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2008

IATA

Giovanni Bisignani
Director General & CEO

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partures

Aviation is the world's **most exciting industry.**

Airlines face many challenges. But we also have a **proven ability to change fast.**

In four years we made 100% ET a reality.

If government and industry work together with a common vision for a safe, secure, efficient and liberalised industry that is environmentally responsible, **the future is very bright.**

Giovanni Bisignani

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as at 1 May 2008

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Director General's Message

Airlines returned a global profit of US$5.6 billion in 2007. This is less than a 2% margin on revenues exceeding US$490 billion. But for airlines, it was a good year. An average price of oil at US$73 per barrel for 2007 resulted in an industry fuel bill of US$136 billion—fully 29% of operating costs.

Only a few years ago survival with the price of fuel at these levels was impossible. A strong economy combined with enormous efficiency gains to help airlines improve the bottom line—even as fuel costs skyrocketed. Labour productivity improved 64% since 2001. Non-fuel unit costs dropped by 18%.

The widening impact of the US credit crunch is making a tough business even tougher. The industry cycle peaked in 2007—with just one year of profit—and the price of fuel is still rising.

Industry profitability in 2008 will be hit hard.

Change is the only way forward. IATA is taking a leadership role in re-shaping the industry. Our biggest successes are efficiency and safety—where airlines have the greatest freedom to manoeuvre.

Simplifying the Business is a winner. On 31 May 2008 we made paper tickets a part of our history. E-ticketing is a reality from the smallest and most remote airports to our biggest hubs. Passengers enjoy the convenience while industry

costs have been cut by US$3 billion. This is the lion's share of the US$6.5 billion cost savings that we will achieve with Simplifying the Business.

We are now starting the next phase. IATA's Fast Travel initiative will tie together the technology elements of bar coded boarding passes, e-ticketing and common use self-service kiosks into a new process for travel. Our Baggage-management Improvement Programme (BIP) will improve this important function at airports around the world.

IATA is also changing the freight world. Successful e-freight projects are operating in six locations around the world—Canada, Hong Kong, The Netherlands, Singapore, Sweden and the United Kingdom. In 2008 a further 8 locations will join the programme.

IATA's safety programmes are delivering results. As an industry, we carried 2.25 billion people safely last year. The 2007 industry accident rate for Western-built jets was 0.75 hull losses

9

per million flights. IATA carriers did better with 0.68 hull losses per million flights.

Our commitment to safety is strong and IATA's focus is on constant improvement. The IATA Operational Safety Audit (IOSA) is a condition of membership. By the end of this year all carriers must be on the IOSA registry, or they are out of IATA. All of the membership has been audited. Our Partnership for Safety programmes are providing assistance where help is needed most to keep all of our members on board.

Change is needed everywhere. That includes our industry partners and governments.

Progress on security has been disappointing. The common approach to liquids and gels has not transferred into mutual recognition of standards across borders. Costs have increased to US$5.9 billion annually. Our passengers continue to be hassled because governments are not talking with each other. In some cases they are not even coordinating internally. IATA is ramping up its security activities to more effectively challenge governments to deliver convenience and effectiveness with technology.

The IATA cost campaign achieved record savings in 2007—US$3.7 billion. But this was offset by cost increases of US$2.9 billion,

demonstrating that cost pressures are unrelenting. IATA continues to fight for efficiency with individual airports and air navigation service providers. But it is a government responsibility to protect consumers from monopolies abusing their market power. Effective economic regulation is the only long-term solution to bring commercial discipline to our monopoly suppliers.

IATA is leading industry action on the environment. The IATA four-pillar strategy to address climate change is delivering results. In 2007 IATA's fuel savings campaign saved 10.5 million tonnes of CO_2 and US$2.1 billion in costs. More importantly, IATA's strategy is now an industry commitment. In April 2008, airlines, manufacturers, airports, and air navigation service providers signed a declaration supporting investment in technology, effective flight operations, efficient infrastructure and positive economic measures.

We are challenging governments to match our efforts to achieve carbon neutral growth on the way to a carbon-free future. It is their responsibility to take leadership by supporting basic research, ensuring that air traffic management is efficient, and developing a global emissions trading scheme that is fair and voluntary.

Finally, as the financial situation of the industry changes rapidly around us, one further fundamental change is becoming absolutely obvious.

Liberalisation is critical. The industry suffers a constant cycle of boom and bust. This time the "recovery" ended with very little money in the bank and US$190 billion in debt. Airlines will always be a

cyclical business. But we could do a lot better at managing the cycles if we had access to some basic commercial freedoms that other businesses take for granted. Airlines need the freedom to serve markets where they exist, the ability to access global capital markets and to merge or consolidate where it makes business sense—even across borders.

After six decades of the bilateral system, it is time for airlines to become a normal business. The US-EU agreement on Open Skies has created important new commercial opportunities in our largest market. And we can see pockets of liberalisation in all parts of the world. But nobody has yet effectively addressed the issue of ownership that is tied to the antiquated bilateral system. This must change.

IATA is challenging governments around the world to deliver on their responsibilities—to ensure the highest levels of safety and security, to set a level playing field that encourages efficiency across the value chain and to deliver effective global policy on the global issue of climate change. After that, we are sending a message—loud and clear— that governments must get out of the way and let us get on with business.

We are a great industry built by turning dreams into reality. Today, airlines are the heart of a value chain that supports 32 million jobs and US$3.5 trillion in economic activity. By working together—side-by-side with our member airlines—I am confident that we will meet our challenges to build an even brighter future.

Giovanni Bisignani
Director General & CEO

The State of the Industry

Most passenger markets grew robustly in 2007 boosted by strong economic growth

In most markets, 2007 was a good year for growth in the passenger segment following three years of better-than-average traffic growth. The industry is closely linked to the economic cycle, and since the past four years have seen the strongest world economic growth for 30 years the strength of air travel is not surprising. The outlook is unfortunately not so positive, as the US economy heads into, or close to, recession.

International scheduled passenger traffic growth stabilised during 2007 at 7.2%, from 7.6% the previous year. Demand was boosted by stronger economic growth in Asia and Europe. The US domestic passenger market shrank, but that was a result of restructuring, which reduced capacity in domestic markets and shifted some of it to international markets. Elsewhere, domestic passenger markets in India and China expanded quickly under the influence of liberalisation and rapid economic growth. Total revenue passenger kilometres increased 5.3% in 2007, which is close to the trend growth rate experienced in the past 20 years.

## Strong long-haul business travel was a key source of revenue growth

Business travel continued to expand at a robust pace until the end of 2007, which has been particularly important in boosting the revenues and profits of network airlines. The number of passengers travelling in business and first class grew faster than the number flying economy in long-haul markets, whereas passenger numbers for premium travel shrank sharply in short-haul European markets and grew only slowly in short-haul markets elsewhere. The strength of long-haul business travel meant that premium revenues continued to expand at a considerably faster pace than overall premium passenger numbers.

## Air cargo markets continued to grow by less than world trade

Air freight has been disappointingly weak in the past two years, 2006 and 2007, in spite of booming world economic growth and trade. For airlines in regions such as the Asia-Pacific, where freight has been a significant proportion of revenues, this weakness has weighed on profitability. As in business travel, there was also a slowdown in air freight growth in the second half of 2007.

The weakness in the growth of air freight relative to the strong growth of trade in manufactured goods was partly the result of key customer industries, such as the semiconductor industry, experiencing sluggish growth in shipments as their end customers use up inventories of previously supplied components. But in some markets, there was also a loss of market share to alternative transport modes, such as containerised ocean and road freight. For much of 2006 and 2007, the cost of residual fuel oil for ships rose by much less than for jet fuel. As a result, ocean freight rates fell relative to air freight rates, reducing the competitiveness of airlines. That gap in fuel costs, however, closed in the second half of 2007, which may assist air freight in regaining some market share on markets where it has previously been lost.
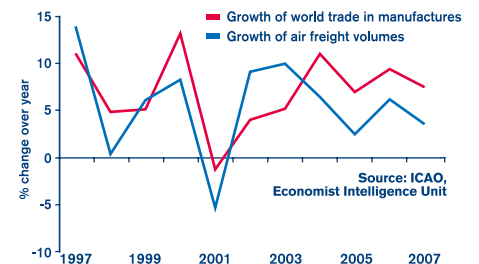
Passenger traffic growth vs. GDP growth 1997–2007
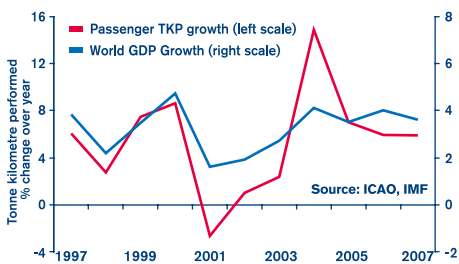
Business vs. economy on long-haul and short-haul markets in 2007
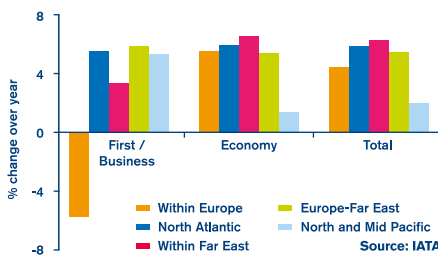
Air freight growth vs. world trade in manufactures 1997–2007

Capacity growth constrained by production bottlenecks and profits focus

Key to the improvement in airline profitability in 2007 was that scheduled capacity grew at a slower pace than traffic—5.2% versus the 5.6% expansion in passenger and cargo tonne kilometres. This successful improvement in utilisation partly reflects the constraints on new aircraft deliveries that resulted from production bottlenecks at Boeing and Airbus. It also is the result of an intensified focus on profitability rather than market share, driven by spreading market liberalisation and the imperative of responding to soaring fuel costs.

## Rise in load factors and yields strengthened unit revenues

Restrained capacity growth set against strong growth in passenger demand led to a sharp rise in load factors, particularly in the US domestic market, where restructuring led to a reduction in capacity. Load factors in domestic markets worldwide have caught up with the utilisation of aircraft in international markets, at 76.3% versus 76.6%, respectively. Airlines have managed to raise their average passenger load factors more than 7 percentage points since 2001 thus using their assets more productively.

Yields also rose, around 1.7%, reflecting tighter supply-demand conditions. However, allowing for general inflation and for the fall in the US dollar, this indicates that pricing power in air travel markets remains weak.

Another year of above-trend growth in revenues

Airline revenues expanded well above average, at 7.1% in 2007, for the fourth consecutive year, allowing much of the unprecedented rise in fuel costs to be absorbed. The combination, though, of exceptional economic growth and rising load factors looks unlikely to be repeated over the next 12 months.

Growth in capacity vs. passenger traffic 1997–2007
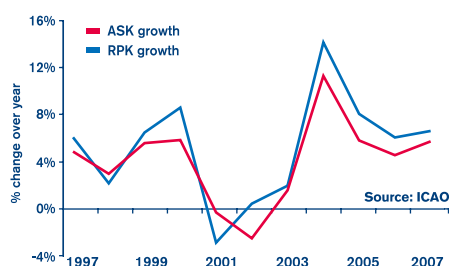
Load factors and unit revenues 1997–2007
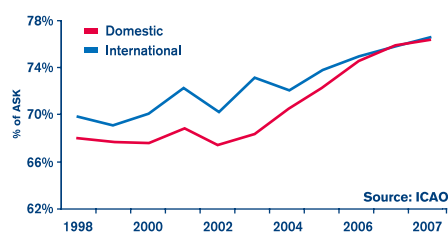
Revenue growth vs. GDP growth 1997–2007

Fuel prices hit record highs as OPEC tightens its grip on oil markets

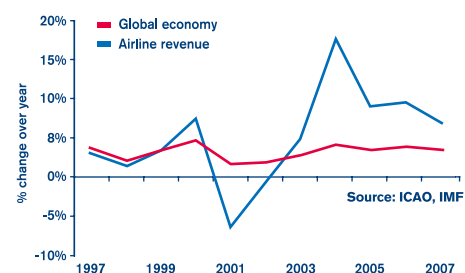Fuel costs, which have absorbed much of the boom in revenues in the past few years, showed no signs of falling back during 2007. Oil prices started the year close to US$50 a barrel and rose erratically through the year to hit US$100 a barrel. Jet fuel prices continued to move within a premium of US$17 to US$20 a barrel above crude oil, averaging US$90 a barrel. This represented a 10% rise over the previous year and was more than three times the level of five years earlier.

Early in May 2008, oil prices hit yet higher levels, of US$120 a barrel Brent, and jet fuel rose to over US$140 a barrel, despite increasing gloom about the US economy. Whereas the US economy appears to be sliding towards recession, Asian economies continue to expand, heightening Asian energy demand while OPEC successfully restrains supply, forcing oil prices higher.

