was excluded but with a commitment to find a solution through ICAO by the 2007 assembly. Airlines took environmental performance seriously long before Kyoto. Over the last 40 years, emissions per passenger kilometre have decreased 70%.

MYTH: AIR TRANSPORT IS A MAJOR SOURCE OF GREENHOUSE GAS EMISSIONS.

FACT:

Air transport contributes a small part of global CO_2 emissions - 2%. By contrast, the air transport industry supports 8% of global economic activity. Even if all air travel stopped, the result is only a 2% global improvement in CO_2 emissions. But the impact on global economies would be disastrous.

MYTH: AIR TRANSPORT IS THE MOST-POLLUTING FORM OF TRANSPORT.

FACT:

Airline fuel efficiency improved 20% in the last decade, nearly 5% over the past 2 years alone. Today's modern aircraft consume, on average, 3.5 litres per 100 passenger kilometres. This is similar to a small compact car but with six times the speed. Next-generation aircraft - the Boeing 787 and Airbus A380 - are targeting fuel efficiencies below 3.0 litres per 100 passenger kilometres. Today's aircraft are 75% quieter than those of 20 years ago.

A further 50% reduction in noise during takeoff and landing is expected by 2020.

Technology is key to addressing aviation's greenhouse gas emissions.

MYTH: AIR TRANSPORT IS GETTING A FREE RIDE BY NOT PAYING TAX ON FUEL.

FACT:

Air transport pays entirely for its own infrastructure - a US$42 billion annual bill. Airlines pay when they land, when they fly, and when they park. This is completely different from the road and rail industries. On top of that, air transport is a cash cow for many governments. In Europe, every rail journey is subsidised between Euro 2.4 and Euro 7.4. But every air journey contributes between Euro 4.6 and Euro 8.4 in government revenues and avoided expenditure. Air transport has occupancy rates above 70%; more than double those of road and rail transportation.

MYTH: AIR TRANSPORT GROWTH IS NOT SUSTAINABLE.

FACT:

Air transport is essential. Air transport brings people to businesses, products to markets, and tourists to holiday destinations and unites families and friends around the world. In short, air transport made the global village a reality. Some 80% of aviation emissions are related to flights over 1,500 kilometres for which there is no alternative mode of transport.

ENVIRONMENTAL EDUCATION

IATA carries out numerous initiatives aimed at increasing an awareness of the industry's environmental challenges and performance.

The annual aviation and environment summit is organised by the Air Transport Action Group on behalf of IATA and other aviation partner organisations. It is the only event to bring together all the air transport industry's key players. It enhances environment-related cooperation and is a key tool to develop and promote a common industry approach to the environment. The hugely successful first event was held in 2005 and the second in April 2006.

The Environmental Best Practice Database, launched by IATA in 2005, provides real-life examples of voluntary industry initiatives to minimise environmental impact.

RECYCLING IN-FLIGHT WASTE

Many airlines have adopted initiatives to recycle in-flight waste. These can involve the following

- Separating cabin waste during the flight
- Collaborating with service providers to collect and recycle catering cardboard and newspapers
- Collecting and recycling empty drinks cans
- Installing in-flight waste compactors for glass bottles that will be recycled

MINIMISING THE USE OF AUXILIARY POWER UNITS

Many airlines have introduced policies to reduce the use of auxiliary power units (APUs) used to provide power for services while aircraft are on the ground. Where facilities are available at airports, ground power units or fixed electrical power units can replace the use of APUs and thereby reduce aircraft emissions. According to one airline, its policy of minimising the use of APUs corresponds to 10,000 fewer tonnes of CO_2 emissions per year.

"Clearing-up myths is important, but it is only part of the answer. We must be proactive in mapping the way forward with a clear vision. If not the agenda will be driven by politics that too often misses the mark on technology."

Giovanni Bisignani,
Environment Summit, Geneva,
April 2006

Over the past 40 years, the aviation industry

CONTINUOUS DESCENT APPROACH

The continuous descent approach reduces noise by aircraft that are approaching airports. The aircraft starts a steady descent from a minimum height of 5,500 feet, with either no level flight, or one phase of level flight not longer than 2.5 nautical miles. This differs from the traditional descent method, which involves making a number of short descents to given cleared altitudes.

