



annual report  
2009

International Air Transport Association



# 2009



**Giovanni Bisignani**  
**Director General & CEO**

International Air Transport Association  
Annual Report 2009  
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We are a **resilient** industry.

We will **survive** the crisis one way or another.

But we must ask some **serious questions**.

In what shape will the industry emerge?

Will the shakeout be orderly?

And the most important question of all:

**What can we do to make the industry healthier and stronger?**

Giovanni Bisignani

# IATA Board of Governors

as of 1 May 2009

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# Director General's Message

Some of the most dramatic swings in our industry's history were witnessed in 2008.

Oil started the year at \$97 and ended at about \$40 per barrel (Brent). But it hit \$147 per barrel in July, threatening to add over \$100 billion to the industry fuel bill. In the end, oil averaged at \$99 per barrel, which brought our total fuel bill to US\$168 billion.

By the fourth quarter, the industry story was focused on the intensification of the global recession and the resulting collapse in demand. The year ended with large fourth quarter losses that put the industry at least \$10 billion in the red.

Airlines face a tough 2009.

There is some relief on the fuel bill. But the good news stops there. Demand is disappearing and revenues are plummeting. The Influenza A(H1N1) scare is a reminder that, even in a crisis, this industry remains vulnerable to shocks beyond its control.

First quarter passenger traffic was down 9.1%, with premium passenger numbers falling away at almost double that rate. And cargo was down 22.8%. Many airlines, particularly in the US, responded with aggressive capacity adjustments, but most were not able to keep pace with the precipitous fall in demand. Others were caught with fuel hedges higher than spot prices.

We may have seen the worst of the recession, signaled by stabilization in freight volumes at exceptionally low levels. But it is unclear how long the industry will bounce along the bottom before a significant recovery.

Air transport will be a smaller industry for at least the next few years. The challenge is to reshape and resize for profitability.

To start, airlines will need to carefully match capacity with demand. The task will be made more difficult by the planned delivery over the next three

years of 4,000 aircraft ordered in more optimistic times. The results of the last months show that airlines that acted fast and most aggressively are reaping the benefits.

IATA is working hand-in-hand with its members to help airlines with at least three top priorities in surviving a crisis: improving safety, conserving cash and cutting costs.

On 1 April 2009 we achieved an important milestone. In line with targets agreed at our 2006 AGM, all 224 IATA airlines were listed on the IOSA Registry. We are a quality association delivering impressive results on safety. In 2008, IATA members had one accident for every 1.9 million flights. This performance was even better than the industry's one accident for every 1.2 million flights. Air is the safest form of travel. In line with the success of IOSA, the IATA Safety Audit for Ground Operations (ISAGO) is now well established as the global standard for this area of operations.

IATA is keeping the industry's cash safe. Our financial systems processed a record \$350 billion during 2008—equivalent to two-thirds of total industry revenues. Even as airlines,

travel agents and banks failed, IATA did not miss one payment or one penny. As challenges mount with the current recession, we will continue to be vigilant in ensuring that airlines' cash flow is never compromised.

IATA is helping airlines to reduce costs. Last year we achieved savings of \$3.5 billion in fuel fees, taxation, and airport and air navigation charges. Our fuel campaign helped our members reduce fuel consumption costs by \$5 billion.

With 100% e-ticketing in June 2008, we also realized \$3 billion in cost savings. An additional \$1 billion was saved with the deployment of Common Use Self-Service (CUSS) kiosks reaching 135 airports. IATA is targeting a further \$10 billion in savings with bar coded boarding passes (BCBP), Fast Travel, the Baggage management Improvement Program (BIP) and IATA e-freight.

Even in these turbulent times, we must look ahead. Two important issues are essential to our long-term industry agenda: environment and liberalization.

IATA's four-pillar strategy to address climate change with technology, effective operations, efficient infrastructure, and positive economic measures is delivering



results. This year we expect an 8% drop in aviation's emissions. Of that, 6% is from reduced capacity and 2% is a direct result of the strategy. Our vision to achieve carbon-neutral growth on the way to carbon-free technology with a 50-year time horizon sets us ahead of any other industry.

The challenge for this year is to achieve an agreement on economic measures. IATA continues to work with the International Civil Aviation Organization (ICAO). Our goal is to facilitate a global solution for the aviation sector at the United Nations Framework Convention on Climate Change (UNFCCC) meeting in Copenhagen in December.

We also need governments to move from thinking about liberalization to action. The economic crisis is making access to global capital more important than

ever. IATA's Agenda for Freedom Summit will convene again in the last half of the year. Our aim is to formalize progress with this group of 15 of the most liberal government players in aviation by developing policy tools to move the process forward.

Airlines are catalysts of economic activity. With the freedom to do business like any other industry, aviation can play a vital role in helping governments stimulate the global economy.

Securing our future in these difficult economic times will be hard work. But

we are a resilient industry, capable of great change. Airlines will rise again to the many challenges that this industry faces. And we will emerge from this crisis safer, greener and profitable.



Giovanni Bisignani  
Director General & CEO



# The State of the Industry

## Oil price bubble leads to crippling rise in costs

Two thousand eight was an exceptionally challenging year. Airlines were hit first by an unprecedented spike in oil prices and then by a precipitous drop in revenues caused by a collapse in world trade and the start of what is looking to be the deepest recession since the 1930s.

Airlines have reacted with unusual speed to resize capacity in the face of slumping demand. This and the subsequent fall in oil prices back to 2004–5 levels may prevent what is expected to be the largest-ever decline in airline revenues, in 2008, from leading to a similarly record-breaking net loss in 2009. Nonetheless, 2009 will be as, or more, challenging than 2008, with a number of threats on the horizon and the ability of the industry to resize and reshape itself constrained by restrictive regulations preventing cross-border mergers and consolidations.

Crude oil prices started 2008 at a historic high of \$97 a barrel (Brent), the result in part of rising exploration and extraction costs. The real damage to airlines' expenses, however, was done by the speculation in oil that emerged in February. That activity drove up oil prices a further 50%, to \$147 a barrel, by early July, and some analysts at Goldman Sachs and elsewhere were predicting additional increases, to above \$200 a barrel. The hike in oil prices naturally caused jet fuel prices to rise, almost 60%, from \$114 a barrel at the start of the year to a peak of more than \$180 a barrel.

Fuel costs soared from an average of 28% of airline's operating costs in 2007 to well over 40% by mid-2008, and to in excess of 50% for some airlines. The limit at which this unprecedented surge in costs could be passed on to passengers and shippers was soon reached. That, and because profit margins in 2007 had only reached 3.9%, caused the industry to sustain a substantial net loss in 2008.

The oil bubble burst in late July 2008 along with speculation in other commodities. By the end of the year, oil had fallen to \$40 a barrel, less than half its price at the start of the year and over 70% below its July peak. Notably, though, this was still double the average 1990–2002 price level of \$20 a barrel.

Also notable was that jet fuel prices did not fall as far. This limited the relief for airlines and their passengers as refineries took the opportunity to boost their margins. By year-end, however, jet fuel prices had fallen back to \$60 a barrel, but the refinery margin or "crack spread" of 50% over crude oil prices was much higher than the normal 25%.

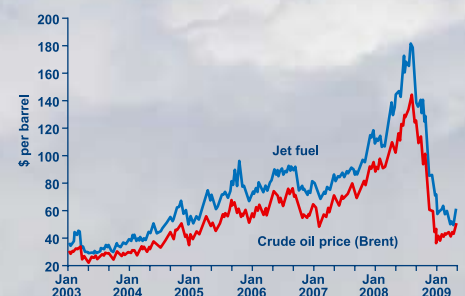
The other factor that limited the benefits from lower crude oil prices in 2008 was the impact of fuel hedging contracts taken out earlier in the year, when the fear had been of even higher oil prices than at the July peak. These contracts meant many airlines paid much higher prices for their fuel than spot prices during the 2008 fourth quarter.

The application of newly adopted accounting rules led subsequently to reports of large, noncash losses as unrealized fuel hedges were marked to market. In fact, \$5 billion of mark-to-market fuel hedge losses were reported by Asian airlines alone in the fourth quarter of 2008.

Such heavy noncash losses exaggerated the effect on cash flow of fuel hedging losses. Nevertheless, the impact on cash was significant enough to render airlines' financial performances in 2008 much worse than expected.

Jet fuel and crude oil price

Source: Platts, RBS



## Recession causes collapse of key aviation markets

The other factor that led to larger than expected losses at the end of 2008 was the precipitous fall in traffic in key aviation markets. This resulted in a significant decline in revenues.

Airfreight volumes, which are always a timely indicator of international trade and economic activity, started to decline during the second quarter of 2008. Measured in freight tonne kilometers (FTKs), airfreight began the year at a fairly robust pace, growing around 5% in the first quarter. By December, however, airfreight volumes had collapsed more than 22% below the level a year earlier.

The scale of this decline is unlike anything experienced before by the industry and reflects the unprecedented global drop-off in manufacturing production and goods trading at the end of 2008. The 15%–30% declines in economic activity in major economies worldwide dwarf those of all recessions in the past 40 years and make this likely the worst downturn since the 1930s.

As with airfreight, passenger markets, too, began the year growing at a robust rate amid still solid economic

growth worldwide. Revenue passenger kilometers (RPKs) in international markets flown by IATA member airlines rose more than 5% on average during the first half of 2008, not far below the 6% growth trend of the previous decade. In September, though, passenger travel turned negative. And by December, international RPKs were down 4.6% from a year earlier.

Business travel is highly sensitive to problems in the economy and fell fast. Ticket numbers for business and other premium travel had already turned negative by the middle of 2008. The wider impact of the September bankruptcy of New York-based financial house Lehman Brothers in particular triggered a sharp fall in air travel by the financial sector and especially in the number of passengers traveling on premium tickets. By December, premium travel was down more than 13% from a year earlier. The crisis accounting for weakness in financial-sector travel had spread to the manufacturing sector and particularly its export industries, which

supply many business travelers. In early 2009, the rate of decline in premium traffic exceeded 20%.

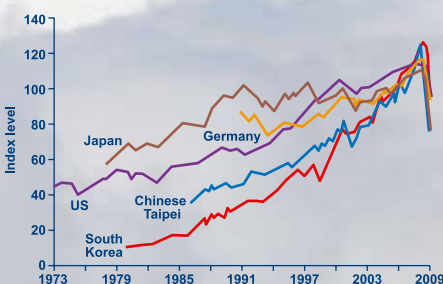
Evidence indicates that many business travelers shifted to the back of the aircraft if they didn't cut travel altogether. The growth rate for the number of passengers on economy tickets slowed more significantly from that for premium travel after September. Heading into December, economy travel had fallen more than 5% from year-earlier levels, compared with the over 13% for premium travel.