Record fuel bill boosts fuel efficiency and orders for new aircraft

Airlines had some success in using fuel hedges to manage fuel cost risk in 2007. Fuel hedging levels were around 60%. Outside the United States, some airlines benefited from the fall in the US dollar. The industry's fuel bill nevertheless surged amid rising fuel prices, to US$136 billion, or 29% of operating costs. In response, airlines have been improving operations and ordering new aircraft to raise fuel efficiency. Improvements in technology and operations lowered the amount of fuel used to fly a passenger kilometre 2.2% during 2007.

Shortages raising the price of labour

The extended economic boom was good news for revenues, but it has driven up costs. Fuel-efficient aircraft are in short supply, and lease rates have risen. Unemployment is at a 20-year low in the OECD and some developing nations. Pilots and engineers are in short supply, and wage inflation is rising as a result. Slower economic growth may stem input price inflation, but for 2008 at least further efficiencies will be key to any reduction in non-fuel unit costs.

Fuel bill in billions of US dollars and as percentage of operating costs 1997–2007

Source: ICAO, IATA
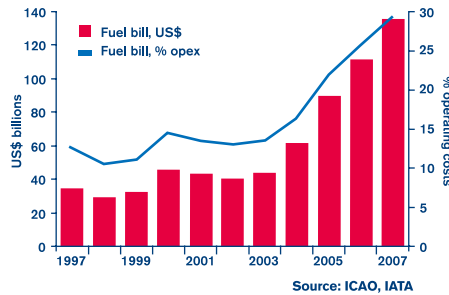
Jet fuel and crude oil price 2002–2007

Source: Platts, IATA
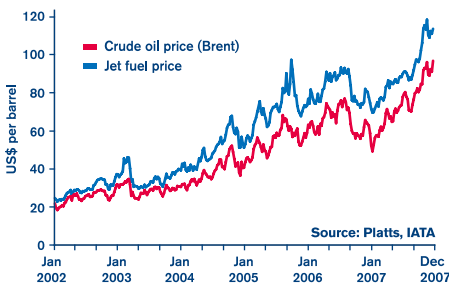
Fuel efficiency and new aircraft orders 1997–2007

Source: IATA, Airclaims
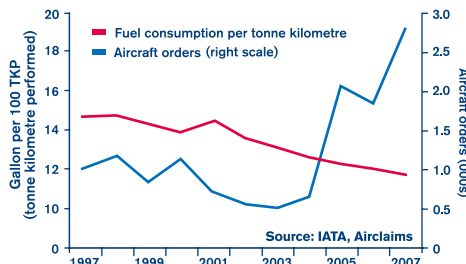
OECD unemployment rate and wage inflation

Source: Haver

Efficiency improvements reach new highs

Improved efficiency has been a significant success for the airline industry. From 2001 to 2007, labour efficiency has improved 64% and fuel efficiency has risen 19%. This has produced an 18% decline in non-fuel unit costs and played a major role in the improvement of profitability in spite of the rise in fuel costs.
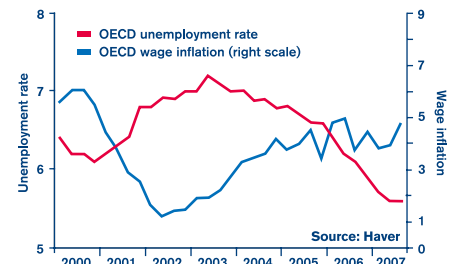
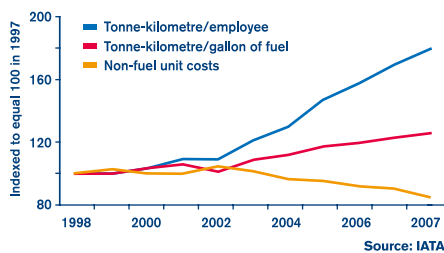## Profitability rises substantially during 2007

In many ways, the improvement in profitability seen in 2007 has been remarkable. Three years ago, few analysts would have predicted profits with jet fuel prices averaging US$90 a barrel. Strong revenues, restrained capacity growth, and efficiency improvements have been the keys to this success.

Improvement has been marked in the United States, where operating profitability recovered to just under 6% of revenues in 2007. Europe also saw further improvement, to 4%. On average, airlines in the Asia-Pacific region did not do so well, with a margin just under 1% on pure airline business. Some airlines in the region, however, were among the world's best performers. Asia-Pacific airlines, moreover, generated significant profit from their non-airline assets in 2007, which significantly boosted corporate-wide results.

Return on capital remains far too low

Despite improving profitability, post-tax operating profits delivered only a 4.2% return on invested capital for the industry in 2007 compared with its cost of capital of 7%-8%. For an industry with almost US$600 billion of invested capital, this return is still far too low for long-run financial sustainability.

Labour, aircraft efficiency and non-fuel unit costs 1997–2007

Indexed to equal 100 in 1997

- Tonne-kilometre/employee
- Tonne-kilometre/gallon of fuel
- Non-fuel unit costs

Source: IATA

Regional operating profit margins

% revenues

- North America
- Europe
- Asia

Source: ICAO
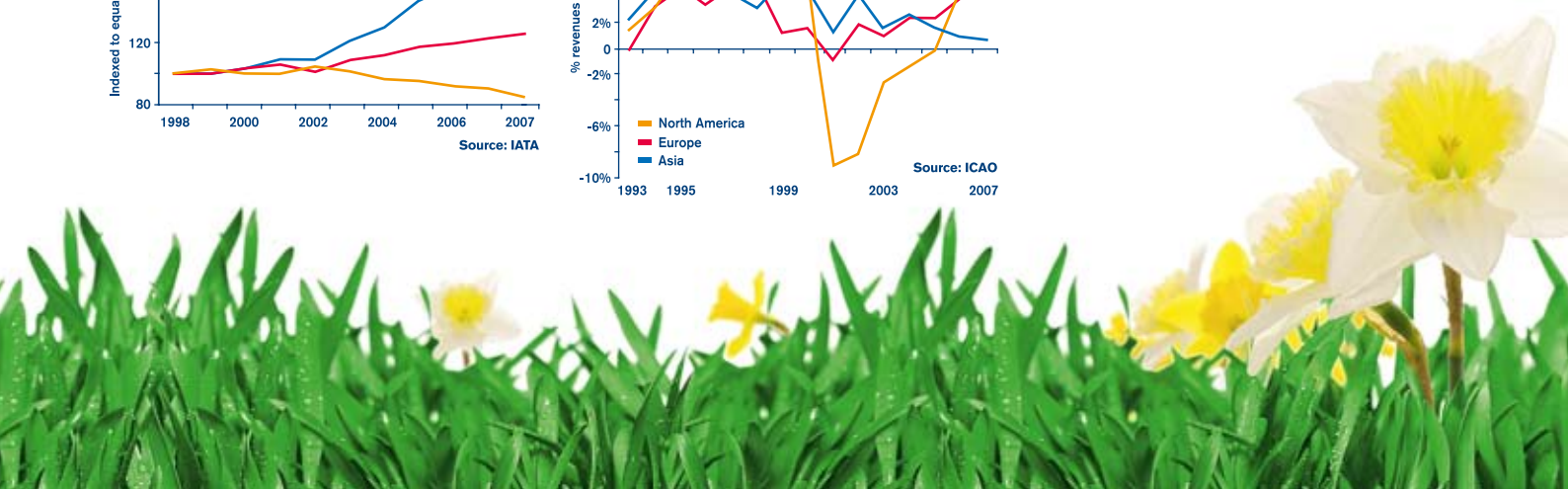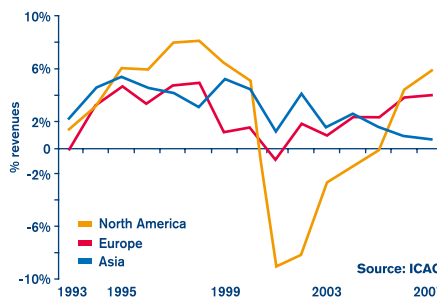
Outlook for 2008 clouded by the perfect storm

The revenues of the airline industry are closely linked to the economic cycle. Aircraft ordered at the peak of the cycle are due to be delivered while the industry's costs are dominated by the price of jet fuel. All three are moving in the wrong direction for profitability in 2008.

US economy weakening and damaging trading partners

The collapse in the US housing market late in 2007, and the sub-prime crisis it generated, continues to reverberate throughout the global financial system. The rescue of Bear Stearns in the United 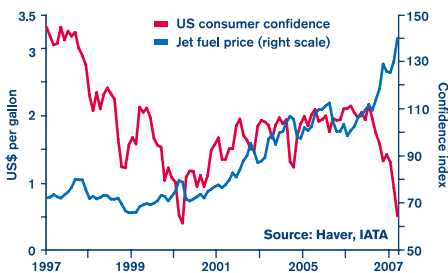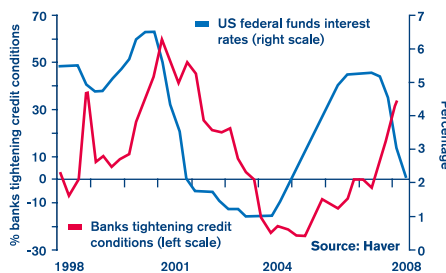States and of Northern Rock in the United Kingdom is perhaps the tip of the iceberg in the damage that has been done to lending institutions' balance sheets. As a result of the problems, credit conditions have tightened sharply in the US and in Europe, making credit hard to obtain for borrowers with less than investment-grade credit ratings. Consumers have also been hit. Consumer confidence in the US slumped in December and by March was at its lowest level since the recession of 2001.

Robust Asian and Middle Eastern markets provide some offset

The economic cycle, however, is different today than in 2001. Europe may prove unable to decouple from the US downturn. Fortunately, China and other nations in Asia and in the Middle East look set to be able to continue their investment and liberalisation-driven expansion. While forecasts for economic growth in the US have been reduced sharply over the past year, the outlook for growth in China, the Middle East, and Latin America has improved. This should provide travel and cargo markets of strength to offset some of the impact of the US downturn.

US consumer confidence vs. jet fuel prices 2000–2008

Legend: US consumer confidence; Jet fuel price (right scale)
US$ per gallon / Confidence index
Source: Haver, IATA

US interest rates vs. tightening bank credit conditions 1997–2008

Legend: US federal funds interest rates (right scale); Banks tightening credit conditions (left scale)
% banks tightening credit conditions / Percentage
Source: Haver

Forecasts for economic growth in 2008

Legend: Feb '07 forecast; Feb '08 forecast
% change over year
Source: Economist Intelligence Unit

	US	Japan	Europe	China	Middle East	Latin America	World (market exch. rates)
Feb '07	2.8	2.2	2.0	9.1	5.2	3.9	3.5
Feb '08	0.8	1.4	1.9	9.8	5.4	4.2	2.6

New aircraft deliveries and liberalisation will put downward pressure on yields

Adding to the downward pressures on revenue growth from the US recession will be the acceleration in aircraft deliveries in 2008 and 2009. More aircraft will be parked or scrapped as a result of high fuel prices. And unless more than a quarter of deliveries are replacement, excess capacity will develop in some markets, putting downward pressure on yields. Increased liberalisation across the Atlantic and in Asia and the Middle East will create many new opportunities. Unfortunately, at a time of cyclical weakness it will also intensify competition and squeeze profitability.

Fuel prices expected to remain high

A new record in oil markets was set in early May 2008 when spot prices for Brent crude oil rose above US$120 a barrel. Futures markets predict that crude oil prices will remain above US$100 a barrel for the next 12-18 months, although most forecasters expect a greater decline. Although the US economy has weakened, growing oil demand from China and elsewhere has collided with oil supply problems and with firm OPEC control of its cartel. Oil and jet fuel prices are thus set to remain high throughout the year ahead as a result.

Profitability will fall sharply in 2008

Even with significant further efficiency improvements by airlines, there will be little chance of offsetting the damage to profitability from the headwinds of US recession and record fuel prices. A significant decline in global airline profitability, or even losses, look inevitable in 2008.

Aircraft deliveries vs. traffic growth 1990–2008
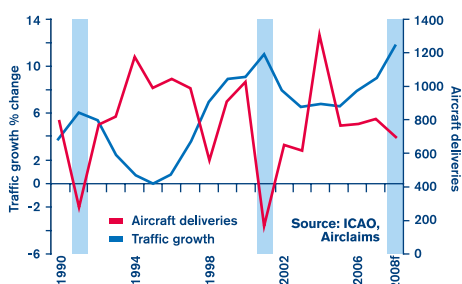
Brent crude oil price
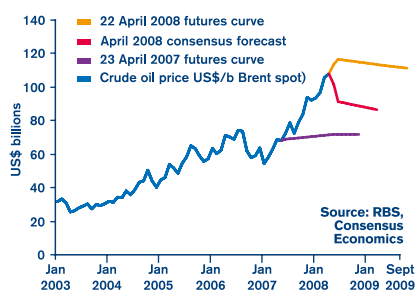
Simplifying the Business

The conversion to 100% electronic ticketing (ET) on 1 June 2008 marks the dawn of a new era of air travel characterised by improved efficiency, added convenience, and more options for passengers.

IATA's Simplifying the Business programme continues to lead the way with initiatives that improve service and strip out costs. The self-service-oriented Fast Travel programme and Baggage-management Improvement Programme will feature prominently in the next phase of Simplifying the Business.