The continuous descent approach reduces noise levels since

- The flight path is higher than for conventional approaches, so the noise is further from the ground
- The overall thrust required is reduced and there are fewer changes in power settings, thereby resulting in less noise

A continuous descent approach also reduces fuel consumption and emissions during the aircraft's approach phase.

TAXIING WITH FEWER ENGINES

Some airlines have adopted the practice of taxiing with fewer engines running, when possible. This reduces noise disturbance and fuel burn. Emissions of CO_2, hydrocarbons (HC), and carbon monoxide (CO) are reduced; however, the effect on emissions of nitrogen oxides (NOx) is uncertain. Airlines are therefore evaluating the pros and cons of this measure.

has reduced aircraft emissions by 70%.

07

Fuel Efficiency

Fuel represents 22% of the operating costs of an airline. These costs will rise to in excess of US$100 billion in 2006.
More than 300 route improvements saved the industry US$1.2 billion in 2005.

www.iata.org/whatwedo/fuel/fuelaction

The high price of fuel is still the major factor influencing airline operating costs.

In 2005, the industry fuel bill was an astronomical US$91 billion. Fuel now represents 22% of the operating costs of an airline. Measures to reduce consumption and to ensure a reliable supply of jet fuel at competitive prices are critical in lowering fuel-related costs.

IATA is approaching this issue with a fuel campaign comprising three components: operational improvements (US$850 million savings in 2005); route optimisation (US$1.2 billion savings in 2005); and Save One Minute (US$300 million savings in 2005). Together, these initiatives resulted in close to US$2.4 billion in cost savings in 2005. Reducing fuel consumption has also had a positive impact on the environment.

OPERATIONAL IMPROVEMENTS

IATA's *Fuel Book* compiles industry best practices, guidance material, and training programmes to help IATA member airlines to improve their fuel-conservation measures. A comprehensive checklist on fuel-efficiency best practice has been distributed to member airlines to enable them to assess their operations in this regard.

IATA launched its free fuel-efficiency gap analysis programme in 2005. This helps member airlines identify and implement fuel-conservation initiatives that improve efficiency without adversely affecting operational safety.

IATA Go Teams of industry experts will perform over 50 gap analyses in 2006. Potential savings through the programme equate to between 4% and 12% of the annual fuel costs of an airline.

This could mean more than US$700 million in total savings for IATA member airlines.

In 2005, an IATA Go Team worked with Air Seychelles to conduct a fuel gap analysis. Three teams were established, covering flight operations, flight planning and ATC, and maintenance and engineering. Each team identified fuel-saving opportunities using benchmarks from IATA's *Guidance Material and Best Practices for Fuel and Environmental Management*. The book contains detailed chapters on flight operations, flight dispatch, air traffic control, and maintenance.

The teams identified quick solutions and opportunities. Savings were found in a number of areas, including zero fuel weight (ZFW) optimisation, engine wash and maintenance issues, and centre-of-gravity management, among others. The Go Team and Air Seychelles identified US$3.5 million worth of savings, representing 8% of the carrier's US$42 million fuel budget.

ROUTE OPTIMISATION

IATA's 2005 campaign achievements included more than 300 route improvements in Africa, America, Asia, and Europe. This equated to industry savings of US$1.2 billion. For 2006, more than 200 routes have been identified where fuel benefits can be achieved.

The spotlight has also turned on cost and efficiency savings in terminal operations. Some 80 airports globally have been identified where arrival, departure,

and approach procedures can be improved using Require Area Navigation (RNAV) or Require Navigation Performance (RNP). RNAV and RNP enable aircraft operation on any desired flight path by allowing user-preferred routings and trajectories. The introduction of RNAV and RNP will provide significant benefits in safety and efficiency and will deliver environmental benefits.

OPENING OF THE IATA 1 ROUTE

In April 2006, IATA obtained China's approval to implement a new, more-direct route, known as Y-1 and often referred to as IATA-1.

This new route will reduce flight times between China and Europe an average of 30 minutes. It will result in US$30 million in savings on airlines' fuel bills. IATA-1 will also have a significant impact on the environment.

The route will eliminate 27,000 tonnes of fuel consumption, 84,800 tonnes of CO_2 emissions, and 340,000 kilogrammes of NOx emissions annually.