Travel on economy tickets will have been supported to a moderate extent by cuts in fares and fuel surcharges at the end of 2008 and by the shift of business travelers to the back of the aircraft. Overall, however, passenger travel is dominated by the impact of the recession on incomes and confidence. Lowering the cost of travel will not be sufficient to offset the effect on travel numbers of the recession.



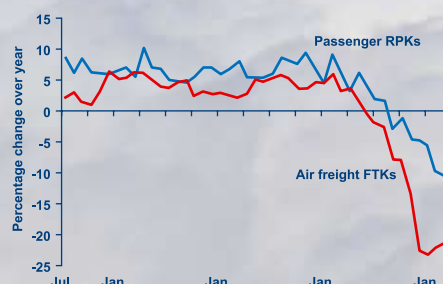
Manufacturing output indices

Source: Haver Analytics



International revenue passenger and freight tonnes - kilometers

Source: IATA



Passenger traffic growth by ticket type

Source: IATA



### Airlines cut capacity at varying rates

The surge in fuel prices in the first half of 2008 meant fuel represented more than 50% of many airlines' operating costs. In the United States, many airlines had already fully depreciated their older fleets relative to the fleets of airlines in other regions. US airlines, therefore, were able to cut capacity more quickly than airlines elsewhere, particularly in their domestic market where reductions were in excess of 10%.

Airlines in other regions could not react as quickly because their aircraft still carried high fixed capital costs and because of restrictions due to slot regulations. As a result, capacity reductions were mixed across markets during the latter part of 2008.

The three-largest long-haul international markets—across the Atlantic, the Pacific, and Europe to Asia—saw significant capacity reductions, though not as extensive as within the US. Some

markets, though, continued to expand. This was especially so within Asia and the Middle East, where the largest number of new aircraft were delivered. Consequently, the industry saw the fall in travel demand exceed its reductions in capacity at the end of 2008.

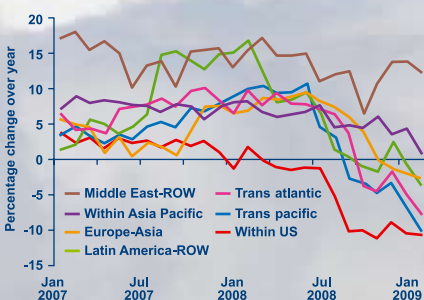
Deliveries to airlines of jets and turboprops rose to a record peak of 1,177 new aircraft in 2008. This was despite the strike at Boeing that reduced deliveries from that maker. Unfortunately, the delivery cycle was out of line with the cycle in travel demand. Peak deliveries occurred when demand was declining.

### Load factors fall in most markets

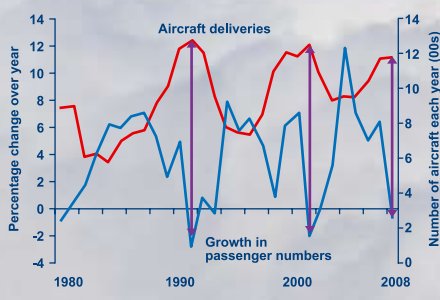
The lag between capacity cuts and slumping demand reduced load factors. Load factors at the beginning of 2008 were high and matched those for the previous two years. Those levels were sustained until midyear, when the proportion of seats filled started falling. By December, average load factors for international markets had fallen to 73.8%, from 76% the previous year. In the early months of 2009, load factors fell even more steeply.

Airlines faced emptier aircraft as a result of the recession. A surge in the number of older aircraft taken out of service during September to November 2008 was exceeded at the end of the year by the number of new aircraft delivered. So fleets were expanding, forcing airlines to reduce capacity by cutting flight frequencies and some uneconomic routes.

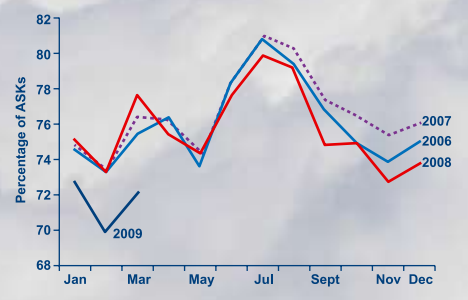
Scheduled data for growth in ASKs by major route area *Source: SRS Analyser*



Passenger growth and new aircraft deliveries *Sources: Ascend, ICAO, IATA*



Load factors in international markets *Source: IATA*



## Yields come under increasing downward pressure

Fuel hedging contracts kept airline costs high during the fourth quarter of 2008. But the fall in spot oil prices will significantly reduce costs during 2009. This should allow a reduction in the cost of travel and air cargo. Airfares, however, had already begun to decline by October 2008 amid slumping demand, load factors, and aircraft utilization.

The first half of 2008 was characterized by double-digit increases in premium fares as airlines sought to recover part of the surge in fuel costs from this market segment, which is less price sensitive than other fare segments. There were also increases in economy fares, but at about half the rate for premium fares. Fuel surcharges are not included in these fare increases.

The year-end deepening of the recession and slump in business travel had an enormous effect on fares as 2008 drew to a close. The largest fare declines occurred with premium tickets, which were down 8% from a year earlier by December 2008. Economy fares on international markets were down by substantially less, at around 3%.

The larger fall in fares for seats at the front of aircraft is a sign of how intense the competition in fares has become amid the economic crisis.

Airline yields, though, fell even further than fares during the latter part of 2008. Higher-yielding premium passenger numbers, for example, dropped at more than twice the rate of the number of passengers on economy tickets.

## Airlines in most regions see profits deteriorate

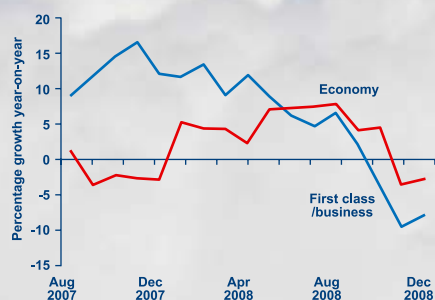
In hindsight, 2007 appears to have been a respite during the period of continued downward pressure on profitability experienced by the industry since 2001. In 2007, the over \$5 billion in net profits for the airline industry in North America and Europe promised a durable recovery. The industry's worldwide operating margin, however, was just 3.9%, and this was the peak of the cycle. What is more, this was below the 5.6% peak in the 1990s profit cycle and lasted only one to two years compared with five years of more than 4% profitability in the 1990s.

Much of the loss suffered by the industry during the first half of 2008 was due to substantial losses by North American airlines. Airlines in that region were less protected from surging fuel prices than airlines in other regions. Around half of the industry's 2008 losses overall occurred in the fourth quarter and were more evenly spread across regions—the result of fuel hedging losses and the suddenly more-widespread recession. We estimate that the commercial airline industry went from a net profit of \$12.9 billion in 2007 to a net loss of \$10.4 billion in 2008, excluding noncash items related to restructuring and mark-to-market fuel hedging losses.



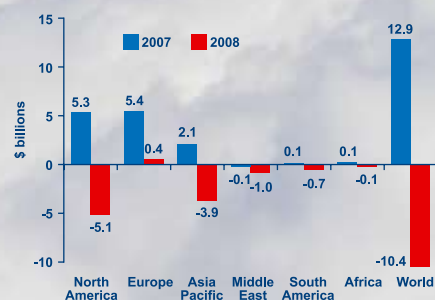
International fare growth by ticket type

Source: IATA



Net post-tax profits

Sources: ICAO, IATA



## Severe headwinds persist from the global recession in the year ahead

Cash balances, fortunately, are reasonably high at many airlines, and this offers some protection against difficulties ahead. But for the most part balance sheets are weaker in this recession than in 2000, ahead of the 2001 downturn. And the damaged banking system and financial markets mean that it is extremely difficult to raise or to pay the cost for new finance. The US central bank is lending money at an interest rate approaching zero, but even the strongest US airlines paid more than 10% to raise capital in 2008. The industry overall is in a fragile financial position.

Recession, protectionist threats, restructuring restrictions, new government taxes, and rising infrastructure charges persist and leave the airline industry vulnerable in 2009.

Worldwide economic activity in 2009 is forecast to fall 2% or more, and the Organization for Economic Cooperation and Development (OECD) expects to see world trade contract 13%. Some signs suggest that the worst for world trade is over. But much of the private sector continues to reduce the debt incurred during the bubble years for credit, and that will only take incomes away from spending and travel. This implies any recovery in 2010 will be weak, with most analysts forecasting no significant economic recovery until 2011.

Meanwhile, the emerging threat of protectionism, if left unchecked, could cause an even greater collapse in world trade and investment. No markets have yet been closed, but many bailout and stimulus packages worldwide contain measures that could exacerbate the

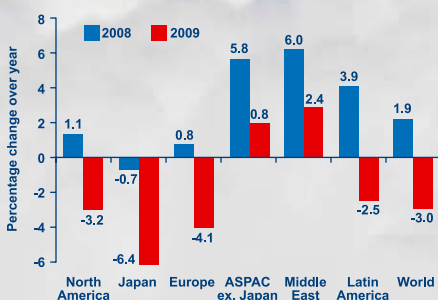
fall in demand for imported goods and the contraction of global supply chains. Airlines facilitate the international flow of trade, capital, people, and ideas so critical to global economic growth. So, for the vitality of the global economy and of the air transport business, it will be essential in 2009 to resist any measures by governments that involve protectionism.

Airlines, particularly in the United States, have reacted speedily to shrink capacity in an attempt to resize the industry in the face of dropping demand. Worldwide, though, the industry remains fragmented and nationally based, with only a few exceptions in Latin America and the European Union.

Effective restructuring in other international industries includes cross-border consolidation. Unless, however, there is some easing in restrictive ownership and control regulations,

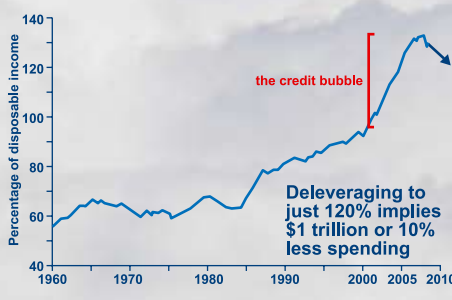
GDP growth

Source: EIU



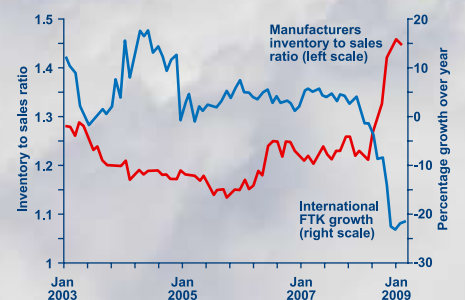
US household debt to disposable income

Source: Haver



Manufacturers' inventory to sales for airfreight

Source: Haver, IATA





this commercial option will continue to be unavailable to the airline industry. Alliances are a second-best route to generating network efficiencies: they generate few of the resource savings of mergers. But now even alliances are imperiled as some regulators threaten the antitrust immunities essential to their formation. Altogether, the industry's efforts to reshape and resize are constrained.