We started Simplifying the Business in 2004 to save US$6.5 billion in costs and make travel more convenient. The first target was 100% ET and many thought this was impossible. Now paper tickets belong in a museum!

Giovanni Bisignani

E-ticketing

Attaining 100% electronic ticketing in four years is a historic milestone that illustrates the value of a coordinated industry approach. When the project launched in June 2004, only 19% of tickets issued globally were electronic.

ET penetration globally reached 92% at the end of 2007, up from 74% at the beginning of the year.

As of 1 June 2008, airlines and passengers are reaping the benefits of 100% ET. Service is improving. Passengers are no longer required to collect original tickets from travel agencies. Last-minute itinerary changes are easy to make and the potential for lost tickets is gone forever. Airline yield management is also improving. Ticketing costs are dropping. And the elimination of paper tickets will save US$3 billion annually.

These were used by over 200 airlines. For airlines needing additional support, IATA maintained its ET Buddy programme, which provides expert consultation free of charge and now benefits 63 airlines.

Despite this IATA support, it became clear that airlines would not reach a sufficiently high level of ET and particularly Interline ET capability by the end of 2007. As a result, a five-month, one-time extension was granted at the AGM in Vancouver in June 2007 that proved adequate for the industry to deliver 100% ET.

Formula for success

The success of ET is the result of a clear mandate from the Board of Governors and Annual General Meeting (AGM), a definitive target, and a coordinated industry approach supported by a dedicated IATA programme team of 150 members. In 2007, IATA also supported Interline ET by automating the lengthy process of mapping interline ticketing business requirements with the General Business Requirement (GBR) Generator online tool and by providing Interline ET Matchmaker services.

Next steps

Although paper tickets have been purged from IATA's billing and settlement plans (BSP), some issues must still be addressed. Increasing Interline ET agreements and ensuring all passenger types, including infants, can be easily ticketed are but two examples. IATA will continue to encourage and to help airlines overcome these last remaining hurdles.

With paper tickets removed, IATA will press forward with plans to eliminate all other miscellaneous paper documents and the costly processes that support them. Accordingly, IATA will define a strategy to achieve a 100% paperless environment, including finalising standards to support electronic miscellaneous transactions.

ET penetration in BSP by home region (Mar 2008) - 94%
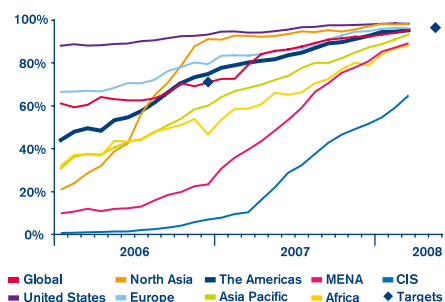
IATA e-freight

Air cargo is at the heart of the global economy. About 35% of the value of goods traded internationally is shipped by air. With revenues exceeding US$50 billion, or 12% of overall industry revenues, air cargo is an integral part of an airline industry that is changing fast. Simplifying air cargo processes and freeing them of paper will improve service, cut shipment times, improve transparency, speed processing through customs, and save an estimated US$1.2 billion annually.

E-freight relies on involvement and support throughout the cargo supply chain, including government. IATA has laid a solid foundation for simplification with broad and effective industry and government participation. Processes and standards have been developed, and in 2007 IATA launched e-freight in six locations that had the right business, technical, and legal environments to operate e-freight pilot projects: Canada, Hong Kong SAR, the United Kingdom, the Netherlands, Sweden, and Singapore. In each location, the customs organisations; key cargo carriers (Air Canada, Cathay Pacific, British Airways, KLM, Martinair, SAS, and Singapore Airlines, respectively); and freight forwarders signed up to demonstrate the benefits and to develop standards for other countries to follow.

For e-freight to work, timely, quality electronic data interchange (EDI) is necessary. Currently, 60% of electronic data passed between freight forwarders and airlines is not accurate or is missing. IATA's Message Improvement Programme (MIP) was launched in 2007 to improve the accuracy and reach of electronic data for the air waybill and house manifest. IATA will coordinate efforts under the Cargo 2000 initiative to develop common industry processes and standards for e-freight and MIP.

IATA is also cultivating wider industry engagement by assessing 46 further locations for the potential implementation of e-freight. The aim is to implement e-freight where feasible by the end of 2010. To this end, the goal for 2008 is to complete all standards and to add 8 locations to the existing 6 by the end of the year. As of April 2008, 25 airlines and 13 forwarders participated in MIP by providing detailed performance reports.

Bar-coded boarding passes (BCBP)

BCBP complement e-ticketing by enabling a variety of passenger services. Self-printed BCBP allow passengers to bypass airport queues. Passengers can check-in and print their boarding passes on-line at home or at the office. Thanks to the greater data storage capacity of the IATA two-dimensional (2-D) standard bar code versus non-standard, one-dimensional (1-D) bar codes, passengers can travel with just one boarding document, even for multi-segment itineraries.

BCBP also cut costs by replacing expensive magnetic-stripe boarding passes. In total, the BCBP project will provide annual industry savings of over US$500 million.

More importantly, IATA's creation of a BCBP standard for use in mobile devices in 2007 will allow passengers to use their mobile phones to receive their boarding passes. Mobile BCBP introduce a fully paperless experience for the passenger, from booking to check-in to boarding.

IATA continues to promote its industry standard for 2-D bar codes through workshops, an implementation guide, ongoing engagement, and site visits. The ATB2 standard (defining magnetic stripes for boarding passes) now has a sunset date of 2010. IATA's standard also makes BCBP available on the ET Itinerary Receipt.

In June 2006, the IATA Board set an interim target of year-end 2008 for airlines to issue BCBP to speed up the transition to BCBP and a 2010 deadline for full BCBP implementation. There were fully 101 BCBP-capable airlines at the end of 2007, exceeding the target of 80. As of the end of April 2008, there were 120 BCBP-capable airlines.

As the 2010 deadline for 100% BCBP approaches, IATA will shift focus to ensure that the equipment at airports can handle BCPB and will engage approximately 2,500 airports to ensure that their equipment is BCBP capable. IATA launched the BCBP Matchmaker in February 2008 to support airport engagement, to facilitate communication between airlines and airports, and to report on progress.

BCBP airline capability
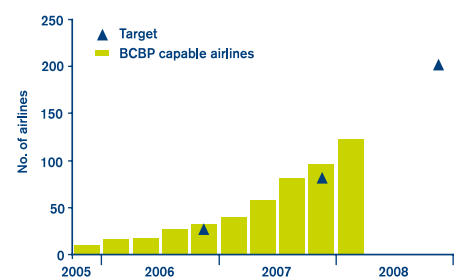
Common-use self-service check-in (CUSS)

When given the choice, many passengers prefer to take control of their travel experience. CUSS enables passengers to check-in on any number of airlines using one kiosk. The ability to check-in faster and at any time is among the most highly rated self-service advantages according to passengers polled in IATA's 2008 Corporate Air Travel Survey. With CUSS, airlines benefit from economies of scale by sharing and cost-effectively deploying kiosks at small airports. CUSS saves an average of US$2.50 per check-in from a traditional check-in desk and has the potential to save the industry US$1 billion.

As more airports realise the benefits of CUSS, IATA is engaging airlines and airports to raise awareness of this tool through regular workshops, consultations, and on-line tools.

IATA plans to accelerate the implementation of CUSS technology and to facilitate the launch of CUSS at a total of 130 airports by end of 2008.

At the end of April 2008, 91 airports were operating CUSS.

CUSS implementations

No. of airports

▲ Target
Airports worldwide offering CUSS-compliant kiosks

2005   2006   2007   2008
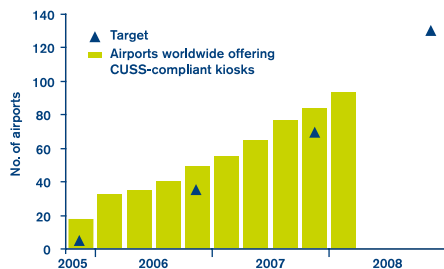
Radio frequency identification (RFID)

RFID can be used as a way to improve a range of airline business processes while cutting costs. IATA has developed a standard for RFID baggage tags and has recommended practices and business cases for the use of RFID in baggage and in-flight equipment management.

IATA delivered an RFID transition plan in 2007 that detailed the benefits that could be derived by implementing RFID for baggage management over a six-year period. The US$200 million saving identified was insufficient to drive an industry-wide mandate. RFID instead becomes an integral part of a broader baggage improvement programme.

Additionally, IATA has identified opportunities for the RFID management of aircraft parts and unit loading devices (ULDs) and reduction of aircraft turnaround times by up to 7% by speeding the loading process, reducing documentation, and providing more-accurate flight status information.

IATA will conduct a trial using RFID for in-flight services in 2008 to validate savings estimates of US$80 million per year. It also will continue to support the industry through recommended practices and working groups.

Baggage-management improvement programme (BIP)

Results of research conducted during the RFID project showed the technology will rectify only 20% of baggage mishandlings. To more effectively stem the surge in baggage mishandling rates caused by growing volumes and heightened security measures, IATA launched BIP in December 2007.

Some 42 million pieces of luggage did not arrive with passengers during 2007. Further, the time required for a passenger to recover a mishandled bag increased from 1.5 days in 2006 to 1.64 days in 2007. Baggage mishandling costs the industry over US$3.8 billion each year. That amount will grow to at least US$4.5 billion by 2011. Importantly, customer service and the industry's reputation are suffering.

BIP will provide volunteer stakeholders with a toolkit of 40 solutions designed to address the prime causes of baggage mishandling. These include tools that help airlines and airports integrate systems; conduct training; improve baggage tag read rates; ensure baggage message availability; and increase passenger awareness of the value of checking baggage in early, attaching proper labels, and distributing weight evenly within a bag. Because every airport is different, IATA Baggage Go Teams will visit targeted airports to spread best practice solutions matched to local needs.

In 2008, IATA will launch BIP at six airports and among six airlines.

Fast travel

With 100% ET delivered, the stage has been set for the next phase of Simplifying the Business. Fast Travel responds to increasing passenger demands for self-service by building on the platform provided by CUSS, BCBP, and 100% ET. The vision is to offer full service to passengers through a range of self-service options, from reservations to arrival.

IATA has identified six key areas of focus:

> Check-in: using the Internet, CUSS and mobile phones
> Bags ready-to-go: taking advantage of baggage self-tagging and common bag drop-off points
> Document scanning: creating a self-service option for routine documentation validation
> Flight re-booking: helping passengers organise onward travel and issue new boarding passes
> Self-boarding: supporting cost-effective passenger self-boarding on a global basis.
> Bag recovery: facilitating self-service baggage mishandling reports.

In 2008, IATA will set up two pilot projects for each area with the ultimate objective of developing industry-wide standards and processes.

Safety

Air transport is the safest way to travel with 0.75 accidents per million flights in 2007. However, continued vigilance and the implementation of global industry safety programmes are needed to improve safety and further reduce accident rates.
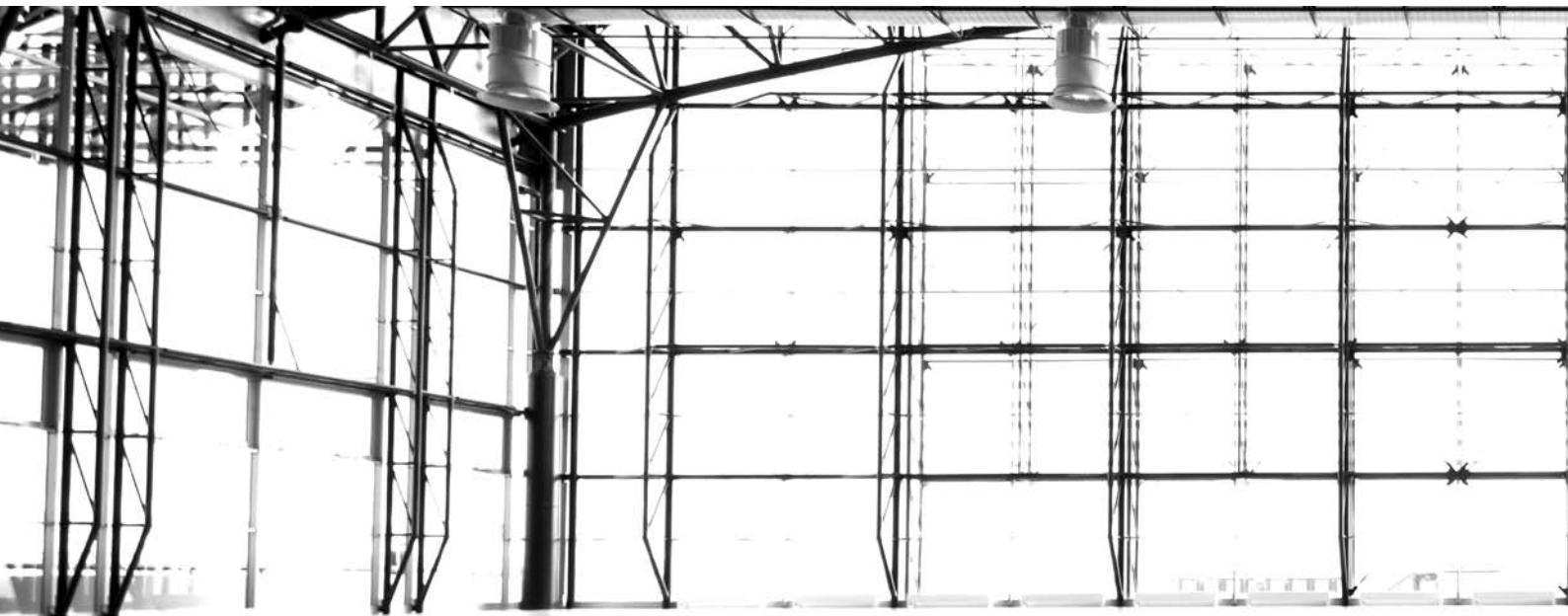
Although the accident rate rose slightly in 2007, to 0.75 from a rate of 0.65 in 2006, fatalities and the fatality rate continued to decline. In North America and Europe, accident rates dropped, but accidents in Brazil, Indonesia, and Africa pushed up the global average. Runway excursions, ground damage, and gear-up landings were among the top reasons for accidents. IATA members surpassed the industry with an accident rate of only 0.68 Western-built jet hull losses per million flights in 2007.