EUROPE THROUGH THE BALKANS TO THE MIDDLE EAST

The dotted route has now been opened as a result of the airspace in Albania (between ALELU and MAVAR) now being opened. This provides a shorter route from Europe to Greece and the Middle East avoiding the previous reroute via LATSA. The results in a 35 nm distance reduction and an operations saving of US$24 million annually to the airlines.

SAVE ONE MINUTE INITIATIVE

The average operating cost for an airplane, including labour, fuel, and maintenance, is approximately US$120 per minute. IATA is working with air navigation service providers (ANSPs), airlines, and other stakeholders to save one minute per flight through better airspace design, procedures, and management.

In 2005, the Save One Minute Campaign yielded US$300 million in savings.

In 2005, IATA's fuel campaign saved the industry US$2.4 billion in costs.

"The high price of fuel is killing our profitability. And there is no relief in sight.

So what are airlines to do?

Improve efficiency is the answer."

Giovanni Bisignani,
Asia Pacific Aviation Summit, Singapore,
February 2006

08
Cost Efficiency

Airlines have reinvented themselves to be more efficient.

IATA saved airlines more than US$2 billion through enhanced efficiencies in 2005.

The industry has no tolerance for inefficiency among monopoly suppliers.

Effective regulation for airport monopolies is needed.

www.iata.org/whatwedo/airport_atc

Since 2001, SARS, terror, wars, economic downturns, and high oil prices have all had an impact on the air transport industry. Airlines improved efficiency to survive. Globally, labour productivity increased 54% in ten years. Distribution unit costs reduced by 58%. Altogether non-fuel unit costs have been reduced 10% over this period. Consumers benefited, with a 30% drop in real term prices for air travel in the last decade.

MANY AIRPORTS AND ANSPs ARE NOT MATCHING AIRLINE EFFORTS

There can be no tolerance for inefficiency among the industry's monopoly suppliers, such as airports or ANSPs. IATA will continue to develop good relationships and charges agreements with individual airports and ANSPs but will fight unnecessary investments and charges increases.

In early 2006, for example, Aéroports de Paris (ADP) announced a massive increase in charges - approved by the French government - of 5% per year for the next five years. This follows increases of 26.5% over the last five years. Because ADP faces privatisation, IATA would have expected greater transparency and efficiency. Instead, the opposite appears true. As a result, IATA has filed legal action against France - the first time it has taken such drastic action.

In 2005, IATA secured total savings in industry charges, fuel, and taxation of slightly more than US$2 billion. Just over US$1 billion of that sum was from cost reductions, and another US$1 billion was from cost avoidance.

- Savings in airport charges were US$793 million (US$251 million in cost reductions).
- Savings in ANSP charges were US$757 million (US$469 million in cost reductions).
- Savings in fuel charges were US$445 million (US$337 million in cost reductions).

SAVINGS AND COST REDUCTIONS: AIRPORTS

In September 2005, IATA reached a historic agreement with Japan's Narita Airport (NAA) on a new airport charges framework. This agreement provides airlines with a much-needed reduction in charges and ensures the NAA of a stable revenue environment up to 2009. This is an example of how an airport can work with the airline industry for mutual benefit.

The freeze on charges at Bangkok Airport in Thailand continues. IATA is in discussions with the Thai authorities on a cost-allocation and charges framework for the new Bangkok International Airport.

Following several years of IATA campaigning for relief from Crown rents on Canadian airports, the Canadian government announced a 60% reduction in rents to be paid over a 58-year period. Unfortunately, this does little to reduce rents in the near term. Moreover, Toronto's Pearson International Airport, Canada's largest hub, has received comparatively little rent relief. IATA continues its campaign to reduce Crown rents and charges at Pearson. There are some encouraging indications that the new government of Canada intends to address this issue and to review airport governance in Canada overall.

SAVINGS AND COST REDUCTIONS: ANSPs

Air navigation service providers are increasingly taking a different approach to that of airports and are moving slowly in the right direction. IATA is working closely with their association, the Civil Air Navigation Services Organisation (CANSO).

This is major progress. IATA and CANSO signed a first-ever cooperation agreement covering such major issues as joint benchmarking, improvements in customer and supplier relationships, and the Single European Sky.