The declines in oil and jet fuel prices from their 2008 peaks are important factors preventing losses in excess of those in 2001. Rising costs elsewhere, however, constitute a significant threat. Many infrastructure providers in monopoly positions are raising charges in the face of falling passenger numbers

and freight traffic. And the huge budget deficits being generated by governments as they bail out financial institutions and other industries leave airlines and their passengers vulnerable to new taxes once fiscal restraint returns.

The US airline industry may have resized itself to break even in 2009, despite the extent of the recession. Airlines elsewhere, however, have been unable to cut capacity to the same extent. Lower fuel prices will somewhat offset the largest fall in revenues ever for the industry, but losses are likely to grow in 2009 especially for airlines outside the United States.

Industry-wide losses for 2009 are expected to be a little smaller than the \$10.4 billion lost in 2008 as a result of capacity cuts and the fall in fuel prices. But even in the United States, the risks are legion. The global economy continues on the downside, and the potential for protectionism and the introduction of new taxes could further undermine the financial viability of the air transport industry.

## Brent oil price

Source: RBS



## Simplifying the Business

Simplifying the Business (StB) was launched in 2004 as the industry struggled to recover from September 11, from war and terrorism, and from the severe acute respiratory syndrome (SARS) crisis.

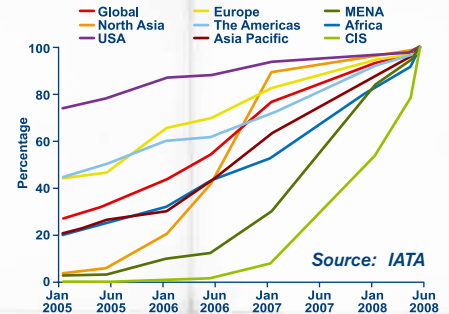
Today, the nature and the severity of the crisis may have changed, but the value of delivering cost savings and convenience through global standards and the better use of technology has not.

StB is more relevant than ever. It is a response to consumer calls for greater convenience and to the industry's need to lower costs. StB can save the industry up to \$14 billion annually.

In 2008, a significant portion of those savings—\$3 billion—was realized with 100% electronic ticketing (ET), achieved on 1 June after four years of concerted effort.

Another StB project, Common-Use Self-Service (CUSS) kiosks for check-in, was also completed during 2008 and generated \$1 billion in savings. By December 2008, 135 airports around

Global ET penetration



In June 2008 we achieved 100% e-ticketing saving \$3 billion annually.

There are billions more in cost savings still to be achieved.

Giovanni Bisignani

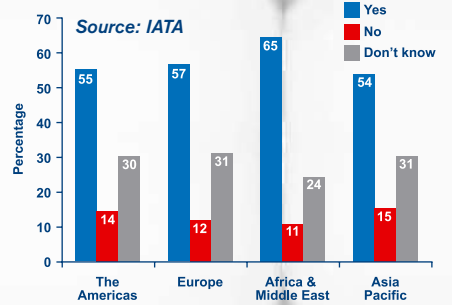
the world offered CUSS facilities. Kiosk check-in has a 40% market share in the United States and Europe and a 30% share worldwide.

A global network of 4,000 industry professionals, including StB champions in airlines and airports, suppliers, industry experts, and IATA staff, was instrumental in completing the ET and CUSS projects.

That same network will be key to the success of the next phase of StB.

The StB program has evolved from individual technology projects to end-to-end solutions. Four initiatives make up the program: bar-coded boarding passes (BCBP), the Baggage management Improvement Program (BIP), Fast Travel, and IATA e-freight.

**Would you like airlines to provide more self-service options?**



**Simplifying the Business - savings potential**

Source: IATA

Project	Savings potential	Target date
100% ET	\$3 billion	Delivered 1 June 2008
CUSS	\$1 billion	Delivered 31 December 2008
BCBP	\$1.5 billion	Year-end 2010
IATA e-freight	\$4.9 billion	Year-end 2010
Fast Travel	\$1.6 billion	On-going
BIP	\$1.9 billion	50% mishandling reduction by 2012

## Bar-coded boarding passes

Bar-coded boarding passes (BCBP) eliminate costly magnetic-stripe boarding passes and offer more choice for passengers. BCBP can be accessed through the Web, a kiosk, a check-in desk, or even a mobile phone and can generate up to \$1.5 billion in savings.

More than 200 airlines were issuing BCBPs at the end of 2008. By 2010, IATA members will be 100% BCBP, and magnetic-stripe boarding passes will be history.

To help airlines achieve BCBP's potential savings of \$1.5 billion, IATA launched its BCBP Matchmaker in 2008. This dedicated, free-of-charge Web portal allows airlines and airports to plan BCBP implementation together. Over 200 airlines and 400 airports are using this tool.

IATA also published a global standard for mobile BCBP in 2008. This was a response to consumer demand and paves the way to paperless travel. Passengers receive IATA-standard 2-D bar codes on their mobile phones that they can use to drop off their bags, pass through security, and board their flights—without printing any paper.

The Joint Passenger Services Conference (JPSC) amended the global mobile BCBP standard in October 2008, adding a digital signature to enhance security in response to US Transport Security Administration requirements.

As a result, the mobile BCBP standard is increasingly used in the United States.

## Baggage management Improvement Program

Mishandled baggage costs the industry in excess of \$3 billion every year. Arriving with baggage is also the second most important factor in having a pleasant trip according to passengers polled in IATA's 2009 *Corporate Air Travel Survey*.

Radio frequency identification (RFID) can resolve some 20% of baggage mishandlings, but the Baggage management Improvement Program (BIP) provides a more-comprehensive set of analytical tools and solutions to address mishandling. IATA's RFID work is now part of the broader BIP.

The BIP solutions toolkit was piloted in 2008 at nine airlines and nine airports of varying size and complexity. It was found that BIP solutions identified during the trials could address over 90% of the mishandlings at each participating airport. Airlines that implemented BIP saw immediate results. One carrier cut its mishandlings in half at its hub airport in less than three months. Another was able to reduce its mishandlings 30% at a US airport in the same amount of time.

During 2008, the number of mishandled bags fell more than 20% from 42.4 million bags in 2007, to 32.8 million bags. That is a welcome improvement, but the industry's baggage problems persist. The BIP provides long-term solutions that can keep the mishandling rate low even when passenger volumes pick up again.

Between 2009 and 2012, the BIP will provide the industry with solutions that will cut mishandlings and their associated costs in half. The program will focus on the 200 airports globally that account for 85% of passengers' baggage mishandling claims. The top 80 of those airports will receive dedicated diagnostic visits, while the remaining 120 airports will be part of a self-help program beginning in 2010.





## IATA e-freight

Each international airfreight shipment can require more than 30 different paper documents, increasing airfreight costs and lengthening transport times. IATA e-freight is an industry-wide initiative involving airlines, freight forwarders, ground handlers, shippers, customs brokers, and customs authorities. It replaces paper documents with electronic messages, increases the speed and the reliability of airfreight, and offers savings of up to \$4.9 billion.

IATA e-freight can reduce shipment times by an average of 24 hours. Electronic messaging also ensures greater accuracy. Electronic documents auto population, which allows one-time electronic data entry at a point of origin, reduces delays to shipments due to inaccurate or inconsistent data entry. Electronic documents also are less

likely to be misplaced, so shipments are not delayed because of missing documentation.

In 2008, the number of e-freight locations tripled from six to 18 and 13 documents were replaced with electronic messaging standards. *The IATA e-freight Handbook* was also published online, offering a comprehensive, step-by-step guide to implementing e-freight. Updates to this handbook are planned to give members of the air cargo supply chain the guidance they need to take the paper out of air cargo.

By the end of 2009, three more documents will have been replaced with e-messaging standards and five more e-freight locations will have been added. All 20 documents supported by international standards will be replaced with e-messages by the end of 2010. And locations that account for 81% of international airfreight are expected to be e-freight capable by that same time.

As we battle this crisis, we must look for opportunities that will build our future with a more efficient industry.

What do customers want?  
A good price and a great product.  
And in a crisis...customers will only get more demanding.

Giovanni Bisignani



## Fast Travel

The Fast Travel Program is a new element of StB. It gives passengers more control over their journeys by promoting self-service options in four areas: bags ready to go (bag registration), document scanning, self-boarding, and bag recovery (lost bag registration).

Annual potential savings are estimated at \$1.6 billion.

The program was piloted 18 times in 2008 and successfully demonstrated its added value to the industry.

All four of its project areas, therefore, are being implemented, bringing the future of travel to passengers today:

- Bags-ready-to-go enables passengers to deliver their tagged bags to a baggage acceptance point, or bag drop, speeding up the check-in process for passengers traveling with baggage. Target for 2009: 10 airlines
- Document scanning allows passengers to scan their travel documents at kiosks for transmission to government agencies, avoiding the need to complete the required ID checks at a check-in desk. Target for 2009: 75 airports
- Self-boarding provides automated boarding gates for passengers, such as in a train or subway station, reducing boarding times. Target for 2009: 10 airlines
- Bag recovery allows passengers to report a missing bag at a kiosk instead of waiting in line at a baggage service counter. Target for 2009: 10 airlines

IATA also will monitor two additional areas in 2009: check-in and flight rebooking.



# Safety

Safety is the industry's number one priority. Success in safety is driven by global standards, a coordinated approach, industry-wide programs, and firm targets. Preeminent among our safety targets is the achievement of the IATA Operational Safety Audit (IOSA) for all IATA member airlines.

Air continues to be the safest way to travel. The fatality rate for air travel in 2008 was at its lowest level since 2004, at 0.13 per million passengers. This was down significantly from the 0.23 fatalities per million passengers recorded in 2007.

The 2008 global accident rate—measured in hull losses per million flights of Western-built jet aircraft—was 0.81. This is one accident for every 1.2 million flights, up slightly from the 2007 accident rate of 0.75, or one accident for every 1.3 million flights.

Three issues emerged during 2008. Runway excursions accounted for 25% of all accidents, ground damage accounted for 17%, and deficient safety management at the airline level was noted as a contributing factor in 30%.

Regional accident rates varied dramatically. Accident rates rose compared with 2007 in the Commonwealth of Independent States (CIS), in Latin America and the Caribbean, in the Middle East and North Africa, in North America, and in Europe. In Africa, Asia-Pacific, and North Asia, year-on-year accident rates decreased.