IATA Operational Safety Audit

The IATA Operational Safety Audit (IOSA) is an important element of IATA's Six-Point Safety Programme. That programme offers a systematic approach to safety that includes specific actions on safety auditing, infrastructure safety, data management and analysis, safety management systems, flying operations, and cargo safety.

IOSA is an internationally recognised audit that is open to all airlines and that assesses the operational management and control systems of an airline.

As a globally accepted standard, IOSA raises the bar on airline operational safety management.

IOSA is also a condition of IATA membership, with aggressive targets and strict deadlines. IATA's member airlines are committed to IOSA, with all but three meeting the year-end 2007 deadline to undergo the audit. Those airlines that did not meet the deadline had their memberships revoked. By the end of 2008, all member airlines will either be on the registry or out of IATA. IATA's goal is not to reduce its membership but to improve safety. And effective 1 January 2008, IATA covers the fees related to renewal audits for its member airlines.

IOSA programme status as of end-April 2008
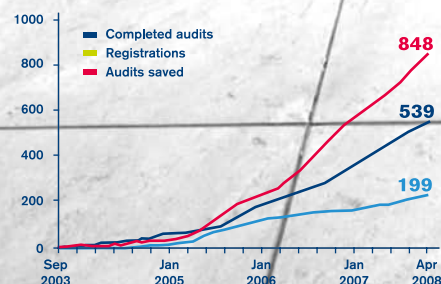
IOSA delivers cost savings and efficiency gains to airlines while enhancing safety. With IOSA, airlines are able to share information through the IOSA Audit Report, eliminating the need for duplicative audits. Since IOSA's launch in 2003, some 800 IOSA Audit Report requests have been completed, leading to over US$47 million in savings. IOSA Audit Reports also facilitate business arrangements, such as code sharing.

Every aspect of IOSA is continually evaluated and monitored, from the organisations conducting the audits to the quality control of the final IOSA Audit Report and the management of IOSA processes overall. This has resulted in the renewal of IOSA's quality registration under the provisions of ISO 9001:2000.

Regulatory authorities are also using IOSA to enhance or complement their oversight functions since IOSA standards are harmonised with International Civil Aviation Organization (ICAO) annexes and industry best practices. Regulatory authorities obtain valuable information from IOSA Audit Reports to evaluate local or foreign airlines wishing to fly within their jurisdictions.

Some countries are already actively using IOSA audit data, and others have mandated IOSA for airlines in their jurisdictions and flying into their jurisdictions. These include the Arab Civil Aviation Commission (ACAC) in conjunction with all of its member states and Brazil, Chile, Costa Rica, Egypt, Madagascar, Mexico, Panama, and Turkey.

In the last 10 years we cut the accident rate almost in half. But our goal is always to do better: zero accidents and zero fatalities.

Making IOSA a condition of IATA membership is a strong commitment by the industry to raise the bar on safety even higher.

Giovanni Bisignani

Partnership for Safety

Regional differences in safety levels continue to be a cause for concern. While safety improved in Russia, Nigeria, North America, and Europe in 2007, accidents in Brazil, Indonesia, and Africa drove up regional hull loss rates.

IATA has responded with targeted programmes to help close regional gaps. Partnership for Safety (PfS) was introduced in 2005 to help airlines in developing nations prepare for IOSA. Since the launch of PfS, over 200 airlines have received assistance in the form of awareness seminars, individual gap audits, and specialised training courses. As a result, these airlines were able to meet the IATA deadline to conduct IOSA by the end of 2007.

To build on that success, IATA has developed and fully funded PfS Plus, which will help airlines in developing regions close the findings from their initial IOSA audits and prepare for their renewal audits by maintaining ongoing IOSA compliance. PfS Plus will also focus on Indonesia and Brazil. In Indonesia, the programme provisions will be offered to all Indonesian carriers to enable them to prepare for and to undergo the audit. In Brazil, the emphasis will be on infrastructure, procedures, and training improvements to promote safety enhancement.

IATA Safety Audit for Ground Operations (ISAGO)

It is estimated that ground damage to aircraft or other equipment costs the airline industry about US$4 billion every year, not to mention the additional cost and duress caused by physical injuries or fatalities. At the end of 2006, IATA began work on the IATA Safety Audit for Ground Operations (ISAGO) to tackle the problem. Like IOSA, ISAGO aims to improve both safety and audit efficiency.

During 2007, IATA developed the first set of harmonised audit standards applicable to all ground handling companies.

These are accompanied by a uniform set of standards tailored to the specific activities of any ground handler. As a result, the ISAGO audit can be applied consistently to any type of ground handling company worldwide.

Following the drafting of the standards, 13 trial audits were completed to assess the auditability of ISAGO standards. In parallel, the IATA Training and Development Institute (ITDI) developed training for auditors and a course to help ground handlers prepare for the audit.

IATA is establishing a pool of airlines and auditors committed to launching ISAGO in 2008. The target for the year is to audit eight ground handling companies at the headquarters level, which will serve to validate the safety practices and policies for their networks of airport operations. Following each headquarters' audit, up to 60 of a ground handler's airport stations will be audited to demonstrate compliance with station-oriented standards and to show connectivity with headquarters' operations.

Safety Management Systems

A Safety Management System (SMS) improves safety using a regimented approach to design and implement organisational processes and procedures to better identify safety hazards and control risks.

SMS is an IOSA requirement. And, as of 2009, it will be an ICAO requirement for airline operators, maintenance organisations, air navigation service providers (ANSP), and certified aerodromes. IATA is working with these groups and with ICAO and its member states to help them develop and implement SMS. A safety assurance process, to ensure quality, is a key component of a functional SMS. IATA is

conducting workshops around the world to build in-depth knowledge of safety and quality management.

IATA Training and Qualification Initiative (ITQI)

Global traffic growth brings challenges including the availability of qualified personnel, including pilots, engineers, and air traffic controllers. There will be 17,650 new aircraft in the global fleet by 2018. To fly those aircraft, the industry will need 207,000 more pilots, or 18,800 pilots per year. This exceeds the current capacity to train 15,200 pilots a year, which, in turn, creates a potential shortage of 39,600 pilots in 2018. To close the gap, it's clear the industry needs to re-think pilot training and qualification and create global standards for training concepts and regulation. It must also make aviation more attractive to potential candidates.

IATA has addressed these issues with the IATA Training and Qualification Initiative (ITQI). The Multi-Crew Pilot License (MPL) is integral to ITQI. It is a fully integrated, competency-based, and quality-driven concept with an emphasis on the pilot's role in a multi-crew environment. In 2007, IATA established a global MPL task force. That task force is developing a plan for globally harmonised training, is supporting the implementation of MPL in China and Japan, and is conducting a gap analysis of the existing Airline Transport Pilot Licence (ATPL) academic standards.

IATA is also joining forces with ICAO and the US-based Flight Safety Foundation (FSF) to deliver a global solution that aims at enhancing quality while increasing capacity.

Infrastructure safety

Airline safety is linked with the global aviation infrastructure. This includes the design of airports, airspace, and air traffic management (ATM) systems.

IATA is collaborating with ANSPs, airports, and regulators to address ATM safety issues related to a variety of subjects, including runway safety. In 2007, 25% of all accidents involved a runway excursion. IATA has joined forces with member airlines, FSF, and other stakeholders to develop an electronic toolkit that will address issues linked to runway safety. That includes measures to mitigate the consequences of excursions and a standard for aircraft braking action measurement and reporting.

Safety Information Centre

In December 2007, IATA launched a project to help airlines better understand and manage operational safety risks: the Safety Information Centre. This centre offers a platform for sharing the analysis of safety data, including incident reports, flight data, and IOSA data, to name only a few sources.

We are a global industry.
Flying must be safe
everywhere.
No exceptions.

Giovanni Bisignani
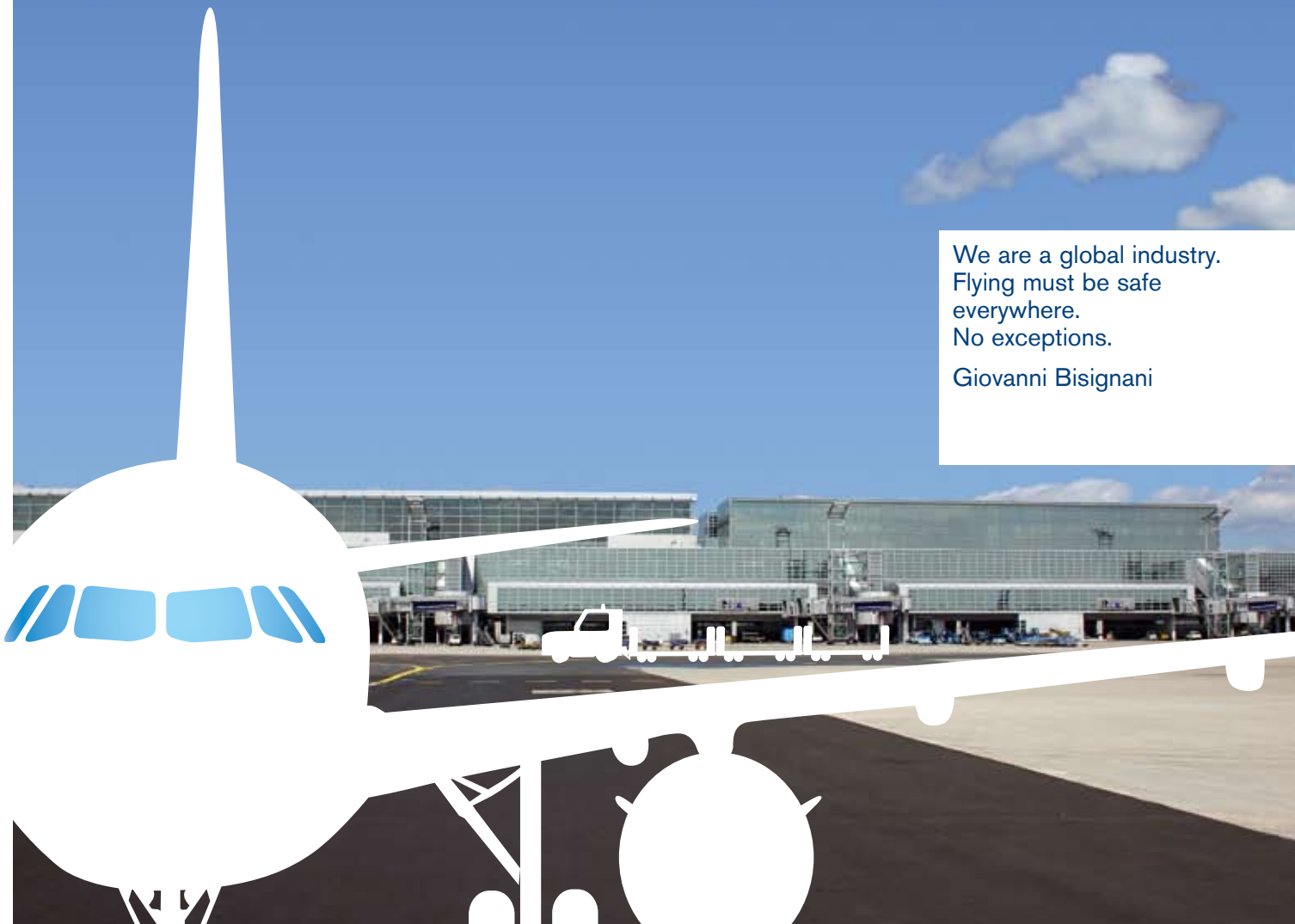
Security

Security is a top priority, alongside safety and the environment. Passengers deserve smarter and faster aviation security measures. IATA's global team works in collaboration with regulators, airlines, and manufacturers to make this a reality. At the same time, IATA strives to ensure that security procedures and technologies are cost effective.