Despite this agreement, the underlying trend is toward an increasing cost base. Among EUROCONTROL states, for example, although the average unit rates for the last three years have been reduced 12.5%, this is mainly because of increased traffic and a surplus of funds recovered. Unit costs have actually increased. IATA continues to press EUROCONTROL and all ANSPs for cost reductions and greater cost efficiency.

Full and open consultations are essential. This includes full transparency and fair and open cost-allocation methods, with all charges to be cost related and non-discriminatory. In all privatisations, IATA is pressing for robust, effective, independent economic regulation.

IATA and other airspace users are demanding much better engagement in discussions on the future of European air traffic management. The restructuring of airspace into effective Functional Airspace Blocks and the Single European Sky will result in large cost-efficiency gains. But there is still a lack of urgency and political commitment.

The Single European Sky ATM Research (SESAR) programme will provide common technology solutions

for the Single European Sky, but the SESAR governance arrangements must contain proper representation and influence for airspace users. And alternative financing arrangements must be put in place. Airspace users cannot pre-finance investments through user charges.

Politicians must learn from CEATS, the failed Central European Air Traffic Services project covering eight countries. CEATS has cost the airlines Euro 40 million, but after 10 years of political indecision there are still no concrete results. IATA had no choice but to withdraw airline support for CEATS and to request that no further investment be made.

The industry needs additional, cost-efficient capacity urgently. But decisions on the future of ATM in central Europe continue to be delayed by political infighting. Politicians should stand aside and give ANSPs autonomy to develop workable operational and business solutions in a timely manner.

REGULATION OF MONOPOLY SERVICE PROVIDERS IS REQUIRED

IATA made a strong case for airport regulation at a European Commission hearing in early April 2006, chaired by the transport and energy commissioner.

The regulation must be robust, effective, independent and national.

On average, European airports have increased costs per passenger 13% as a result of the absence of competitive pressure or regulation. Some airports are on track with cost reductions per passenger. Manchester, Rome, and Birmingham have all reduced costs, Manchester by 38%. Yet Europe is still home to 15 of the 25 most-expensive airports in the world, and the bad are getting worse. Between 2001 and 2004, airports in Paris, Amsterdam, and Stockholm, to name but a few, have seen increases of up to 44% in costs per passenger.

"These are embarrassing examples of airport monopolies living in the dark ages. Europe must become more competitive, and to achieve this airports must follow the example of airlines in meeting Lisbon Agenda goals.

Airports are a drag on European competitiveness. Efficiency must be our common agenda.

A European directive on airport charges is the tool. And effective, independent national regulation with teeth is the answer."
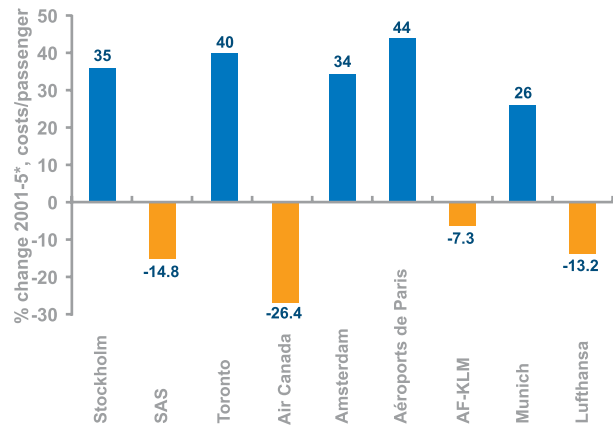
Giovanni Bisignani,
European Commission hearing, Brussels,
7 April 2006

% change 2001-5*, costs/passenger

Stockholm	35
SAS	-14.8
Toronto	40
Air Canada	-26.4
Amsterdam	34
Aéroports de Paris	44
AF-KLM	-7.3
Munich	26
Lufthansa	-13.2

* Airport unit costs 2001-2004. 2005 data not available.
Airline non-fuel unit costs 2001-2005.

■ Airport
■ Airline

Efficiency is a matter of survival.

Infrastructure providers have not matched the airlines in cost-cutting and efficiencies.