IATA member airlines significantly outperformed the industry in safety. The accident rate for IATA members declined from 0.68 in 2007 to 0.52 in 2008. That is one accident for every 1.9 million flights.

Despite these results, safety is a constant challenge. The 502 fatalities in 2008—down from 692 in 2007—remind us of the need for constant vigilance. Our target is zero accidents and zero fatalities. In pursuit of that goal, IATA continues to press for the implementation

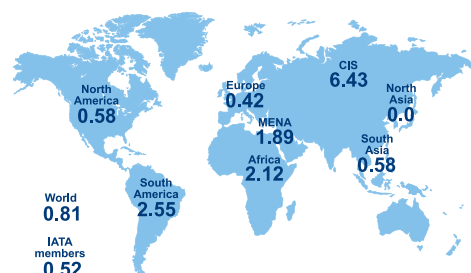
of a broad range of safety programs.

The IATA Six-Point Safety Program reflects the strategic direction being taken to ensure the continuous improvement of the industry's safety record.

Established in close cooperation with member airlines, the program focuses on auditing, safety data management and analysis, safety management systems, operations, infrastructure safety, and maintenance.



**2008 regional safety rates** Source: IATA  
(Western-built jet hull losses/million sectors)





## IATA Operational Safety Audit

IATA reached a landmark on 1 April 2009 when all 224 IATA members had joined the IOSA registry. As a result, IATA membership is synonymous with best practice in airline safety.

This provides an important mark of quality for all IATA airlines and reassures

travelers everywhere of aviation's commitment to safety.

Introduced in 2003, IOSA is the first global industry standard for airline operational safety auditing. It assesses airline operational management and control systems. It improves safety and reduces the number of audits performed. And it is ISO 9001:2000 registered. Since its launch and up until the end of April 2009, 718 audits have been completed by eight independent audit organizations accredited by IATA and 1,212 audits have been avoided,

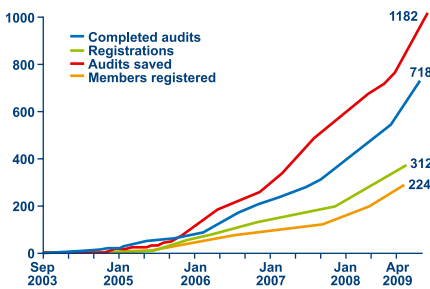
noted on the IOSA registry. Failure to meet any of the deadlines resulted in termination of IATA membership, with effect 90 days after the milestone was to have been reached.

To support the transition to IOSA, in 2005 IATA invested \$3 million in its Partnership for Safety Program (PfS). From 2005 to 2007, 180 airlines participated in PfS awareness seminars, including 100 IATA members, and 73 airlines underwent gap analyses,



**IOSA status as of 30 April 2009**

Source: IATA



generating industry savings of \$72.7 million.

At the 2006 IATA Annual General Meeting (AGM), IOSA was made a condition of IATA membership, with three milestones needed for completion. By 31 December 2006, member airlines had to complete contractual arrangements for an IOSA audit. By 31 December 2007, all audits needed to be completed. And by 31 December 2008, all audit findings had to be closed and the carrier

including 59 IATA members. Fully 25 member airlines in Africa participated in post-gap analysis PfS training with the assistance of the International Airline Training Fund.

In addition to making IOSA a membership condition, IATA promotes the use of IOSA in national safety oversight programs. By the end of March 2009, Brazil, Chile, Costa Rica, Egypt, Madagascar, Mexico, Panama, Turkey, and Syria had mandated IOSA.

## IATA Safety Audit for Ground Operations

Following on the success of IOSA, IATA has applied the same approach to ground handling safety. Ground damage was the second most predominant type of accident in 2008, accounting for 17% of the year's accidents. Half of these involved IATA member airlines.

Each year, ground damage costs the industry nearly \$4 billion.

The IATA Safety Audit for Ground Operations (ISAGO) is the industry's first global standard for the auditing of ground handling companies. ISAGO is intended to bring the same improvement in safety and efficiency for ground handlers as IOSA aims to achieve for airlines.

The primary aim of the program is to drastically reduce aircraft damage and personal injuries.

Also important is that ISAGO should drive down the number of redundant audits.

ISAGO was launched in February 2008 to audit ground service providers (GSPs) under a common and harmonized set of international standards. It has since gained the support of civil aviation authorities in the United Kingdom, France, the Netherlands, Australia, Jordan, Switzerland, and the United States and at airports in Amsterdam, San Salvador, Calgary, Seattle, Guayaquil, and Lima.

The first ISAGO audits were conducted in May 2008. Audits are performed every two years. Headquarter audits are conducted by independent audit organizations accredited by IATA, and station audits are conducted by qualified auditors from member airlines that work in a pool managed by IATA.

In 2008, ISAGO's audit pool comprised 24 member airlines and 107 auditors. It conducted nine free information seminars in all regions of the world; trained 200 auditors from 60 different airlines; and performed 42 audits, including 18 headquarters audits and 24 station audits. IATA will conduct 80 ISAGO audits in 2009.

## Safety Management System

A safety management system (SMS) is a systematic approach to managing safety. It includes organizational structures, accountabilities, policies, and procedures. An SMS is a requirement of IOSA. In almost a third (30%) of accidents in 2008, deficient safety management on the part of an airline was noted as a contributing factor. This includes deficiencies in the airline's safety policies and objectives, risk management, safety assurance, and safety promotion.

Working with the International Civil Aviation Organization (ICAO), IATA has been assisting airlines and other service providers—including air navigation service providers (ANSPs), civil aviation authorities (CAAs), maintenance organizations, and aerodrome operators—to prepare for SMS and ICAO requirements, which came into effect on 1 January 2009. During 2008, IATA held 10 SMS workshops around the globe. They were attended by 18 airlines and by CAAs, aerodrome operators, ANSPs, and maintenance organizations. In 2009, IATA will deliver new guidance material on the SMS and will continue to assist airlines with SMS implementation on individual and regional bases.

## Infrastructure safety

In 2008, 23% of all accidents were infrastructure related. The majority were runway excursions. Although a limited number of runway incursions were also reported.

In response, IATA is developing *The Runway Excursion Risk Reduction Toolkit* in collaboration with the Flight Safety Foundation. The toolkit contains detailed analysis, training material, best practices, and other useful information to enable airlines and ANSPs to reduce the risks associated with runway incursions and excursions. It provides a detailed assessment of risks during take-offs and landings plus procedures, policies, and recommendations for airline operators,

airports, and air traffic management providers. The toolkit will be available in the third quarter of 2009.

## Safety data management and analysis

Safety data helps the industry better understand safety issues and trends. And that ultimately assists the industry in preventing accidents. IATA's data sources include information from audits, accidents, incidents, and flight data analysis (FDA).

IATA produces its *Safety Report* based on data collected at the beginning of each year. The report presents a detailed summary of statistics, trends, and contributing factors involved in the previous year's accidents. Based on these findings, prevention strategies are developed to enhance operational safety.

IATA's Safety Trend Evaluation, Analysis, and Data Exchange System (STEADES) is built on a database of incident reports from participating airlines. In 2008, STEADES doubled its membership. Over 80 airlines now benchmark their operations against the STEADES database. This helps them determine how effectively they are managing operational risks by comparing themselves with other, similar operations. In 2008, STEADES produced information regarding call sign confusion, on board medical events, long and off-centerline landings, dangerous goods, and bird strikes.

In 2009, IATA will launch the Global Safety Information Center (GSIC). The GSIC will provide airlines with access to industry benchmarks based on all of IATA's safety information sources from a single Web page. These information sources include the Safety Report, STEADES, IOSA, ISAGO, and the FDA. Initially, the GSIC will be limited to IATA-managed data sources. Future versions, however, will integrate information from industry-wide safety programs.

## Maintenance

Maintenance events, such as errors by maintenance crews, played a contributing role in approximately 15% of the accidents that occurred in 2008. In over half (57%) of these accidents, deficiencies in the airline's maintenance operations were cited as a contributing factor. These include deficiencies in technical documentation, unrecorded maintenance, the use of bogus parts, unapproved modifications, and the poor training of maintenance personnel. To address such deficiencies, IATA added a new segment to its Six-Point Safety Program: safety management in maintenance operations.

## Operations

Operations cover all areas affecting safety, including flight, cabin, ground, and dispatch. In 2008, 31% of the accidents on passenger aircraft involved an evacuation. In 86% of these evacuations, all passengers and crew survived the accident.

Successful evacuations were often linked to proper handling of the situation by the cabin crew and to effective training and procedures by the airlines. In 2008, IATA worked closely with airlines and

governments to enhance cabin safety. Collaboration with the Civil Aviation Authority of China (CAAC) and with the Civil Aviation University of China, for example, resulted in two successful seminars in that nation. They enabled Chinese carriers to improve their cabin operations procedures and cabin crew training and to prepare for the 2008 Olympic Games in Beijing.

All IATA airlines are now on the IOSA registry.

This is a great achievement, a reassurance to our passengers, and an important mark of quality for our association.

Giovanni Bisignani

# Security and Facilitation

Security, alongside safety and environmental responsibility, is a core promise of the aviation industry. Too often, however, authorities regulate based on fear rather than risk and squander scarce security resources on improbable threats.

The industry is secure. But eight years after the events of September 11, the lack of harmonization and the ineffective and inconsistent use of technology continue to contribute to a security regime that frustrates and confuses passengers and costs airlines \$5.9 billion annually.

Airlines and their passengers need smarter, more-efficient security. In 2008, IATA collaborated with regulators, airlines, manufacturers, and systems suppliers to drive much-needed change, yielding cost savings and cost avoidance for the industry exceeding \$13 billion. That included working to eliminate onerous and ill-conceived passenger fingerprinting requirements in the United States; setting new standards for airline passenger data collection and transmission; inspecting airports to assess security; and introducing Secure Freight, IATA's global cargo supply chain security program.

## US Visit Exit

During 2008, the US Department of Homeland Security proposed under the US Visit Exit program that airlines collect biometric data from travelers departing the United States for border control purposes. After an intense, IATA-led lobbying effort involving 21 airline, airport, and travel industry associations, the US Congress passed a law prohibiting further development of the exit program until additional testing was completed in 2009.

This avoided more than \$12 billion in equipment, systems development, and

staff training that would have been required had the program gone forward. And it prevented lengthening airport counter queues when self-service tools are shortening queues and processing times and improving the passenger experience.





We have become much more secure.

And we are spending much more - \$5.9 billion a year.

But I am not convinced that we are much wiser or any more efficient with many of our security processes.

Giovanni Bisignani

## Advance Passenger Information

The collection of Advance Passenger Information (API) about who is traveling on an aircraft has the potential to increase security and facilitate the flow of low-risk passengers. A lack of harmonization between countries' requirements, though, has burdened the industry with unacceptable costs.