In 2007, IATA initiatives protected the industry's bottom line by working to reduce aircraft security delays, eliminate duplicate transmission of passenger data, change regulatory fine structures, align regional passenger data collection requirements, and standardise security programmes.

IATA promotes a risk-based approach to security to ensure that resources are used in the most effective and efficient manner. To that end, IATA promotes international cooperation and encourages the mutual acceptance of security screening among competent regulators. IATA also advocates a layered aviation security system in which the most effective countermeasure is the ability of a nation to fully utilise intelligence resources and security forces.

Advance Passenger Information (API)

Globally, an increasing number of governments are demanding that airlines provide them with Advance Passenger Information (API) for security, border control, and customs purposes. The cost of changing industry data networks and reservation systems to meet varying requirements is significant for airlines, particularly when nations propose solutions outside international guidelines. IATA estimates that a typical airline will spend US$50,000 for each data element changed in an API message mandated by a regulator.

IATA works extensively with members, service providers, and government agencies in a concerted effort to standardise passenger data exchange programmes. During 2007, IATA's efforts led to beneficial changes in a number of countries, including the United States, the countries of CARICOM (10 Caribbean states with a common programme), Costa Rica, Hungary, Peru, Romania, and others. IATA now has available for members a user-friendly API and passenger name record (PNR) reference database covering all known and anticipated passenger data exchange programmes.

Passenger Name Record (PNR)

Governments continue to press the industry for greater access to airline Passenger Name Record (reservation) data while doing little to address incompatibility in passenger privacy laws, data transmission standards, and data access. IATA is working closely with the industry, with individual nations, and with ICAO to agree on a common approach to PNR. During 2007, IATA helped facilitate the EU-US PNR agreement signed in July 2007 and joined with stakeholders in calling for negotiations between the European Union and other countries seeking access to PNR data.

Cabin baggage restrictions in the European Union

Following the London liquid bomb plot of August 2006, the European Union introduced a regulation restricting the carriage of liquids and gels on board aircraft that included a clause restricting cabin bag size. If implemented, the size restriction would have inconvenienced passengers arriving and transferring at EU airports. Led by IATA, EU stakeholders objected to the cabin bag size clause, and the restriction was officially withdrawn in April 2008.

Cabin baggage restrictions in the United Kingdom

During the same time period, the United Kingdom introduced limitations on both cabin bag size and numbers. IATA members operating from the UK were affected, as passengers avoided transferring flights in the UK. IATA met with the UK Secretary of State for Transport to press for a solution. This meeting, along with new technology proposals from BAA, led to a governmental review of the cabin bag numbers restriction. As a consequence, an airport-by-airport removal of the numbers restriction went into effect January 2008.

Mutual acceptability

IATA continued to press regions and national governments to conclude security agreements recognising each other's level of security. This strong signal pushed the European Union and Singapore to sign the first bilateral agreement on liquids, aerosols, and gels (LAGs) in December 2007. In Central America, IATA helped seven countries develop a harmonised common security programme. Although these moves represent step-by-step progress towards one-stop security, nations continue to drag their feet on implementing a pragmatic approach.

APIS Quick Query final rule in the United States

Air carriers flying to the United States will have to comply with the US Customs and Border Protection's (CBP) new rule on Pre-Departure Advance Passenger Information System (APIS), including APIS Quick Query (AQQ), by the end of 2008. The key to the AQQ system is the near real-time processing of passenger information and immediate issuance of a board/no-board decision. IATA has been in the forefront in bringing together the CBP and the industry to reduce the financial and process impacts of the new regulation. For example, the lifting of severe restrictions on the ability to issue boarding passes will reduce check-in delays and the number of passengers denied boarding at transfer points.

IATA also successfully argued for allowing final data submission up to the point of departure instead of 30 minutes before the flight, avoiding millions of dollars of costs to airlines in delays, re-routing, and re-accommodation.

We are more secure than we were in 2001 but the annual bill is now US$5.9 billion. I see more hassle than value for this cost. Instead of becoming smarter, faster and simpler, too often we make it more difficult and more complicated.

Giovanni Bisignani

Simplifying Passenger Travel (SPT)

The IATA-led Simplifying Passenger Travel (SPT) interest group provides the industry with a vision and technology trials aimed at making passenger travel more convenient and secure. In 2007, the SPT interest group delivered the innovative Ideal Process Flow (IPF) 2.0 that leverages the use of real-time data exchange and biometrics for better passenger identification.

A "proof of concept" trial at Heathrow, called miSense, was conducted by the UK members of the SPT interest group and tested the IPF concepts of self-service check-in, expedited security, automated boarding, and border control using pre-collected passenger data and biometrics. The trial results showed high levels of acceptance both by passengers and staff and proved the feasibility of the technology to support the IPF.

The SPT interest group is now encouraging similar trials worldwide.

Aircraft security

Protecting critical aviation infrastructure from terror and hijacking threats continues to be IATA's core security focus. In 2007, IATA performed security surveys at 10 major international airports. Additionally, in coordination with member airlines IATA provided over 140 recommendations to the Transportation Security Administration (TSA) to stream-line the foreign air carrier security prog-ramme. These recommendations will be reviewed in 2008.

Security Management Systems (SeMS)

IATA's SeMS provides airlines with a risk-based framework to create a security culture that runs in parallel with an airline's safety culture. Today, some 117 airlines have implemented SeMS.

To speed worldwide acceptance and implementation, IATA continues to press regulators to make SeMS part of national aviation security policy. In 2007, Mexico, Costa Rica and Turkey mandated IOSA and the SeMS core elements. Brazil and Panama did so in the early part of 2008. Additionally, Transport Canada announced its intention to develop legislation detailing the SeMS requirements for Canadian transport operators.

Cargo security: Secure Freight

IATA plans to enhance supply chain integrity with its Secure Freight programme. Launched in 2007, this long-term initiative aims to secure cargo supply chains by defining, auditing, and registering secure operators that act in compliance with a quality assurance system.

During 2007, a number of building blocks were put in place. IATA and the International Federation of Freight Forwarders Associations (FIATA) formed an Air Cargo Security Industry Forum of 26 trade associations to influence regulators with a common message and unified voice. IATA is developing internationally recognised security accreditation standards with a security audit similar to ISAGO for supply chain operators. The target is to pilot this audit with a shipper and a forwarder by the end of 2008. IATA will also lead efforts to create a global registry of secure supply chain operators, including known shipper details, to be used by regulators and the supply chain to verify customers' security accreditation. IATA will pilot the audit with at least two supply chain operators during 2008.

Regulatory and Public Policy

Air transport supports 32 million jobs and US$3.5 trillion in economic activity. Still, it continues to be shackled by shortsighted government policies and 60-year-old rules that threaten its financial sustainability.

## Economic regulation – generally a quiet year

There were several dark clouds on the regulatory horizon at the beginning of 2007. The US government attempted to micromanage the treatment of passengers with disabilities by non-US carriers. The European Commission was reviewing its compensation policy in case of long delays, denied boarding, and cancellation and its slot allocation regulation. Only continued and effective dialogue prevented regulators from introducing new regulations that are impractical and costly to implement, so it was generally a quiet year.

Growing congestion

The gap between demand for air transport and available infrastructure continued to grow in 2007 and reached critical levels at New York's JFK airport. This prompted action from the US government at the highest levels and resulted in a thorough policy review. IATA successfully defended the adoption of worldwide scheduling guidelines to manage existing capacity at US gateways. However, the prospect of ill-conceived and diverse market mechanisms being imposed on the industry looms on the horizon. This includes the potential of primary auctions for new capacity in the United States.

The flags on the tails of our aircraft are sinking the industry. Airlines need commercial freedoms to serve markets where they exist and to merge or consolidate where it makes business sense.

Giovanni Bisignani
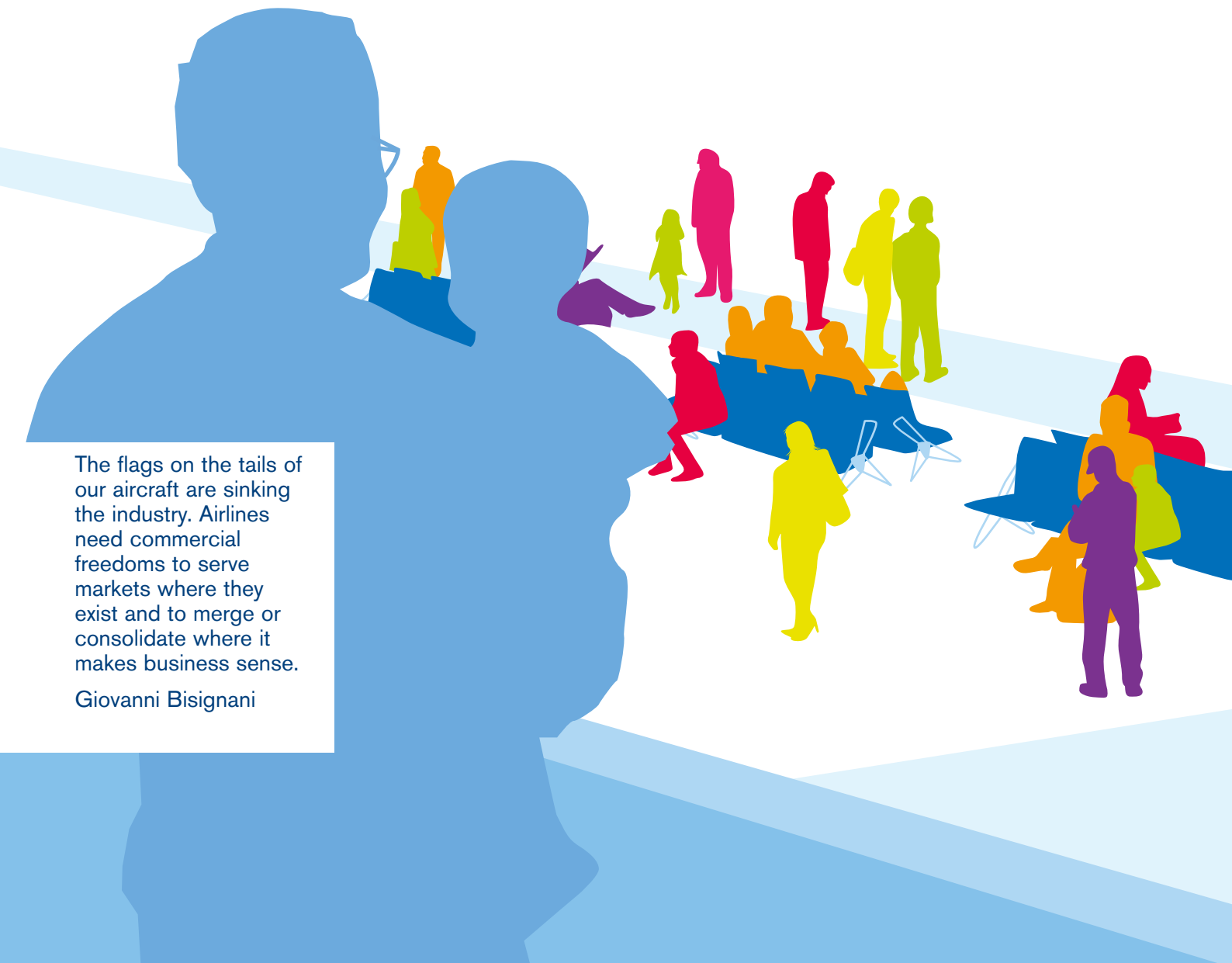
Liberalisation

IATA continued to press for the liberalisation of the industry as a way to improve financial sustainability. Airlines need the ability to pursue business opportunities where they arise and to merge or consolidate where it makes sense as in any other business sector. The rules governing aviation, however, are hopelessly out of date with business reality. Ironically, the 60-year-old bilateral system is the only accord that yielded some progress with the signing in March 2008 of the open skies agreement between the United States and the European Union. Together, the EU and US comprise 60% of the global aviation market.

The agreement opens up the transatlantic market between the EU and the US and expands certain traffic rights. It also creates an open trade zone encompassing the EU's internal markets, the US's internal markets, and flights between the two. Finally, it establishes a pledge for the two sides to keep negotiating towards greater openness and to harmonise rules in a number of areas, most importantly competition law. This is a modest step forward. In 2008, the two sides enter a second stage of negotiations. IATA demands progress on the ownership and control front.

On the multilateral front, the World Trade Organization (WTO) started its review of the Air Transport Annex to the General Agreement on Trade in Services. WTO member states may have limited appetite for pursuing the liberalisation of traffic rights in that forum but might try to open ancillary services further, such as airport management services.