THE FUTURE

Longer-term pricing deals with airports and ANSPs based on challenging and measurable cost-efficiency targets and continuous improvements are the way forward. Airports and ANSPs must be pushed to the next level of performance. For this purpose, IATA has developed the clear, credible, and accepted benchmarking of performance and cost efficiency. More than 45 airports and 35 ANSPs are covered.

IATA member airlines have made huge progress with cost reductions and cost effectiveness and expect nothing less from airports and ANSPs.

09
Industry Services

IATA Industry Services bring
back-office efficiency to airlines.

IATA processed US$246 billion
in 2005 through IATA Financial
and Settlement Systems.

IATA CLEARING HOUSE

Following an operational review in 2005, IATA Clearing House (ICH) membership is now divided between airline members (300) and associate members (69). IATA will accelerate its clearance and settlement in the coming years to minimise funds in transit. This will increase operational efficiency and reduce risk.

The migration to the ICH Web interface was completed in 2005. As a result, the claims process is now paperless, which cuts costs and improves reporting. During the year, the value of claims increased nearly 7%, to just under US$37 billion.

FIRST & FINAL BILLING SERVICE

Membership in IATA's First & Final Billing Service increased in 2005 by 20 airlines, from the Americas, Europe, and Asia. Participating airlines now account for more than 50% of all interline transactions. This growth trend is expected to continue as increased speed and automation in the interline process further enhance the ability to deliver fast, accurate billing data for dispute-free settlement.

CARD SERVICES

IATA CardClear global card processing and CardAXS credit card settlement offer airlines greater efficiency through the central settlement of global credit card sales.

Worldwide, credit card sales account for 30%, or US$40 billion, of airlines' sales through International Air Services Transit Agreement (IASTA) agents. CardClear is firmly established as a key service for more than 80 IATA member airlines and is growing in volume at 20% a year.

Linked directly to CardClear, CardAXS continues to provide multi-currency settlement to airlines for global Visa and MasterCard sales.

IATA TRAVEL AGENT SERVICE FEE

IATA's Travel Agent Service Fee (TASF) responds to increasing demands within IATA's agent community for a simple and efficient mechanism to receive service fees on credit cards. TASF was significantly expanded in 2005 to cover 12 countries and processed five million service fees. At least another 7 countries will be added during 2006.

IATA CURRENCY CLEARANCE SERVICE

Membership in the IATA Currency Clearance Service (ICCS) rose to 130 airlines in 2005 when an additional 30 airlines opted to use this strategic industry service during the year. With the expansion of global coverage to 71 countries, the service handled a record volume valued at US$20 billion on behalf of its airline users.

ICCS also established its first links with two centralised acquirers of airlines' credit card transactions. This will allow airline treasuries to further centralise the collection and repatriation of their worldwide sales proceeds.

CURRENCY COORDINATION

IATA helped to reduce the total amount of blocked or delayed funds 8.6%, to US$172.5 million, at year-end 2005 by leading and coordinating lobbying efforts to improve airlines' ability to freely repatriate overseas sales funds.

The most-notable improvements were in Syria, Nigeria, Pakistan, Ghana, and Libya.

In other countries, such as Algeria, Venezuela, and Iran, delays due to local regulations increased the amount of funds sitting idle at the end of 2005.

IATA SETTLEMENT SYSTEMS (ISS) FACTS AND FIGURES FOR 2005

IATA's **Billing and Settlement Plans (BSPs)** act as an interface between travel agents and airlines, providing an efficient and cost-effective system that simplifies the selling, reporting, and remitting procedures of IATA-accredited passenger sales agents.

At the end of 2005, there were 74 BSPs serving 359 airlines and covering more than 150 countries and territories. In 2005, new BSPs were established in Bangladesh, Sri Lanka, and Yemen.

- Gross sales totalled US$171.1 billion, up 8% over 2004.
- BSPs processed 359.5 million transactions, an increase of 6.8% over 2004.
- E-tickets were issued through 72 BSPs in 100 countries.

Cargo Accounts Settlement Systems (CASS) similarly simplify the reporting of cargo sales and the settling of accounts between authorised cargo intermediaries and carriers.

In 2005, there were 46 CASS operations covering 49 countries servicing 252 airlines, with new operations introduced in Egypt, Indonesia, Saudi Arabia, and Thailand.