During 2008, IATA's work with the governments of Brazil, Indonesia, Peru, El Salvador, and the Dominican Republic laid the foundation for API programs aligned with international standards. Another major win was the successful lobbying of the UK government to provide a systems solution for carriers that uses the same format in place for US passenger data. This will enable more than 30 airlines to comply with the UK's requirements for its e-borders program in 2009 without having to change their systems.

IATA achieved total annual savings for the industry of up to \$50 million.

## Passenger Name Record

Governments continue to press the industry for greater access to airline Passenger Name Record (PNR) data. The lack of internationally recognized standards on PNR exchanges is leading to a costly set of differing requirements. In 2008, IATA gathered its industry partners, airlines, and regulators to commence work on the development of a single, common standard for PNR data exchange.

IATA also successfully advised Cuban authorities on the benefits and limitations of PNR data to ensure that an unachievable program was not implemented in that country. A nonstandard program would have cost airlines servicing Cuba about \$100,000 each.

## Security Management Systems

IATA's Security Management Systems (SeMS) provide airlines with a risk-based framework for security in line with an airline's safety culture. All IOSA-registered airlines have implemented core SeMS elements within their corporate structures, effectively making SeMS a condition of IATA membership.

With support and cooperation from the governments of Canada and New Zealand, IATA obtained a formal endorsement for SeMS by ICAO's Aviation Security Panel in 2008. It is anticipated that SeMS is on track to become part of ICAO Annex 17, Security Standards and Recommendations, driving its global adoption even by states and airlines outside the IOSA program.

## One-stop security

Over 325 million passengers a year board connecting flights in Asia, Europe, and the United States. The overwhelming majority must go through security screening multiple times along their routes, adding time, cost, and inconvenience. IATA is pressing for one-stop security where transfer passengers are not rescreened if they have been adequately screened at their airport of departure.

In 2008, IATA worked with regulators in Europe, Asia, and North America and at ICAO to investigate where the concept of one-stop security could be implemented. A number of regions were identified, including the EU-US market, where urgent action is needed. Putting one-stop security in place for passengers arriving in the European Union from the United States is a chief project for 2009.

Security does not take a back seat in a crisis.

Giovanni Bisignani



## Cargo security for secure freight

Cargo security likewise is among the top IATA priorities. IATA remains concerned by proposals from governments to attempt to mandate the 100% screening of cargo. This would slow shipment times and add unnecessary costs to global trade while doing nothing to enhance security.

In 2008, IATA developed a strategy for cargo security. That strategy includes the review and development of the SeMS Cargo Addendum, of content for IATA's *Security Manual*, and of the Secure Freight system.

Secure Freight was introduced in 2008. The vision is for an air cargo industry of certified secure operators in secure supply chains operating to international cargo security standards recognized by relevant national authorities. Secure Freight features a process for auditing and certifying operators. Under it, IATA will develop international air cargo security standards for the industry that are recognized by governments worldwide. As well, IATA will define model security program templates.

Secure Freight is a long-term initiative that may take five years to fully develop and longer to mature. It can, however, lower airline cargo security costs up to 10% when adopted in its entirety.

## Simplifying Passenger Travel

The IATA-led Simplifying Passenger Travel (SPT) interest group brings together more than 65 airports, airlines, regulators, and systems suppliers with the aim of improving all aspects of the passenger journey. The SPT group continues to push for globally interoperable technologies and mutual recognition by governments. It works in cooperation with IATA's Fast Travel Program to put a new recommended practice in place for the passenger journey.

In 2008, the SPT interest group encouraged such regional bodies as the European Commission (EC) Joint Research Centre, the Asia-Pacific Economic Cooperation Conference (APEC), and the Caribbean Community (CARICOM) to spread the vision of the ideal process flow and harmonize air travel measures. The EC and APEC projects are in the exploratory phase. CARICOM is conducting trials on biometric border gates.

## New security strategy

Much progress has been made on security since 2001. Some key objectives, though, remain to be achieved. In late 2008, IATA gathered 15 top aviation security experts to redraw global security and facilitation priorities. The result is a multiyear security and facilitation strategy for the most pressing security needs.

The strategy emphasizes work in five areas:

- bringing airlines a threat-based, risk-managed framework for security decision making
- creating global and regional advocacy plans to shape the regulatory framework
- coordinating relationships with key decision makers and forming new industry coalitions to tackle industry issues
- moving technology from laboratories to airports faster
- preventing costly nonstandard data requirements from being implemented, especially for passenger data

The strategy will be fully implemented in 2009.



# Regulatory and Public Policy

IATA's vision is for an industry that is safe, financially sustainable, competitive but fair, and respected for its dynamic contribution to continued economic and social development. That vision can only be achieved if airlines are allowed to enjoy the same commercial freedoms that other global businesses take for granted.

## Liberalization

International air transport is governed by a web of over 3,500 government-to-government bilateral air services agreements, each containing clauses that place significant restrictions on the ability of airlines to access markets and foreign capital. The result is a fragmented industry whose airlines are prevented from merging or consolidating and from accessing capital regardless of nationality or location.

Airlines urgently need access to the same tools as other global enterprises if they are to navigate through this crisis.

The benefits of a liberalized airline industry reach far beyond the industry. The establishment, for example, of a single European aviation market in 1993 created 1.4 million jobs. It is estimated that liberalizing key routes globally would result in 24.1 million new jobs and generate \$490 billion in economic activity.

## Agenda for Freedom

In June 2008, IATA's 64<sup>th</sup> AGM adopted the Istanbul Declaration. The declaration called on governments to remove the archaic rules that restrict airlines from restructuring across borders. IATA's Director General invited progressive governments to meet to discuss how to move forward on liberalization.

Fourteen governments and the European Commission heeded that call and attended IATA's Agenda for Freedom summit in October 2008. IATA proposed that many of the restrictions in the numerous bilateral treaties that had arisen from the Chicago Convention of 1944 and that could not, obviously, be altered overnight simply be waived. IATA emphasized nullifying the treaties' so-called ownership and control restrictions.

Summit participants agreed that the industry and governments had a legitimate interest in pushing for more liberalization. They asked IATA to facilitate a multilateral statement of policy principles to express their common thinking and approach. This would be a nonbinding statement describing how countries could take a liberalized approach to the practical application of a transport policy. Discussions are under way on an advanced draft, and it is expected that a critical mass of participants will be ready to commit to signing the draft by the end of 2009.

Summit participants also agreed to make available to all countries the most liberal agreements. They asked IATA to convene a second meeting in 2009 focused on turning talk into action.

## Passenger taxation

Governments continue to levy a crippling array of counterproductive taxes on an industry that remains one of the chief drivers of economic growth and development worldwide. In 2008, the industry saw \$6.9 billion in new taxes. Many were disguised as environment taxes whose proceeds were redirected into general government coffers.

In July 2008, the Dutch government introduced a new air passenger tax targeting the collection of \$418 million. A subsequent Dutch study calculated that the tax cost airlines \$1.2 billion, Dutch airports \$121 million, and the Dutch economy \$1.6 billion. The Dutch government abolished the tax effective July 2009.

The UK government also announced significant increases to its Air Passenger Duty (APD) in 2008. New APD "bands" that come into force in November 2009 will see a ticket tax ranging from \$16 to \$162 depending on the distance and class traveled from London. A second increase is already set for November 2010, bringing the duty to between \$18 and \$251. The increased passenger tax will cost \$4.1 billion annually.



IATA lobbying did, however, help eliminate the proposed replacement of the per passenger duty by a per aircraft duty, which saved the industry \$511 million.

In October 2008, Belgium and Ireland announced plans to levy departure taxes on airline passengers. IATA's lobbying resulted in the Belgian government abandoning its plans, saving the industry \$782 million. IATA continues to press the Irish government to do the same.

IATA secured tax savings for the industry of \$1.4 billion, in 2008.

### Health and pandemic preparedness

IATA routinely works with governments on numerous passenger and crew health issues in coordination with the World Health Organization (WHO) and ICAO. Efforts include developing comprehensive guidelines that enhance the readiness of industry and public health officials to deal with a global pandemic. IATA has, for example, contributed to ICAO's Cooperative Agreement to Prevent the Spreading of Communicable Disease through Air Travel. In addition, IATA promotes proactive guidelines for airlines regarding suspected communicable diseases. It also maintains an emergency response plan that it effectively activated amid the Influenza A(H1N1) event.

During 2008, IATA also developed a training program for WHO personnel on the transport of infectious substances. This will help facilitate the safe movement of biological specimens internationally.

### The future of aviation

There appears to be growing government interest in the future of aviation. The UK and Australian governments, for instance, each launched stakeholder consultations on how to strategically shape the sector over the coming decades.

IATA sent formal submissions to the consultations in both nations that reiterated the industry's positions on a wide range of issues, from economic regulation to mitigating aviation's environmental impact to the need for significant infrastructure improvements.

More recently, the European Commission (EC) launched an initiative to define a vision for the future of transport and mobility within the European Union. Throughout 2009, IATA will maintain its dialogue with the EC and keep a close watch on similar initiatives around the world.

Today's crisis highlights the need for change.

But the need for change is much broader than this crisis. If airlines are not being battered by crises, they are being challenged by the business cycle.

To manage, airlines need the same commercial tools that other industries take for granted.

Giovanni Bisignani

# Environment

Environmental responsibility, alongside safety and security, remains a core promise for the aviation industry, even in the face of the economic downturn. IATA's vision is for carbon-neutral growth on the way to a zero-emissions future.

This is being implemented through IATA's four-pillar strategy: investing in technology, flying planes effectively, building efficient infrastructure, and using positive economic measures.

The IATA four-pillar strategy became the reference framework for the industry when the 179 governments at ICAO's 36<sup>th</sup> Assembly adopted it unanimously

in September 2007. It is being used by the ICAO Group on International Aviation and Climate Change to structure its work. In April 2008, the four-pillar strategy was adopted by the entire industry, at the Aviation and Environment Summit.

IATA focuses much of its environmental work on reducing emissions. Lowering fuel burn is a major component of that effort. Our target is to achieve at least a 25% improvement in fuel efficiency

by 2020 compared with 2005. In 2008, IATA's fuel programs saved 14.8 million tonnes of carbon dioxide (CO<sub>2</sub>) emissions—equivalent to \$5 billion in fuel cost savings.

A major challenge for the industry in its work to reduce emissions is dealing with the often punitive economic measures governments levy on airlines. Introduced as environmental measures, most such initiatives help the environment minimally at best. IATA argues for positive economic measures, firm government action on improving infrastructure, and a global, sectoral approach to emissions reduction.