Key trends for 2008

The two main regulators, the US and the EU, will now enter a quieter phase due to the US presidential elections in 2008 and the appointment of a new European Commission in 2009. But during this quiet period, negotiators will try to pave the way for further liberalisation under the Phase II talks of the open skies agreement between the US and the EU. IATA will monitor developments and provide economic analysis to support the case for progress.

The main problem is strategic. The bilateral system of air services agreements has come under criticism as being ill-adapted to the needs of modern commercial airlines. Further liberalisation under it is occurring in a haphazard way.

Latin America has seen the most creative initiatives to circumvent the system, with the establishment of virtually multinational network carriers operating from different countries under one brand and a single code. Similar cases exist in Asia, although arguably not so developed. For their part, the US and the EU have pushed the bilateral open skies to a new dimension, at least in terms of size, numbers, and complexity. However, this responds mostly to the particular needs of a very specific, and unique, trading bloc that hardly fits in the Chicago system.

When it comes to regulatory influence, market size seems to matter. In that respect, Asia will soon become the largest air transport market in the world. Yet so far it has failed to structure a vision of its own.

As a matter of priority, IATA is investigating what set of rules, if any, could replace, reform, or supplement the bilateral system of air services agreements that governs the business aspects of international civil aviation. The goal is to ensure that the industry that facilitated globalisation, can also participate in its benefits.

Environment

Environment is a core promise we make to passengers, along with safety and security. IATA's vision for carbon-neutral growth in the medium term and a zero-carbon future is being backed up with a solid strategy that is yielding tangible results.

In 2007, IATA's fuel programmes saved 10.5 million tonnes of CO_2 emissions— equivalent to US$2.1 billion.

Aviation is responsible for 2% of CO_2 emissions. Even with annual traffic growth of 5%, CO_2 emissions are increasing at only about half that rate—some 3%— because of efficiencies implemented across the industry. These include a US$2.8 trillion investment in fleet modernisation by airlines by 2026, infrastructure improvements, and operational advances. No other industry has a better record of improvement. Over the past 40 years, air transport has become 75% less noisy and 70% more fuel efficient.

However, a growing carbon footprint is unacceptable for any industry.

IATA has developed a four-pillar strategy to achieve its vision: invest in new technology, operate aircraft effectively, build and use efficient infrastructure, and provide positive economic incentives. In the long term, we are being even more ambitious—aiming for a zero-carbon future

IATA's 50-year vision is for the industry to be able to build and operate a plane with no net carbon emissions. In mid-2007, aircraft manufacturers, engine makers, fuel suppliers, and airlines came together to explore how to make this vision a reality. Although complete solutions do

not exist today, some of the building blocks are in place in the way of new materials and designs, alternative energy sources, and advanced IT solutions.

In April 2008, IATA led manufacturers, airports, and air navigation service providers in signing a declaration on aviation and the environment. This declaration turned the IATA's four pillar strategy into an industry-wide commitment.

„Our history is built on turning dreams into reality." Giovanni Bisignani
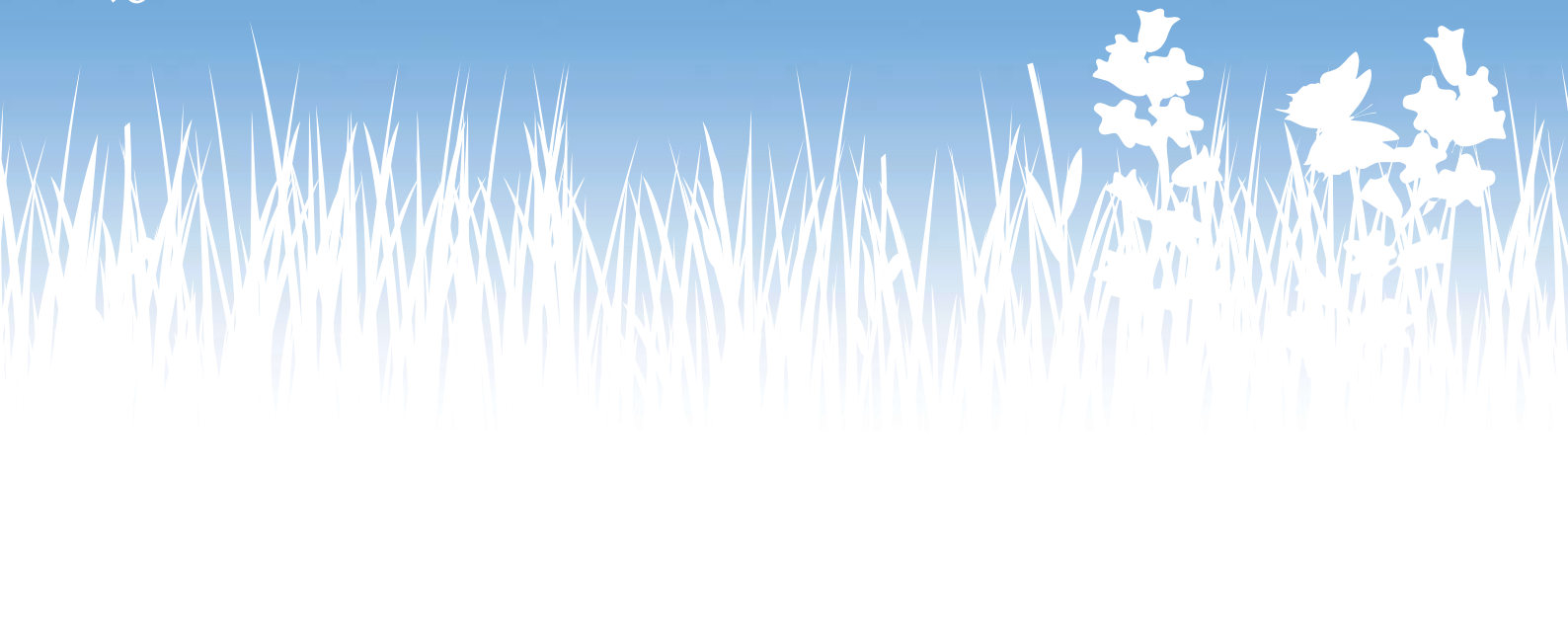
Our vision is to achieve carbon neutral growth on the way to a carbon-free future.

Giovanni Bisignani

Four-pillar strategy

IATA's strategy and target to improve fuel efficiency 25% by 2020, compared with 2005, was endorsed by all 179 contracting states of the International Civil Aviation Organization attending its triennial assembly in 2007. In April 2008, at the Aviation and Environment Summit, IATA joined associations representing airports and ANSPs as well as the CEOs of major manufacturers in signing a declaration turning IATA's four-pillar strategy into an industry commitment.

1. Technology

Technology is the key to achieving IATA's long-term vision of zero carbon emissions and will account for at least 75% of efficiency improvements. The accelerated development of alternative fuels and more-advanced technology for airframes, engines, and air traffic management is absolutely essential. IATA is developing a technology roadmap and a database of aircraft upgrades and fleet renewal to indicate what is available.

In the short term, the focus is on aircraft upgrades, including aerodynamic improvements, weight reduction programmes, and engine upgrades that can result in improvements of 5% to 10%. In the medium term, next-generation aircraft and new engine designs can result in another 10% to 15% in improvements. Over the longer term, though, greener aircraft will be required to achieve a further 10% to 15% in greater efficiency.

The IATA 2007 Report on Alternative Fuels explores some of the options available and the steps needed to increase the use of alternative fuels. IATA has set a target for 10% of airlines' fuel use to come from alternative fuels by 2017. A number of airlines and manufacturers are already carrying out innovative research into the use of biofuels. IATA's goal is to support initiatives looking into alternative fuel sources that have a net benefit in reducing CO_2.

2. Operations

More-efficient aircraft operations can save fuel and CO_2 emissions up to 6% according to the Intergovernmental Panel on Climate Change (IPCC). IATA is compiling industry best practices, publishing guidance material, conducting airline visits, and establishing training programmes to improve fuel conservation measures. IATA's Green Teams (formerly Go-Teams) work with airlines around the world to identify environmental efficiencies through gap analyses. In 2007, they identified operational measures that saved 6.7 million tonnes of CO_2 and US$1.3 billion. The 75 gap analyses conducted to date typically saved between 2% to 13% of an airline's fuel budget.

In 2008, IATA Green Teams will expand the coverage of their gap analyses to include ground operations, take-off and approach techniques, flight-planning tools and procedures, aircraft upgrades, and fleet renewal.

3. Infrastructure

By addressing airspace and airport inefficiencies, governments and infrastructure providers can eliminate up to 12% of CO_2 emissions from aviation according to the IPCC. Implementation of the Single European Sky (SES) and the US NextGen Air Transport System is a top priority for the progressive harmonisation of global airspace management. Flexible airspace access must also become a reality in other regions, especially in Asia, where traffic growth is particularly strong.

The optimisation of routes and terminal areas are the main focus. In 2007, 395 routes and operations at 80 airports were optimised, saving 3.8 million tonnes of CO_2 and US$831 million.

Reorganising air traffic over the Bay of Bengal is saving 50,000 tonnes of CO_2 a year. Modernised approach procedures planned at Japanese airports will save 160,000 tonnes of CO_2.

However, there are several areas that continue to bleed CO_2 through inefficiencies. The efficiency gains from implementing SES would lead to a 12 million tonne annual reduction in CO_2. Sorting out the tangle of air traffic procedures for the Pear River Delta's five airports would yield savings of 250,000 tonnes of CO_2.

Reduced Vertical Separation Minima (RSVM) provides another opportunity to reduce CO_2 by increasing the number of aircraft that can safely fly in a particular volume of airspace. IATA is working with governments and advising them how to implement RVSM. RVSM was successfully implemented in Algeria in October 2007, saving 120,000 tonnes of CO_2. It was successfully implemented in China in November 2007, for a saving of 1.1 million tonnes of CO_2. The focus for 2008 will be the implementation of RVSM in Russia, Central Asia, and Africa.

4. Economic instruments

IATA believes that positive economic incentives should be used to boost the research, development, and deployment of new technologies rather than negative measures, such as taxes and charges designed to suppress demand. Punitive taxes do not improve environmental performance.

In 2006 and 2007, the industry saw several proposals for "environmental taxes" that were thinly veiled attempts to pad public coffers, such as the increase in the UK Air Passenger Duty.

European Emissions Trading Scheme

If properly designed, emissions trading might be a useful element of a comprehensive approach to reduce CO_2, along with new technology, more-efficient infrastructure, and improved operations. But it needs to be global in scope for a global industry tackling a global problem.

In 2007, the European Union states decided to ignore the ICAO resolution requiring mutual consent for the implementation of emissions trading schemes. Instead, they pressed ahead with plans for a unilateral scheme that includes European and non-European carriers and routes.

This will have significant negative consequences. Extraterritorial implications could mean years of legal deliberations, which will do nothing to mitigate climate change. Traffic will shift to airports on the periphery of Europe. And the competitiveness of EU airlines could suffer.

Recent discussions with the EU indicate a new openness to engage with ICAO and IATA on a global approach. IATA will be pursuing this further during 2008.

Carbon offsets

Over the past few years, a growing number of airlines have introduced voluntary carbon-offsetting schemes for their passengers. As of 1 April 2008, some 25 airlines had introduced such schemes. But passenger use is low, and the parameters, costs, and supported projects vary widely from one programme to another, especially with respect to the calculation of emissions for particular routes and the price charged per tonne of carbon. The variations are so extensive that they threaten the credibility of these programmes.

IATA has developed a set of standards, metrics, and guidelines for the set-up and administration of carbon-offset programmes to support members that wish to introduce such schemes. These guidelines incorporate the recommendations for emissions calculation methodology being developed by ICAO's Committee on Aviation Environmental Protection (CAEP) in conjunction with IATA.

Cargo and the environment

IATA is working with other industry bodies and other transport modes, including sea freight, to limit supply chain CO_2 emissions. As part of that effort, IATA, in conjunction with the University of Hong Kong, has conducted research to quantify CO_2 emissions from the transport of cargo by air. In 2007, IATA used this research successfully to challenge a large retail chain that misled the public with its food miles labelling. In 2008, IATA will benchmark best practice for reducing CO_2 emissions in the supply chain.

IATA communications

IATA stepped up its communications efforts in 2007 to address negative perceptions about the role of aviation in climate change.

Phase One:
During phase one of its communications campaign, IATA targeted airline passengers through in-flight entertainment. Seven print advertisements are running in airline magazines to complement a short, one-minute video. The adverts have also appeared in print media, such as the International Herald Tribune and Financial Times.

Phase Two:
Phase two targets even more passengers with the installation of eye-catching information stands at major airports. The pilot stand was at Geneva airport from December 2007 to March 2008. IATA plans to place stands at a further nine airports across Europe during 2008, including Istanbul, the host city of IATA's Annual General Meeting.

IATA produced a three-minute video, Destination Zero, that tells the story of aviation's amazing technological advances since the dawn of flight. The video also looks at what might be possible in the future to achieve carbon-free flight.

IATA, meanwhile, is playing a crucial role in a cross-industry campaign coordinated by the Air Transport Action Group (ATAG). Activities in 2007 included the launch of the ww.enviro.aero website and a sustained media campaign, including rebutting inaccurate or misleading comments in the media.