- CASS processed 15.4 million transactions, up 6% over 2004.
- CASS settled US$17.9 billion in transactions, an increase of 9% over 2004.

ISS TRANSFORMATION PHASE 2

The goal of the ISS Transformation Phase 2 (T2) programme is to improve service levels to airlines and agents in Europe while building long-term cost efficiencies.

To do that, IATA aims to standardise and automate its Industry Distribution and Financial Services Division (IDFS) operations across Europe and to introduce some best-of-breed technology.

The new technologies will enhance IATA's accreditation and remittance and settlement processes. Implementing Web-based customer services and phone support in all western European languages is another area of focus.

The first IATA European Service Centre opened in Madrid in December 2005. By the end of March 2006, several key markets were serviced out of Madrid, namely, Spain, France, Portugal, and Switzerland.

...enabling airlines and agents to provide high-quality services worldwide.

PASSENGER DISTRIBUTION

The Passenger Agency Programme provides the rules and procedures that govern travel agent sales and ticketing responsibilities undertaken on behalf of IATA members and BSP airlines.

The programme ensures the smooth and efficient operation of a complex global system but is tailored to local needs and conditions.

During 2005, a major modernisation of the Passenger Agency Programme took place in Europe. That initiative culminated in the adoption of a revised resolution that balances the business needs of airlines and agents to ensure a cost-effective passenger agency distribution system. This new programme will serve as a model for the IATA Agency Programme in other markets.

IN-FLIGHT CATERING

To raise the level of catering quality, IATA launched a new service in 2005: IATA Catering Quality Assurance (ICQA). Member airlines can participate collectively in the auditing of airline catering facilities to ensure the safety and quality of airline catering. This service is intended to reduce costs for members already conducting audits and to provide an affordable programme for those not doing so.

CARGO

IATA Cargo re-engineered its processes in 2005 to put greater focus on the delivery of the key industry cargo priorities: CASS, safety, security, IATA e-freight, Cargo 2000, and industry standards.

STANDARDS

Successful dangerous goods awareness seminars were held during 2005. The annual Dangerous Goods Conference drew a large number of cargo experts to discuss the latest activities in the handling and acceptance of these special cargoes.

A landmark agreement was signed with the Chinese State Forestry Administration. That agreement adopted the IATA Live Animal Regulations as the authoritative transportation guidelines for the transportation of live animals.

CARGO DISTRIBUTION

The growing CASS network set a series of records during 2005. Over 15 million air waybills (AWBs) with a combined settlement value of US$17.9 billion were processed at a 99% success rate. The CASS network expansion programme continued, with 8 countries added during the year. The network continued to leverage technology through the further rollout of CASSlink, the global, fully automated, Web-based CASS processing system.

In 2006, CASS business case feasibility studies will be conducted in over 20 countries. The objective is to operate CASS in over 70 countries by the end of 2006.

10
Aviation Solutions

IATA helps the industry meet its challenges by providing business solutions.
In 2005, IATA helped more than 100,000 people in 200 countries and territories.

Finding new solutions for industry challenges is essential. IATA offers relevant solutions that help improve quality, increase productivity, and drive profitability for all segments of the air transport industry. And the revenues from providing services are used to make increasingly important contributions to the financing of industry initiatives.

CONSULTING

Making use of industry-wide data and our supply chain perspective, IATA Consulting provides members and clients with strategic, operational, and technical support. In 2005, IATA assisted 70 customers in more than 60 countries. For example, IATA provided CUSS implementation support and advice on fuel efficiency.

ASSISTANCE WITH LOGISTICS IN THE CONGO

IATA Consulting has helped the United Nations peacekeeping mission in the Congo (MONUC), where logistics are complicated by difficult field conditions. Technical assistance and services in the implementation of its quality assurance programmes for airfield, ration, and fuel services was provided by IATA Consulting. This ensured that MONUC obtained value for money and the complete delivery of the contractual services.

TRAINING AND DEVELOPMENT

The IATA Training and Development Institute (ITDI) offers management and skills courses in an increasing number of languages for airline, cargo, airport, civil aviation, and air navigation service professionals. For example, IATA's newly developed Aviation English Solution is designed to enable pilots and air traffic controllers meet the ICAO level 4 language proficiency standard in time for the 2008 deadline.