## Four-pillar strategy

### 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. IATA worked with research institutions and with aircraft, engine, and systems manufacturers to produce its Technology Road Map and a database of aircraft upgrades and fleet renewals to support its technological goals. The road map identifies technologies that would enable new aircraft to achieve between 20% and 35% potential emission reductions by 2020 compared with their predecessors. Such technologies include new-generation engine architectures and drag-reducing laminar flow technologies.

The updated 2009 *IATA Technology Roadmap* will include a detailed assessment of such technologies. Based on the current industry situation, its focus has shifted to identifying short-term technologies available for existing aircraft. These include aerodynamic improvements, weight reductions, and engine upgrades resulting in fuel efficiency improvements of 5% to 10%.

IATA set a target in 2007 for 10% airline alternative fuel use by 2017. *The IATA 2008 Report on Alternative Fuels* includes an overview of the specification, certification, global production possibilities, and potential for different feedstocks and highlights second- and third-generation biofuels. A number of airlines and manufacturers are carrying out innovative evaluation programs and

flight tests (see table) of such fuels. IATA supports initiatives that offer a net benefit in reducing CO<sub>2</sub> over the aircraft lifecycle and that do not compete for land or water with the food chain.

The potential benefits of biofuels are enormous - an 80% reduction in emissions over the fuel's life-cycle and increased energy security beyond oil supplies. And a biofuel industry could be a big generator of employment and wealth for the developing world.

Using biofuels, however, calls for a new fuel specification defining fuel properties for safe use. IATA is helping to lead the development of that specification. Certification of an appropriate biofuel by 2010 or 2011 is a real possibility.

The commercial production of that biofuel should be a priority for governments alongside research investment. IATA is urging governments to provide effective incentives for the research and development and production of biofuels in their tax and regulatory frameworks.

#### Biofuel testing

Source: IATA

Carrier	Aircraft	Partners	Date	Biofuel	Blend
Virgin Atlantic	B747-400	Boeing, GE Aviation	23.2.08	coconut & babassu	20% one engine
Air New Zealand	B747-400	Boeing, Rolls-Royce	30.12.08	jatropha	50% one engine
Continental Airlines	B737-800	Boeing, GE Aviation, CFM, Honeywell UOP	7.1.09	algae with jatropha	50% one engine
JAL	B747-300	Boeing, Pratt & Whitney, Honeywell UOP	30.1.09	camelina, jatropha & algae blend	50% one engine

Our commitment to environmental responsibility is firm and strong.

No other industry is as united, responsible or ambitious.

Giovanni Bisignani



## 2. Operations

IATA's Green Teams help airlines reduce fuel burn and emissions. Since 2005, Green Teams have conducted 93 fuel-efficiency gap analyses (FEGA) for savings of between 2% to 15% of an airline's yearly fuel budget. In 2008, those teams worked with over 70 airlines, implementing IATA best practices, distributing guidance material, and conducting FEGA on site assessments. They also ran training programs in flight operations, flight dispatch, engineering, and maintenance and ground operations to improve fuel conservation measures.

As a result, 59 airlines reported CO<sub>2</sub> savings of 7.4 million tonnes for 2008. And the 22 FEGA assessments conducted during the year identified further savings of 3.5 million tonnes of CO<sub>2</sub>. Given 2008's exceptionally high fuel prices, these savings cumulatively represented the equivalent of more than \$3.7 billion.

In 2009, IATA will publish the fourth edition of *The IATA Fuel Book*, which provides recommendations for fuel-efficiency improvements. They will also publish the new *Green Team Benchmark Report*, which provides de-identified information from Green Team assessments that allows airlines to compare their performance and efficiency programs. In addition, the Green Teams will expand their scope, integrating remote support tools, organizing regional fuel-efficiency workshops, and providing enhanced implementation and training support for airlines.

## 3. Infrastructure

IATA continues to focus on short-term infrastructure savings that can be achieved using current technologies. At the same time, it pursues such longer-term objectives as the Single European Sky (SES) and next-generation air traffic management systems, including the Single European Sky ATM Research (SESAR) Program in Europe and the Next Generation Air Traffic Management (NextGen) System in the United States. But these can only be achieved with common vision and government cooperation.

According to the European Commission, implementing the SES will save 16 million tonnes of CO<sub>2</sub> each year. So IATA continues to push hard for the speedy implementation of this initiative.

IATA welcomed the establishment of nine functional airspace blocks in Europe during 2008 as an important step toward implementing the SES. Each will increase airspace capacity 50% and will shorten every flight 17.5 kilometers on average, saving 72 kilograms of fuel and 226 kilograms of CO<sub>2</sub>. IATA is arguing strongly for an effective European network manager to run the new blocks.

In the United States, similarly, NextGen will save 16 million tonnes of CO<sub>2</sub> when implemented. IATA thus continues to

press decision makers and the new US administration for rapid implementation.

For short-term savings, IATA's efforts are on optimizing routes and heightening efficiencies in airport arrivals and departures. In 2008, IATA worked with industry partners in optimizing 214 air routes and 103 terminal management areas for an annual saving of 3.9 million tonnes of CO<sub>2</sub>.

The design of terminal procedures with tighter navigation performance for arrivals and departures using Performance-Based Navigation (PBN) is a specific focus. PBN is already delivering significant savings. Qantas and AirServices Australia had PBN procedures implemented at Brisbane. And Qantas's Boeing 737s alone accomplished remarkable results from their first 1,612 approaches: 17,300 less track miles flown and 650 tonnes of CO<sub>2</sub> saved.

In August 2008, IATA, EUROCONTROL, and the Civil Air Navigation Services Organization (CANSO) signed a fuel-efficiency plan (FEP). The FEP targets enhancing European en route airspace



design, route network availability, arrival and departure routes, airport operations, and performance monitoring. According to EUROCONTROL, the FEP will garner annual savings of 470,000 tonnes of fuel, 1.5 million tonnes of CO<sub>2</sub>, and \$531 million.

A month later, in September 2008, Africa finished implementing Reduced Vertical Separation Minima (RVSM). The RVSM will save approximately 236,000 tonnes of CO<sub>2</sub> from African continental airspace. Only a few areas of the world now lack the RVSM. North Korea plans to implement the RVSM in 2009, Iraq in 2010, Russia tentatively in 2011 for domestic flights, and Afghanistan in 2012. The remaining countries of Central Asia will most likely implement the RVSM in conjunction with Russia.



## 4. Economic instruments

There has been much debate on policy options to reduce emissions from aviation. IATA believes in a global, sectoral approach for the industry. It continues to press governments for positive economic incentives to support and accelerate research and development and the deployment of new technologies. Negative measures, such as taxes and charges designed to suppress demand, do nothing to improve environmental performance and rob the industry of scarce resources needed to invest in fleet renewal and new technologies.

### European Emissions Trading Scheme

The European Union agreed to include aviation in the European Emissions Trading Scheme (ETS) in July 2008. From 2012, every aircraft operator flying into, out of, or within the EU will be required to pay for some of its CO<sub>2</sub> emissions.

Operators will be given a cap on emissions based on average annual emissions from 2004 to 2006. In 2012, the cap will be 97% of this baseline amount and will be lowered to 95% in 2013. Airlines will need carbon allowances to cover their emissions. About 85% of allowances will be free, but airlines will have to buy a further 15% at auction. They also will have to purchase more allowances if their emissions exceed the cap. In addition, the European ETS requires that airlines produce monitoring plans in 2009 and start monitoring tonne kilometer and emissions data from 1 January 2010.

While IATA continues to press for a global solution, airlines need to prepare for monitoring, reporting and verification requirements. IATA has comprehensive

information on its Web site ([www.iata.org/mrv](http://www.iata.org/mrv)). IATA also held an industry workshop aimed at formulating a list of industry best practices for meeting the new emissions reporting requirements at minimum extra cost.

IATA joined other airline associations in successfully fighting some of the more-stringent proposals from the European Parliament regarding the ETS. IATA also prevented a backdoor revision of the ETS's parameters through a so-called general review in 2013. The review will now take place in 2015.

### Carbon offsets

Around 30 international airlines offer voluntary carbon offset programs. These programs allow passengers to compensate for their proportion of their flights' CO<sub>2</sub> emissions with investments in emission-reduction projects. There are, however, concerns for the scope and quality of these projects. Most passengers are confused, skeptical, and unwilling to get involved.

In response, IATA in 2008 established an industry-wide offset program. It employs standard methodologies, involves a single customer transaction, and invests

in credible emission-reduction projects. IATA's target is to pilot the program with 14 airlines by the end of 2009. IATA has also published a *Carbon Offset Guidelines* brochure that sets out standards, metrics, and best practices for IATA members wishing to introduce their own offset program.

## Group on International Aviation and Climate Change

The 1997 Kyoto Protocol gave ICAO responsibility for dealing with international aviation emissions. In December 2009, the successor to Kyoto will be decided at the UN Framework Convention on Climate Change (UNFCCC) meeting slated for Copenhagen. ICAO will present proposals at that event regarding aviation emission reductions.

IATA believes that ICAO and the UNFCCC must tackle three challenges. The first is to marry the unified approach of the Chicago Convention, that guides ICAO, with the principle of Common but Differentiated Responsibility, that is a cornerstone of the UNFCCC process. The second challenge is to preserve

### Summary of industry goals relative to 2005

Source: IATA

	Traffic growth (RTK %)	Fuel efficiency improvement goals (%)	CO <sub>2</sub> intensity reduction goals (%)	CO <sub>2</sub> savings potential (Mt/yr)
2012	40	15	15	200
2020	130	29	32	573
2050	750	50	n/a	3,926

the sectoral approach for international aviation that was established by Kyoto. The third is to develop economic measures that are effective in reducing aviation's emissions.

Meeting these challenges means replacing the growing patchwork of national green taxes, charges, and emissions trading proposals with a global system. It means allocating the collected funds to environmental projects. And it means treating aviation fairly in proportion to its 2% contribution to global man-made CO<sub>2</sub> emissions.

IATA is working with other industry organizations to assist ICAO's 15-nation Group on International Aviation and Climate Change (GIACC) produce a global proposal for aviation emission reductions. Under the umbrella of the Air Transport Action Group (ATAG), IATA and its allies have developed industry-wide environmental goals for input to GIACC.

### Air cargo and the environment

During 2008, IATA led a project that measured the carbon footprint for the movement of freight through the air cargo supply chain. Specifically, the project followed pineapples transported from Ghana to the United Kingdom and flowers transported from Ecuador to either the United Kingdom or the Netherlands.

Measurements were taken of the carbon footprint at each movement of freight along the supply chain. Also measured was the efficiency of the supply chain in minimizing waste and how the carbon footprint varies with passenger aircraft, pure cargo aircraft, and oceangoing shipping. Findings demonstrate the efficiency of the supply chain for the air transport of cut pineapples. The cut flowers air cargo supply chain, though, faces a potential competitive threat from sea shipping.