Aviation emissions – the facts

> IATA's target of a 25% improvement in fuel efficiency between 2005-2020 will save around 345 million tonnes of CO_2 emissions.

> Each kilogramme of fuel saved reduces CO_2 emissions by 3.16 kg. Fuel efficiency improved by19% during 2001-2007.

> Based on the *IPCC Fourth Assessment Report*, it is estimated that the commercial aviation industry emitted around 670 million tonnes of CO_2 in 2007 and that our emissions are growing by some 20 million tonnes each year. This is far less than the emissions from road transport, shipping, deforestation, or energy production. Aviation is and will remain a small part of the big problem of climate change.

Aviation is a small part of the big problem of climate change. We take our responsibility to reduce emissions seriously.

Our future depends on our ability to limit our carbon footprint.

Giovanni Bisignani

Cost-efficiency

In 2007, the IATA external cost campaign continued to drive considerable savings for member airlines in airport and air navigation charges, fuel fees, and taxation. Total savings were US$3.7 billion, including US$1.1 billion in real cost reductions and US$2.6 billion in potential cost increases that were avoided.

in US$ millions	Total savings	Real cost reductions	Cost increases
Airports	1,536	371	1,454
ATC	1,388	372	464
Fuel	138	134	32
Taxation[1]	642	217	925
Total	3,704	1,094	2,875

Savings were offset by US$2.9 billion in government tax increases and airport and air navigation price hikes. Pressure for new aviation taxes is higher than ever, with the UK government announcing a proposed change from the UK Air Passenger Duty to an aircraft-based aviation duty that would increase revenue by around US$1 billion.

These figures demonstrate that a strong imbalance remains in the aviation value chain and ongoing abuse by monopoly providers. Although there are some excellent airport and air navigation service providers (ANSPs) that compete each year for the IATA Eagle Awards, too many out-of-control monopolies rake in exorbitant profits when left unchecked. In addition to damaging competitiveness, this lack of cost control is in stark contrast to what airlines have achieved since 2001: a 64% improvement in labour productivity and an 18% reduction in non-fuel unit costs.

Airports

A memorandum of understanding (MOU) signed with Incheon International Airport Corporation will secure savings in charges of US$483 million between 2007 and 2010, of which US$75 million is real cost reductions. The savings will be largely the result of a 10% reduction in landing fees for 2008–2010 and an agreement to freeze all other charges at 2006 levels until 2010.

In 2007, the Greater Toronto Airport Authority (GTAA) announced reductions in landing charges of 3.1% and in terminal charges of 4.7% for 2008, a welcome change from a traditionally expensive airport. These decreases result from cost cuts, efficiency improvements, and increased traffic. Crown rents, however, remain the major cost problem at Toronto, and IATA continues to press Canadian politicians to address this issue.

As a result of a concerted IATA campaign in Brazil, the Brazilian government has provided funding of just over US$1 billion to airport operator INFRAERO to offset the costs of infrastructure investments. This results in real savings for airlines, since the cost would otherwise have been recouped by higher charges.

In Argentina, after two years of discussions with the Argentinean government, the Argentinean congress, ORSNA, and AA2000, IATA reached an agreement with the airport concessionaire AA2000 that includes a 30% reduction in direct charges to airlines.

The Chinese government published a new airport charges regulation that follows IATA recommendations in a number of areas as the first step in a gradual reform process. The regulation, which went into effect 1 March 2008, provides for the withdrawal of discriminatory charges leading to lower international charges and higher domestic charges. However, many issues still need to be addressed. The Chinese authorities and IATA have signed a cooperation agreement to move progressively to best practice airport management, regulation, and charges as a cornerstone of Chinese aviation.

Savings in airport charges were more than offset by increases of US$1,454 million. Major contributors to this problem were airports in Australia (Brisbane and Melbourne); Belgium; and the United Kingdom (Heathrow and Gatwick) and new security charges in Malaysia and the Philippines.

IATA has blasted as a failure the decision of the UK Civil Aviation Authority (CAA) to allow costs at London airports to rise a massive 86% between 2008 and 2013. For Heathrow, the CAA has allowed charges per passenger to rise 23.5% from 1 April 2008, followed by increases of 7.5% plus inflation for each of the following four years. In the case of Gatwick, a similar 21% hike from 1 April 2008 will be followed by increases of 2% plus inflation for each of the following four years. IATA will continue to fight for proper economic regulation of the BAA airports by the CAA.

The industry outcry has drawn the attention of the Parliamentary Transport Committee and the Competition Commission and led to the government's independent review of the CAA by Sir Joseph Pilling.

[1] passenger related

The bureaucrats have proved to be impotent in defending the interests of travellers against monopolies.
The UK regulator is a phantom.

Giovanni Bisignani

EC airport charges directive

In 2007, in response to lobbying by IATA, the European Commission published its proposed directive on airport charges. Although it was a significant improvement on earlier drafts, it is weak on cost-efficiency targets and the robust economic regulation of airports. IATA's lobbying campaign, conducted jointly with the Association of European Airlines (AEA), continues to focus on three areas: to strengthen the role of the independent regulator, to include cost-efficiency targets, and to improve the transparency requirements for airports.

Air navigation service providers

In dealing with ANSPs in 2007, US$372 million in real reductions generated by IATA was outweighed by cost increases of US$464 million.

The most significant region for air navigation charges is Europe, through the EUROCONTROL Agency and its member states. Cost reductions of US$232 million from some countries were offset by cost increases from others, of US$242 million. Although IATA efforts also led to cost avoidance of US$133 million. The average weighted charge for 2008 has been reduced 0.3% compared with 2007, but total chargeable costs have increased 9.2%, to US$9.7 billion. Only two of the 30 member states have reduced their costs for 2008, while 14 have reduced their unit rate charges. Improvements are almost entirely due to the forecast 10.5% increase in traffic, with expected cost-control and cost-efficiency improvements still to be delivered.

Real cost savings and cost efficiencies in European air traffic management will only be achieved by implementing the long-delayed Single European Sky. The lack of progress results in continuing inefficiency, fragmentation, and delays, which cost the industry 12 million tonnes of CO_2 and US$4 billion a year. IATA welcomed the report and recommendations of the EC High-Level Group and continues to press for the speedy implementation of those recommendations through a new SES Package 2, due to be released in the first half of 2008.

Nav Canada, meanwhile, has announced a 4% reduction in navigation service charges. This represents cost reductions of US$60 million.

Taxation

The aviation industry continues to be regarded by many politicians and governments as a source of additional revenue. So IATA continues to fight proposals for aviation taxes that are often described as being for environmental, social, or development purposes when, in reality, they are largely revenue-generation opportunities.

In 2007, IATA secured savings in taxes of US$642 million, of which US$217 million was in real cost reductions. The most significant decreases were in Canada (decrease of Goods and Services Tax and Harmonised Sales Tax); Denmark (expiration of Transport Tax); and Guatemala (Transport Tax ruled unlawful). Avoidance of a new environmental tax in Belgium saved the industry US$412 million.

Again, tax increases were much higher than savings, at US$925 million. The major culprits were Egypt, with US$416 million (new tax on departing passengers); the United States, with US$223 million (increase of domestic segment flight tax and international departure/arrival tax); and the Republic of Korea, with US$89 million (introduction of Aid Tax).

Working together to improve cost efficiency

IATA continues to fight for effective and cost-efficient infrastructure.

Airline needs are clear:

> Adequate capacity to ensure that markets are well served;

> Service levels that meet customer expectations; and

> Prices that reflect efficiency.

The privatisation of airports is often seen as an opportunity to deliver on these three essential criteria. But an airport is important for what it delivers, not for who owns it. Providing the right incentives is the most critical part of the privatisation process. The industry has seen many privatisations fail because governments did not provide appropriate guidance to the new owners. IATA continues to urge governments to protect the interests of airlines, passengers, and national economies by ensuring that monopoly providers are subject to robust and independent economic regulation.

IATA strives for transparency and proper consultation with its industry partners in achieving long-term pricing and business agreements. These efforts are furthered by written materials that forcibly put forward the industry's case supported by studies, facts, figures, and analyses.

I don't care who owns the airport. That is for politicians to decide. An airport is important for what it delivers. We need efficiency.

Giovanni Bisignani

Industry and Financial Services

Billing and Settlement Plans (BSPs)

IATA's BSP acts 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. By the end of 2007, there were 81 BSPs in operation covering more than 160 countries and territories, including new operations in Albania, Nepal, and Papua New Guinea.

IATA cut costs 36% during 2007 while handling record volumes: gross sales totalled US$220 billion, up 14.6% over 2006. And IATA BSP processed 458 million transactions, an increase of 13.3% over 2006. Bad debt on increased sales in 2007 was only 0.024% of gross sales.

Cargo Accounts Settlement System (CASS)

CASS improves airline administrative efficiency by simplifying the billing process. In 2007, 14 CASS operations were added to the global network, bringing the total number to 72. Numerous records were set during the year, including air waybills processed (17 million); value settled (US$23 billion); and collection success rate (99.994%).

The consolidation of CASS data processing continued in 2007, with six operations migrating to the global platform, CASSlink. CASS Courier, Domestic, and Import operations have also migrated to the CASSlink system. Since the introduction of CASSlink four years ago, unit costs have been reduced 50%. There are now 25,000 agent locations connected to the system.

A global air waybill (AWB) management system that simplifies the AWB number allocation and control process was introduced during 2007 in eight countries. Since its launch, the global system has attracted more than 100 airline users.

IATA Currency Clearance Service (ICCS)

ICCS helps airlines to centrally manage their worldwide cash funds and convert currencies at optimal market exchange rates. ICCS continued its strong growth in 2007, clearing a record US$26.5 billion. More than 210 airlines use the service to manage funds collected in 82 countries.

ICCS is a key component of airlines' treasury tools for the efficient repatriation of their overseas sales funds. In 2007, a new facility for the accelerated transfer and straight-through processing of Euro funds was successfully launched.

We handled more of our members' money than ever before…US$315 billion. That is more than the GDP of Greece.

Giovanni Bisignani

↑ Gates
Gates **A2-A27** ↑

↑ Gates
Gates **B, C, D** ↑

IATA's Currency Coordination Activities

IATA helps airlines repatriate funds from highly or restrictively regulated markets and countries. In 2007, US$269 million of members' funds was blocked or delayed, up 6% over 2006. Of this total, US$123 million is in Venezuela and includes funds for which repatriation applications were submitted in November and December 2007.

The position on repatriations from Bangladesh, Eritrea, Ghana, Guinea, Iran, Libya, Nigeria, Pakistan, Seychelles, and Syria substantially improved during the year, but deteriorated in Algeria, Ethiopia, Malawi, and Mozambique. IATA, together with airline treasury departments, is driving action plans to ease the repatriation of funds from these markets.

IATA Clearing House (ICH)

In 2007, the ICH completed a fundamental transformation of the interline settlement process. After 60 years of monthly cycles, the industry moved to the weekly settlement of interline transactions to improve risk and cash management for all participants.

Additionally, the period between an interline transaction and its settlement has been shortened from an average of 45 days to 12 days—a reduction of 33 days, or 73%.

The average amounts outstanding also have been reduced, about 70%.

The value of industry billings through the ICH increased 12% in 2007, to US$44.3 billion. This shows substantial growth in all types of interline business except cargo, which registered a small decline.

First & Final Interline Billing Shows Growth

The number of airlines using First & Final for interline billing increased from 24 to 35, and transaction volumes now exceed two million per month. First & Final enables billings to be settled on a first-pass process that avoids billing disputes

and eliminates the need for retroactive adjustments to airline revenues.

During 2007, further efficiency was obtained by consolidating the two existing neutral proration engines into one that will now generate all interline-billing values based on industry standards and bilateral agreements.

Simplified Interline Settlement (SIS)

Web-enabled, weekly ICH settlements and 100% ET provide an opportunity to simplify and integrate the full interline billing-to-settlement cycle. SIS aims to deliver just that by automating and integrating all interline billing activity, eliminating paper from the process through electronic invoicing, and enabling automatic reconciliation of interline billings with ICH claims.

SIS will save IATA member airlines between US$500 million and US$750 million per year by eliminating duplication and legacy, paper-based processes. It will also deliver environmental benefits by avoiding the need to transport 200 tonnes of paper invoices and supporting data each year.

IATA Card Services

IATA CardClear global card processing and IATA CardAXS credit card settlement provide the centralised settlement of airlines' global credit card sales. Worldwide, credit card sales account for 28%, or US$61 billion, of airlines' sales through IATA agents. IATA CardClear is firmly established as the main service for processing credit card sales for 107 member airlines.

Linked directly to IATA CardClear, the IATA CardAXS service provides multi-currency settlement to IATA members for their global Visa and MasterCard sales.

IATA InvoiceWorks

IATA InvoiceWorks provides an Internet-based electronic invoicing service for the air transport industry. Through IATA InvoiceWorks, members cut costs associated with sending, receiving, and processing invoices up to 75%.