In 2005, the ITDI served over 31,000 participants. Some 250 IATA trainers taught 300 classroom and company courses in four languages at five global training centres. IATA also offered distance learning at over 200 locations worldwide.

DELIVERING RESULTS IN POLAND AND SUDAN

Since 2002, the ITDI has run training programmes for the Polish Civil Aviation Office (15 programmes in 2005) and the Sudan Civil Aviation Authority (16 programmes in 2005). The programmes in Poland resulted in the implementation of an integrated safety management system encompassing airlines, airports, and ANSPs. In Sudan, the programmes aligned the country's aviation security standards with international best practice.

PUBLICATIONS

IATA produces more than 250 publications, many of which are available in electronic format. *The Travel Information Manual (TIM)*, the leading source of information on air travel requirements, and the

Dangerous Goods Regulations Manual (DGR), the official manual for shipping dangerous goods by air, have been converted to Extensible Markup Language (XML). This format simplifies the exchange and use of data on the Web and elsewhere and enables it to be integrated into databases. The *DGR* is now also available in Chinese.

CONFERENCES AND EVENTS

IATA organises a wide range of international conferences, exhibitions, and other meetings that address pressing industry issues, such as fuel costs, safety, security, business simplification, emerging markets, and cargo operations efficiency.

IATA conferences drive innovation in the air transport industry. In 2005, IATA held 15 events attended by 5,100 participants from the industry and governments. One such event, held in Geneva and attended by almost 300 delegates from across the cargo supply chain, launched IATA's e-freight project.

STRATEGIC PARTNERSHIPS

Through strategic partnerships, formerly known as the Partnership Programme, air transport industry suppliers and service providers interact with IATA and its member airlines in the development of industry solutions.

The number of IATA strategic partners has continued to grow, reaching a record 250 in February 2006. IATA has launched new segments that include StB Preferred Partners, an initiative that highlights solution providers that assist in StB integration.

IATA is constantly seeking innovative solutions with its partners to improve and simplify the many key components of the aviation industry. Practical solutions include the IATA Catering Quality Assurance (ICQA) Programme with Medina Quality Assurance Services and the programme in partnership with Accommodations Plus International (API), to simplify airline crew hotel accommodation.

BUSINESS INTELLIGENCE

IATA provides its members with timely market intelligence, customised analysis, and individually tailored reports to meet their unique statistical requirements for monitoring global trends, identifying marketing opportunities, and benchmarking. To do so, IATA draws on 30 years of data, including CargoIS, the industry's source of cargo market intelligence.

In 2006, IATA introduced two new aviation solutions: Flight Data Analysis (FDA) service, the systematic collection of flight data to improve safety and operational efficiency, and Passenger Intelligence Services (PaxIS), a market intelligence tool for air travel analysis that derives passenger flow data from issued airline tickets.

Members also benefit from IATA's expertise in market research surveys, such as the new Global Airline Performance (GAP) and Airport Quality Assessment (AQA) programmes.

Adria Airways
Aegean Airlines
Aer Lingus
Aero Asia
Aero California
Aero Zambia
Aeroflot
Aerolíneas Argentinas
Aeromexico
Aeromexpress
Aeropostal Alas de
    Venezuela
Aerosvit Airlines
Afriqiyah Airways
Air Algérie
Air Astana
Air Austral
Air Baltic
Air Berlin
Air Bosna
Air Botswana
Air Canada
Air China Limited
Air Contractors (UK)
Air Europa
Air France
Air Gabon
Air India
Air Jamaica
Air Koryo
Air Luxor
Air Macau
Air Madagascar
Air Malawi
Air Malta
Air Marshall Islands
Air Mauritius

Air Moldova
Air Namibia
Air New Zealand
Air Niugini
Air Nostrum
Air Pacific
Air Sahara
Air Sénégal International
Air Seychelles
Air Tahiti Nui
Air Tanzania
Air Vanuatu
Air Zimbabwe
Aircalin
Alaska Airlines
Albanian Airlines
Alitalia
All Nippon Airways
Aloha Airlines
Alpi Eagles
America West Airlines
American Airlines
Angola Airlines
Ariana Afghan Airlines
Arkia Israeli Airlines
Armavia
Asiana
Atlas Air
Atlasjet Airlines
Austrian
AVIANCA
AVIATECA
Azerbaijan Airlines
Bangkok Airways
Belavia - Belarusian Airlines
Bellview Airlines
Biman - Biman Bangladesh