IATA's next step in this regard will be to provide input to ICAO's work on developing a standard carbon footprint calculator for the air cargo supply chain.

### Communicating aviation and environment

Aviation remains under close scrutiny by the media. Effective communication retains a strategic role in ensuring that the perceptions of the industry's environmental efforts match the reality of its good track record, significant improvements and ambitious goals.

IATA followed its campaign of environment advertisements in airline magazines by installing environment stands at major airports in Europe in 2008. The interactive stands demonstrate the industry's work in such areas as shortening routes and employing new technologies and biofuels.

IATA also continues to play a major role in the cross-industry enviro.aero communications campaign. Activities in 2008 included updating and improving the [www.enviro.aero](http://www.enviro.aero) Web site and a sustained media blitz whose focus was on rebutting inaccurate or misleading comments in the media. The campaign is garnering positive results. We are seeing more accurate and balanced reporting in the media of aviation's contribution to climate change and steps toward reducing emissions.

Governments around the world must agree a global solution to reduce aviation emissions.

We need governments to come on board with alternative fuels, better air navigation and a global approach to positive economic measures.

Giovanni Bisignani

# Cost Efficiency

Cost efficiency is especially vital in times of crisis. Worldwide, airlines and their passengers pay at least \$48.8 billion a year to airports and Air Navigation Service Providers (ANSPs), about 10% of airline revenues.

Whereas several infrastructure providers, such as the Civil Aviation Authority of Singapore, Malaysia Airports Holdings Bhd, and Swedish Airports, have made much progress in matching airline efficiency efforts, many others have not.

In 2008, IATA's work with major airports, ANSPs, fuel suppliers, and governments delivered better service and secured \$3.5 billion in savings through communication, direct consultation, and negotiation. Of that amount, \$1.6 billion was in real cost reductions and \$1.9 billion represented potential cost increases that were avoided.

Following up on the Istanbul Declaration and in response to the high price of fuel, IATA launched its Cost Crisis Campaign in June 2008. The campaign targeted industry stakeholders seeking concrete proposals for greater productivity and efficiency. It resulted in 13 airports and 15 ANSPs freezing or reducing their charges. Unfortunately, the savings were overwhelmed by \$8.5 billion in government tax increases and airport and air navigation price hikes globally.

The global economic recession is resulting in significant double-digit reductions in traffic for most airports and ANSPs around the world. This is putting intense pressure on unit rates and charges, particularly for those providers with full cost recovery mechanisms.

IATA is pressing all major airports and ANSPs to:

- avoid any increases in unit rates and charges in 2009
- apply even greater effort in reducing costs and improving cost efficiency to generate airline savings
- ensure that the inevitable under-recoveries that occur in 2009 are addressed in 2010-2011 either by simple removal through write-offs or government intervention or by spreading them over five years so that there are no increases in rates and charges in 2010-2011

IATA is also pressing governments where appropriate to take measures to relieve airports and ANSPs of cost burdens that

are within the remit of the government. This includes waiving the need for full cost recovery, removing or reducing the cost of capital requirements, a fairer allocation of meteorological costs, and so on.

IATA collaborates with organizations such as CANSO and ICAO to achieve acceptable pricing levels for aviation infrastructure while maintaining and improving standards of service and performance. Notably in 2008 CANSO issued the Madeira Statement at its AGM confirming the commitment of ANSPs to short-term savings measures and establishing a CANSO Crisis Action Team. More-robust regulation of monopoly providers, however, is clearly still needed to improve cost efficiency.

## Airports

Savings in airport charges of \$487 million during 2008 were more than offset by increases of \$831 million. Major contributors to the increases were the BAA airports Heathrow (\$298 million) and Gatwick (\$76 million), where charges were raised to the maximum allowed yield per passenger.

The industry outcry over BAA's 86% increase in charges for 2008–13 led to an independent review by the UK Competition Commission. On 19 March 2009, that entity endorsed IATA's call for breaking up BAA by requiring the sale of Gatwick and Stansted airports and of either Edinburgh or Glasgow airports in Scotland. BAA was expecting final binding offers for Gatwick by the end of April 2009 and has expressed a willingness to sell Stansted given a flexible timeline. IATA looks forward to the expeditious settling of the two sales and to the renewal of healthy competition in the British airport system.

In October 2008, the industry welcomed legislation in India for setting up that country's Airport Economic Regulatory Authority. However, in a surprise move and without consulting with airlines, India's Ministry of Civil Aviation approved a 10% increase in airport charges at

Mumbai and New Delhi airports effective early in 2009. This was followed by the approval of an airport development fee at New Delhi airport beginning 1 March 2009. These unjustified rate increases are sure to exacerbate India's growing economic crisis, which yielded \$1.5 billion in airline losses in 2008.

In Europe, the industry was hit with a \$111 million increase in charges at Schiphol airport in Amsterdam in 2008.

Other providers took a more-productive approach, particularly airports in Asia. The Air Hub Development Fund discount package at Singapore's Changi airport was extended a year to the end of 2009. What is more, the landing fee discount was increased from 15% to 25%, while other discounts and incentive schemes remain unchanged. The total discount package is estimated at \$87 million.

In Malaysia, the government announced on 10 March 2009 a two-year 50% rebate for landing charges effective 1 April. This initiative is expected to save the industry about \$53 million.

At Hong Kong International Airport, a relief package of HK\$450 million (\$58 million) was introduced, comprising HK\$200 million for a 10% reduction in landing and parking charges and HK\$250 million for interest-free deferred payments, starting in April 2009. In Thailand, Airports of Thailand reduced landing charges and parking fees 20%, saving airlines around \$12 million.

Also during 2008, the industry won two major congestion pricing battles, in New York and São Paulo. The US Federal Aviation Administration's plans to auction off 10% of the takeoff and landing slots at the La Guardia, Kennedy, and Newark airports to the highest bidder to combat congestion were thwarted by the US Court of Appeals. In December 2008, the court ruled that the auctions would drive up ticket prices for airline passengers.

In Argentina, meanwhile, a lengthy contract revision process was at last concluded. The 2007 agreement between IATA and Argentina's regulatory body ORSNA and airport concessionaire





The failure to implement a Single European Sky is a costly environmental embarrassment that undermines the credibility of Europe's environmental efforts.

Giovanni Bisignani

AA2000 for a 30% discount on landing and parking charges went into effect on 1 March 2009.

In 2009, IATA will continue its ongoing campaigns with major providers in Europe and the Americas. It also will engage aviation authorities and providers in the Middle East and elsewhere to ensure better compliance with ICAO policies that call for charges that are transparent, nondiscriminatory, and based on a cost-recovery model.

In Asia-Pacific, IATA continues to seek reductions in charges at airports in Japan, which are the highest in the region. IATA also will work with Chinese authorities to restructure that nation's airport charges and looks forward to the launching of Airport Economic Regulatory Authority in India.

## Air Navigation Service Providers

IATA made progress in 2008 in real ANSP reductions of \$94 million. Those gains, though, were outweighed by cost increases of \$715 million.

In Europe, our efforts through EUROCONTROL and its member countries saved the industry \$168 million from 13 nations. But those savings were offset by cost increases from 20 other countries totaling \$411 million.

ATSA Bulgaria set a positive example in 2009 by signing an agreement with IATA that commits to a 16% reduction in charges over a five-year period. IATA will continue to support similar long-term commitments with other European providers as a positive contribution toward the Single European Sky (SES) initiative.

Lengthy discussion among IATA and other industry bodies at last in 2008 produced a revised governance structure for EUROCONTROL that took effect 1 January 2009. The new structure will strengthen the engagement of all industry stakeholders in air traffic management decisions. It will also support the network management functions that underpin the SES Package II legislative proposals to

improve the performance of Europe's ATM system.

The SES vision of unifying the fragmented European airspace is of paramount importance to the future of air traffic management. SES Package II emphasizes binding national performance targets, functional airspace blocks, harmonized safety oversight by the European Aviation Safety Agency and the Single European Sky ATM Research (SESAR) Program. The package was formally approved by the European Parliament on 25 March 2009 and will enter into force in summer 2009.

SESAR will help reduce the \$6.8 billion in annual costs resulting from EU ATM inefficiencies that cause, among other problems, flight delays. To support SESAR, all stakeholders need to equitably fund the necessary \$39.4 billion investment. A fair funding model requires a sound business case and assurance that long-awaited improvements in performance will be delivered.

At the same time, SESAR's counterpart in the United States, NextGen, intends to bring the latest technological advancements to that country's ATMs by 2025. To realize maximum cost efficiencies, Europe and the US will need to coordinate and harmonize their ATM systems.

## Fuel

In 2008, the industry was exceptionally successful in saving on fuel fees and taxes—to the tune of \$1.3 billion. That total includes savings secured in Brazil, where the industry convinced the government to eliminate the PIS/COFINS social contribution for \$411 million in reductions over a five-year period. In Colombia, the Value Added Tax exemption for international flights led to \$213 million in savings, while in India the abolishment of the customs duty resulted in savings of \$276 million.

IATA's efforts during the year underpinned these savings. We worked on improving fuel-supply reliability, published

recommendations to assess cost-efficient fuel storage at airports, and provided industry input to the discussions on changes to the emergency fuel stock regime in Europe.

## Working together

IATA also successfully worked with partner organizations in 2008 to provide a stronger framework for compliance with and the regulation of infrastructure charges. Significantly, on 19 February 2009 the European Commission's Airport Charges Directive was issued.

The Directive establishes airport pricing laws for the 27 EU countries and calls for adherence to ICAO principles. However, much remains to be done with supervisory activities at the member country level. IATA will be pressing for a proactive approach and monitoring developments carefully to ensure the earliest-possible implementation of the directive by each EU nation.

Another positive result of IATA's collaborative efforts in 2008 was the approval of recommendations by the ICAO Conference on the Economics of Airports and Air Navigation Services. Those recommendations are designed to enhance cooperation between regulators, providers, and users and to raise the efficiency and the cost-effectiveness of airport operations and the provision of air navigation services.

The recommendations also call for contracting countries to enshrine the main principles of ICAO's Policies on Charges for Airports and Air Navigation Services (Doc 9082) in national legislation, regulations, or policies and in all air services agreements between countries.

Given the urgency of the financial and economic crisis, IATA is fighting harder than ever for effective and cost-efficient infrastructure. It invites its airport and ANSP partners, governments, and international organizations to continue working with it toward a streamlined, efficient, and successful aviation industry.



Our monopoly partners need incentives with the teeth that drive business decisions and place the cost burden on those that fail to perform.