Over 270 airlines and more than 5,500 industry suppliers are already linked and enjoy the financial benefits of electronic invoicing through IATA InvoiceWorks. During 2007, the number of invoices processed through IATA InvoiceWorks grew to 650,000, an increase of 38%.

IATA's ATC and Airport Enhancement and Financing (E&F) Service

The E&F Service helps ANSPs lower the costs and improve the efficiency associated with the invoicing and collection of user charges by using IATA's financial systems.   The service also helps airports and ANSPs secure cost-effective financing for investment in civil aviation infrastructure. By the end of 2007, IATA's E&F Service had processed more than US$950 million in over 40 countries, including China and India.

Industry and Financial Services

Passenger Agency Programme

The Passenger Agency Programme provides an efficient and financially secure method of distribution, billing, and settlement for its member airlines through IATA-accredited travel agents. In 2007, the programme was modernised by the adoption of a new set of rules introduced in six southern African nations and the entire southwest Pacific region, including Australia, where specific immunity from competition law has expired. The goal is to roll out this new set of rules in other markets in 2008 in close consultation with the agent community and as agreed by the Passenger Agency Conference (PAConf). The final strategy sees the entire IATA Passenger Agency Programme operating under a single set of rules, with local variations where required.

Tariff Conferences: IATA Flex Fares and e-Tariffs

Since the expiry of the block exemption for tariff coordination in intra-EU markets at the end of 2006, the new IATA multilateral interline flex fares system has been made available for sale in five regions flying to and from Europe. This is in line with the US and European regulatory deadlines of 30 June and 31 October 2007, respectively. Flex fares will soon be available in all to and from Europe markets and between the United States and Australia.

In addition to addressing regulatory concerns and maintaining the important consumer benefits derived from interlining, flex fares bring substantial industry cost savings, as updates can be handled automatically using the new Internet-based e-tariffs electronic platform. E-tariffs is a virtual conference system where tariff coordination members make anonymous proposals to maintain IATA interline tariffs. It is being used to replace traditional face-to-face meetings in other regions. The transition to e-tariffs will continue through 2008.

In 2008, IATA plans to implement flex fares on routes between Australia and the rest of the world where immunity is due to expire on 30 June 2008. Other markets will be included as the regulatory environment evolves and to drive efficiencies.

Discretionary Services

A new recommended practice (RP1790) and new reservations procedures were adopted by the Passenger Services Conference in 2007. They will allow airlines to automate the pricing, booking, and payment of discretionary services, such as prepaid meals, priority seating, lounge access, and in-flight entertainment, among other services. This helps airlines to take advantage of the efficiencies of the industry distribution system and to ensure payment and service delivery.

Scheduling

In 2007, the heads of delegation of the Schedules Conference endorsed the recommendations of five process-improvement task forces that will deliver significant cost savings and productivity improvements in the slot allocation process for the 2008 Schedules Conference.   Airlines can now receive data prior to the conference, and the advancing of the slot hand-back date will give coordinators extra time to re-allocate slots for the airlines. An expanded number of pre-conference activities will cut out administrative activities and allow airlines to use their time for slot acquisition and trading.

IATA's job is to improve our industry's competitiveness. We are driving change in critical areas.

Giovanni Bisignani

Standard In-flight Safety Video

In response to member airline requests, IATA produced a standard in-flight safety video that uses modern video techniques to convey the latest mandatory safety briefing information. The video can be customised to reflect individual airline's cultural, marketing, and business requirements. This affords airlines a cost effective and professional means of enhancing safety and their brand image.

IATA Catering Quality Assurance (ICQA) Programme

The ICQA allows airlines to achieve cost reductions in the area of catering facility auditing. The programme features common food safety and quality standards and consistent and effective audits carried out by independent professionals. In 2007, 800 audits were conducted on over 200 catering facilities worldwide on behalf of the nine airlines that have joined the ICQA so far.

Cargo 2000

Cargo 2000 delivers a simplified quality management system that reduces the number of steps in the air cargo supply chain from 40 to 19 while improving reliability. Cargo 2000 is under the management of Cargo Network Services (CNS), a subsidiary of IATA, with the Cargo 2000 Board remaining as an IATA-funded interest group. In 2007, Cargo 2000 participants rose from 56 in 2006 to 62.

The priorities for Cargo 2000 during 2008 are to strengthen the Cargo 2000 management team and to improve the network penetration of Cargo 2000 among its existing participants, to 85%, up from the current 63%.

Standards

New IATA air waybill conditions of contract have been adopted through the Cargo Services Conference under Resolution 600b and were declared effective on 17 March 2008. This industry-preferred version will provide a modernised, standardised, and abbreviated version of the air waybill conditions of contract for the industry.

The Cargo Services Conference has approved the use of postal air waybill numbers for the transportation of mail by the airline industry. The Dangerous Goods Board has likewise adopted the provisions for the electronic acceptance of dangerous goods shipments for carriage by air.

A new specialised task force has been created to support the development of standards for the transportation of time- and temperature-sensitive shipments, specifically for the pharmaceutical industry.

Unit Load Device (ULD) Management Project

As a result of the ULD Management Project, IATA will promote the adoption of robust, lightweight containers. Industry savings arising from reduced fuel burn will amount to US$83 million per year. A ULD optimisation tool has been produced enabling airlines to conduct more-effective inventory planning and procurement decisions. A training programme has also been developed to reduce damages from improper handling. The business case for ULD track and trace enabled by RFID has been completed, as has a passive RFID standard. However, with a payback period of four years, the business case was put on hold until there is sufficient demand.

Cargo Agency Programme

The Cargo Agency Programme continues to evolve in response to the changing role of the freight forwarder from that of agent of the carrier to agent of the shipper.

In 2007, the Cargo Agency Conference adopted a new Air Cargo Programme for India modelled on the European programme established around mutual airline and forwarder benefits. Additionally, the Cargo Agency Programme operated in Australia underwent significant amendment to comply with trade practices legislation without needing to seek immunity from the national authorities.

The IATA/FIATA Consultative Council, meanwhile, successfully addressed key issues involving customs changes and training in 2007.

Aviation Solutions

IATA helps companies across the industry navigate the changing business landscape with a suite of services and solutions that improve performance and promote profitable growth.

Consulting

In 2007, IATA Consulting undertook over 80 engagements with organisations in 50 countries, including with Qatar Airways, Saudi Arabian Airlines, Tunis Air, SriLankan, and others. Fuel-efficiency consulting generated an estimated US$200 million in savings during the year while helping to reduce CO_2 emissions.

Network development and fleet planning for Kuwait Airways (Kuwait City, Kuwait)

IATA Consulting identified high-potential aviation markets and customer segments and delivered a detailed 10-year, route-by-route schedule development and fleet plan based on realistic expansion plans and in line with the strategic vision of Kuwait Airways.

Runway and taxiway capacity study for Edmonton International Airport (Edmonton, Canada)

IATA conducted a study to validate runway options, to determine the gate requirements, and to propose improvements to increase the maximum runway capacity to ensure cost-effective and efficient expansion and operations.

IATA also conducted a comprehensive aircraft flow simulation study to assess and validate the proposed concept and to identify bottlenecks and measures to improve the design. This work is part of a larger project underway in 2008.

Training and development

In 2007, the IATA Training and Development Institute (ITDI) enrolled 36,700 students in 535 courses. More than 27,000 of those students were in distance-learning programmes, with the remainder attending classroom courses in one of IATA's five regional training centres and in-company or regional programmes.

Importantly, ITDI supported the IATA Partnership for Safety Programme in 2007. ITDI worked closely with the International Airline Training Fund (IATF) to deliver 35 safety-related courses in developing nations.

Towards improving cargo operations, IATA expanded its network of accredited cargo training schools to 10, diversified course-delivery language options, and introduced multi-modal dangerous goods training through strategic partnerships.

In June 2007, ITDI signed a number of agreements to expand its reach. These included a joint diploma agreement with Jeppesen Sanderson Inc. to develop more activities in the United States, training service agreements with Emirates and Saudi Arabian Airlines, and a new pact with the United Federation of Travel Agents' Associations to promote closer collaboration and joint marketing.

Publications

IATA produces more than 250 publications that cover a variety of topics. These publications range from industry regulations, such as the Dangerous Goods Regulations Manual (DGR), the official manual for shipping dangerous goods by air, to specific air travel requirements captured in the Travel Information Manual. Many of these publications are now in electronic format and are being continually enhanced.

IATA's electronic online store (www.iataonline.com) remains the window into its entire publications portfolio.

During 2007, IATA launched the IATA Travel Centre (www.iatatravelcentre.com), which offers consumers and airlines the chance to verify passport and visa information against IATA's vast database of requirements. The site aims to reduce the annual industry cost of over US$200 million caused by the 35,000 travellers who are turned back at destination or transfer points by immigration authorities for improper documentation.

Conferences and events

In 2007, IATA offered 14 global events covering passenger, cargo, airport, and civil aviation fields of interest. The over 4,000 delegates who attended benefitted from high-level discussions, networking opportunities, and presentations covering relevant topics and issues.

The year saw the development of key new events that bring larger focus areas under one event, namely, the Ground Operations Safety Symposium, the World Cargo Symposium, and the Commercial Strategy Symposium.

Strategic partnerships

For 18 years, the IATA Strategic Partnerships programme has linked air transport industry suppliers and service providers with IATA and its member airlines in the development of industry solutions. In 2007, airports were also given the opportunity to participate in the decision-making process, with the launch of the IATA Airport Advisors programme.

Over 330 companies, and a growing number of airports, are contributing their expertise, products and services, and financial resources to programmes such as Simplifying the Business to ensure a healthy future for the industry.

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 to deliver historical and forecast data on global passenger and cargo flows. These solutions include PaxIS, a market intelligence tool for air travel analysis that derives passenger flow data from issued airline tickets, and CargoIS, the industry's source of cargo market intelligence. In 2007, IATA expanded the PaxIS service to include new tools and data sets, launched Cargo Service Tracker to provide insight from air freight forwarders on airline choice and overall service delivery, and expanded the data on low-cost carriers in the World Air Transport Statistics publication.

PaxIS

PaxIS is the most comprehensive airline passenger market intelligence database available today. It offers accurate market data based on issued tickets collected from 30 different computer reservation systems operating in 156 countries. PaxIS data allows airlines to make informed and insightful business decisions by supporting:

> Passenger flow analyses of specific Origin & Destination (O&D)

> Aircraft capacity and cabin configuration analyses

> O&D analyses to develop profitable schedules and maximise passenger loads

> Travel agency performance

> Customer segment analyses by fare class

> Advance purchase analyses

> Distribution channel analyses

> Market share analyses of markets and routes

Members also benefit from IATA's expertise in market research surveys through services such as Intra-Asia and Global Airline Performance (GAP) and from IATA's Surveys of Flights in Europe.

These services are complemented by IATA's Frequent Flyer Programme Survey, which provides insight on loyalty programmes in the air transport industry, and by the Corporate Air Travel Survey, which is an essential study for any company that needs to know what the world's business travellers want today when they travel by air.

IATA Worldwide Membership

Active Members

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Japan Airlines
Jat Airways
Jet Airways
Jet Lite
Jordan Aviation
Kenya Airways
Kish Air
KLM
Korean Air
Kuwait Airways
LACSA

LAM
LAN Airlines
LAN Chile Cargo
LAN Perú
LAN Ecuador
Lauda Air
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
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Montenegro Airlines
Nationwide Airlines
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SAS
SAS Norge
Saudi Arabian Airlines
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Sichuan Airlines
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SATA Air Açores
Shenzhen Airlines
Tassili Airlines
Varig Log
Zambian Airways

IATA Offices Worldwide

Main Offices

Montreal - Head Office

800 Place Victoria
P.O. Box 113
Montréal, Québec H4Z 1M1
Canada

Tel.: +1 514 874 0202
Fax: +1 514 874 9632

Geneva - Executive Offices

33, Route de l'Aéroport
P.O. Box 416
CH - 1215 Geneva 15 Airport
Switzerland

Tel.: +41 22 770 2525
Fax: +41 22 798 3553

Regional Offices

Africa
Post Net suite 167
Private Bag X9916
Sandton 2146
South Africa

Asia Pacific
111 Somerset Road,
#14-05 Somerset Wing
Singapore 238164

★ Main Office   ■ Regional Office   ● Country Office

China & North Asia
12a Floor, Building 12
Xibahe Beili
Chaoyang District
Beijing 100028
People's Republic of China

Europe
350 Avenue Louise
Louizalaan
Brussels 1050
Belgium

Middle East & North Africa
52 Al-Hashemiyeen St
Abdoun
P.O. Box 940587
Amman 11194
Jordan

Latin America & the Caribbean
703 Waterford Way
NW 62nd Avenue Suite 600
Miami, Florida - 33126
United States

North America
601 Pennsylvania Avenue NW
Suite 300
North Building
Washington DC
20004
United States

Russia and C.I.S.
19-1 Lyalin Lane, 3rd Floor
105062 Moscow
Russia