Binter Canarias
Blue Panorama
Blue1
Blue Wings
bmi
British Airways
BWIA West Indies Airways
C.A.L. Cargo Airlines
Cameroon Airlines
Cargojet Airways
Cargolux
Carpatair
Caspian Airlines
Cathay Pacific
CCM Airlines
China Airlines
China Cargo Airlines
China Eastern Airlines
China Southern Airlines
Cimber Air
Cirrus Airlines
CityJet
Comair
Continental Airlines
Continental Micronesia
COPA Airlines
Corsair
Croatia Airlines
Cubana
Cyprus Airways
Czech Airlines
dba Luftfahrtgesellschaft
Delta Air Lines
Denim Air
DHL Air Ltd.
DHL International E.C.
Dragonair

Egyptair
El Al
Emirates
Estonian Air
Ethiopian Airlines
Etihad Airways
European Air Express EAE
European Air Transport
Eurowings
EVA Air
Falcon Air
Far Eastern Air Transport
Federal Express
Finnair
flybe.British European
Garuda
GB Airways
Gulf Air
Hahn Air
Hainan Airlines
Hapag Lloyd
Helios Airways
Hellas Jet
Hemus Air
IBERIA
Icelandair
Inter Air
Iran Air
Iran Aseman Airlines
Iraqi Airways
Israir
JALways
Japan Airlines
Jat Airways
Jet Airways
Kenya Airways
Kish Air

Kitty Hawk
KLM
Korean Air
Kuwait Airways
LAB
LACSA
Laker Airways (Bahamas)
LAM
Lan Airlines
Lan Chile Cargo
Lan Perú
Lan Ecuador
Lauda Air S.p.A
Libyan Arab Airlines
Lithuanian Airlines
LOT Polish Airlines
LTU
Lufthansa
Lufthansa Cargo
Luxair
Mahan Air
Malaysia Airlines
MALEV
Malmö Aviation
MAT - Macedonian Airlines
MEA - Middle East Airlines
Meridiana
Méxicana
MIAT - Mongolian
Montenegro Airlines
Nationwide Airlines
Nippon Cargo Airlines
Northwest Airlines
Olympic Airlines
Oman Air
PAL - Philippine Airlines
Palestinian Airlines

PGA - Portugália Airlines
PIA - Pakistan International
    Airlines
PLUNA
Polynesian Airlines
Pulkovo Aviation Enterprise
Qantas
Qatar Airways
Royal Air Maroc
Royal Brunei
Royal Jordanian
Royal Swazi
Rwandair Express
SA Airlink
SAA - South African Airways
Samara Airlines
SAS - Scandinavian
    Airlines System
SAS Braathens
Saudi Arabian Airlines
Shandong Airlines
Shanghai Airlines
SIA
SIA Cargo
Siberia Airlines
Sichuan Airlines
Sierra National Airlines
Silkair
Skyways
SN Brussels Airlines
Solomon Airlines
Spanair
SriLankan
Sudan Airways
Surinam Airways
SWISS
Syrianair

T.M.A. Trans Mediterranean
    Airways
TACA
TAM - Transportes Aéreos
    del Mercosur
TAM Linhas Aéreas
TAP Portugal
TAROM S.A.
Thai Airways
THY - Turkish Airlines
TNT Airways
Transaero
TransAsia Airways
Tunis Air
Turkmenistan Airlines
Ukraine International Airlines
United Airlines
UPS Airlines
US Airways
VARIG
VASP
Virgin Atlantic
Virgin Nigeria
Vladivostok Air JSC
Volare Airlines
Volga - Dnepr Airlines
Wideroe
Xiamen Airlines
Yemenia

ASSOCIATE MEMBERS

Air One
Air Tahiti
Austral
Forward Air
Lan Argentina
Lineas Aéreas Azteca
Lufthansa CityLine
Safair
SATA Air Açores
Shenzhen Airlines
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Tassili Airlines
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Airlines need the freedom to: serve markets where they exist; consolidate when it makes business sense; compete efficiently with one set of global rules; and generate profits and shareholder value.

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