Giovanni Bisignani

# Industry and Financial Services

IATA's financial services annually handle \$350 billion of the industry's money—the lifeblood of the industry. During a crisis, it is more critical than ever that IATA's financial services function accurately and reliably.

So in 2008 IATA conducted a thorough review of its financial services. It also took the precautionary measures training a crisis response team, increasing requirements for its banking partners, and of opening secondary accounts in all locations as a contingency against bank failures.

As a result, not a single payment was missed amid the financial turmoil of 2008.

## Billing and Settlement Plans

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

In 2008, the BSPs handled a record \$240 billion and processed 470 million transactions, an increase of 2.6% over 2007. Bad debt on increased sales in 2008 was only 0.035% of gross sales.

New BSPs were implemented in Gibraltar, Kazakhstan, Macedonia, Syria, and Nigeria. This brings IATA's total number of BSPs worldwide to 84, with coverage of more than 162 countries and territories.



## Cargo Accounts Settlement System

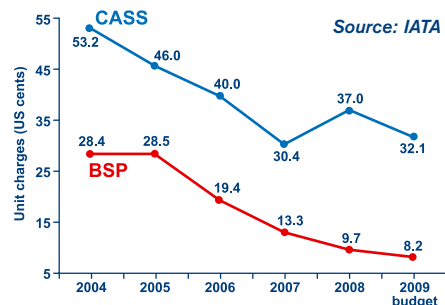
During 2008, IATA added a further 10 Cargo Accounts Settlement System (CASS) operations to the global network, bringing their total to 86. Highlights include the addition of domestic CASS operations in the United States and Brazil; of export operations for Chinese Taipei and Colombia; and of import operations for Hong Kong, Singapore, and Morocco.

The combined value of settlements processed by CASS in 2008 was a record of more than \$28 billion. The collection success surpassed 99.98%, despite the challenging economic environment.

IATA continued, meanwhile, to add functionality to the CASSlink data processing solution to make the correction process more efficient.

In 2009, CASS expansion will focus on implementing 10 new operations within the top 50 international freight countries. This should serve as a vehicle to generate significant additional volume and thus lower overall unit charges for IATA member airlines.

## BSP/CASS unit charges to airlines





## IATA Currency Clearance Service

The IATA Currency Clearance Service (ICCS) helps airlines to centrally manage their worldwide cash and to convert currencies at optimal market exchange rates. ICCS continued its strong growth in 2008, clearing a record \$30.5 billion. More than 239 airlines use the service to manage funds collected in 93 countries.

In 2008, China, Russia, and 11 other countries were added to the ICCS network. The ICCS also added 6 countries to its Euro accelerated transfer process.

## IATA's air traffic control and airport enhancement and financing service

Our airport enhancement and financing (E&F) service helps airports and ANSPs lower their costs and improve their efficiencies in invoicing and collecting user charges. The service also helps them secure cost-effective financing for investment in civil aviation infrastructure. In 2008, IATA's E&F service processed more than \$1.3 billion in over 40 countries.

## IATA industry card services

IATA processed \$66 billion in card transactions in 2008. We also launched a new initiative to meet Payment Card Industry Data Security Standards and thereby ensure the continued safety of the data our card services process.

IATA card services simplify airlines' expansion into new BSPs. Those services facilitate card acceptance and reduce costs through increased centralization. IATA CardClear consolidates card transactions from multiple BSPs and delivers them to the acquirer chosen by the airline. IATA CardAXS provides for the multicurrency settlement of global Visa and MasterCard airline sales.

## IATA Clearing House

The IATA Clearing House (ICH) enables the offsetting of billings between more than 350 airlines and associated companies before settlement on a weekly basis. This efficiency produces cash flow savings exceeding 70% for each weekly settlement. It also reduces industry financial risk by minimizing the time and amount of outstanding intercompany debts.

In 2008, the value of business settled by the ICH grew to an unprecedented \$50 billion. Yet despite the jump in value, settlements required less than \$14.8 billion in cash because of the offset service provided.

## First & Final Interline Billing

First & Final Interline Billing quickly and simply settles airline passenger billings on a first-time basis. It thus avoids lengthy billing dispute resolution. This reduces workload in revenue accounting and increases the speed and accuracy of management reporting and route revenue analysis.

In 2008, 37 airlines participated in First & Final Interline Billing. This accounted for the service's processing of an average of 2.8 million interline journeys a month.

## Simplified Interline Settlement

Simplified Interline Settlement (SIS) makes possible electronic interline billing linked directly to the ICH for settlements. The electronic formats contain sufficient data to automatically allow interline invoices to be posted correctly in

accounts and precisely routed to the appropriate departments.

During 2008, five separate airline industry groups worked to define their particular SIS requirements for each of their business areas. IATA has translated their needs into solutions that will be implemented in 2009 and 2010.

When fully implemented, SIS is expected to save the airline industry over \$500 million a year in operating efficiencies and reduced costs. As well, it will eliminate the 200 tonnes of settlement-related paper shipped around the world annually.

## Data processing center migration

China-based Accounting Centre of Chinese Aviation (ACCA) won the tender for processing Global Distribution System (GDS) ticket data to calculate agent billings and airline settlements. Over its 10-year contractual period, it is expected to save airlines \$41 million compared with current processing costs. The transition from the Australia-based UNISYS to ACCA was rolled out on a BSP-by-BSP basis in 2008 and is on schedule. It will be completed in April 2010, and ACCA will then take over the processing for 42 of IATA's BSPs in Asia, parts of Europe, and in Canada.

ACCA will also maintain and develop the data processing software for its job.

Electronic invoicing, First and Final Interline Billing, and the Simplified Interline Settlement project all aim to help the industry eliminate paper, simplify processes and reduce cost.

Giovanni Bisignani

## PASSENGERS

### Passenger Agency Program

The Passenger Agency Program securely distributes airline tickets through a global network of accredited sales locations.

In 2008, the Passenger Agency Conference (PACConf) approved new rules for compliance with competition laws for many countries in Latin America, the Middle East, and Africa. Around 126 countries are governed by the new competition-compliant rules. Work continues through 2009 to bring as many other countries under the same governance with a view to achieving 100% coverage by the end of 2010.

PACConf in addition adopted provisions to include travel agencies that operate only on the Internet. It also updated rules to ensure that default and irregularity provisions apply to airline direct ticketed Internet sales issued on behalf of travel agents when a BSP airline chooses to report them through a BSP. And, finally, the conference revised its rules to allow for any party involved in a travel agency commissioner process to seek arbitration.

### IATA Flex Fares

IATA Flex Fares have been adopted for the majority of IATA routes worldwide, with only few exceptions. IATA plans to phase out the remaining face-to-face meetings by June 2010 to provide a globally simplified interline tariff coordination process that cuts meeting costs, simplifies fare structures, and shortens the regulatory approval process.

### Going 100% paperless

The IATA Board of Governors recommended that IATA go forward with a strategy for an environment in which airlines can choose to become 100% paperless. Beginning June 2009, carriers participating in the Multilateral Interline Traffic Agreement will be allowed to declare their intent to stop accepting their interline partners' paper tickets effective one year from their declaration date.

### IATA Catering Quality Assurance Audit

IATA Catering Quality Assurance (ICQA) continues to save money for airlines by using common food safety and quality standards for catering facility audits. In 2008, the ICQA conducted 900 audits on over 230 catering facilities worldwide on behalf of the 11 airlines that have joined ICQA so far. Nine catering facilities worldwide received an ICQA Caterer Award in 2008 in recognition of their efforts to improve food safety and quality.

## CARGO

### 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 29 while improving reliability. Cargo 2000 is under the management of Cargo Network Services (CNS), an IATA subsidiary. The Cargo 2000 board remains an IATA-funded interest group.

In 2008, Cargo 2000 membership grew 21%, to 70 members. Also during 2008, Cargo 2000's members oversaw more than one million shipments a month under the Cargo 2000 route map standard.

### Cargo Agency Program

The Cargo Agency Conference adopted a number of program changes regarding the correction of CASS billing errors in 2008. It also introduced more-rigid and better-defined financial review procedures for accredited cargo agents. It continues, meanwhile, to monitor financial criteria on an ongoing basis and to effect adjustments where required.

A new cargo agency agreement was signed between IATA and FIATA in 2008. FIATA is a global association representing national freight forwarder associations. And the agreement with FIATA is meant to enhance the cargo training portfolio offered to freight forwarders.

### Cargo Tariff Coordination

In response to a changing regulatory environment, IATA's Cargo Tariff Coordination Conference withdrew multilaterally agreed IATA industry rates on a number of routes in 2008. Specifically, rate withdrawals apply on routes between the United States and the European Common Aviation Area and between Australia and the rest of the world. Replacing those rates is a program of carrier-specific flagged rates that will also form the basis for interline settlement rates. This strategy of withdrawing rates will be progressively rolled out to further markets over the coming years.

### Cargo standards

During 2008, IATA defined a common cargo business process as the foundation in support of IATA e-freight, Cargo 2000, and Secure Freight. The process complies with customs requirements to facilitate international trade.

Through the Customs Advisory Group and the IATA-FIATA Customs Working Group, IATA is helping the World Customs Organization define 21st-century customs standards.

The vision is to help air transport industry supply chain stakeholders become quality cargo operators. A first step toward cultivating quality cargo operators is to review and adapt IATA cargo resolutions and recommended practices, making them consistent with those for e-freight.





Even in the banking turbulence of 2008 we did not miss a single payment cycle with collection success maintained at close to 100%.

Giovanni Bisignani

# Aviation Solutions

IATA's aviation solutions help its members and businesses enhance revenue, improve efficiency, and promote safe and sustainable operations.

## Revenue growth

Despite the crisis, growth opportunities remain for those who discover them. In this vein, IATA's business intelligence tools support better decision making for network development and effective planning processes for passenger traffic growth.

IATA's Passenger Information Services (PaxIS) are the most powerful decision support tools available in the aviation industry. Supported by IATA's worldwide ticket data, PaxIS offers comprehensive, timely, and reliable passenger intelligence information. PaxIS is used by many of the world's premier airlines to glean accurate market intelligence.

In 2008, the PaxIS client list comprised over 50 airlines ranging from large network carriers to low-cost and regional carriers.

IATA's Global Airline Performance (GAP) survey benchmarks customer satisfaction for airlines operating long-haul routes. GAP spans the full travel experience from reservation and check-in to in-flight services and baggage delivery.

In 2008, 55,000 international passengers moving through 32 of the world's busiest airports were interviewed through GAP. GAP helped the 22 participating international carriers to identify their products' value drivers, improve their product offerings, and measure how product modifications were received.

Building on the need for better business intelligence in 2009, IATA launched Data AirHouse in 2008. Data AirHouse is for airlines that prefer to outsource and centralize their business intelligence data on one technical platform but without the associated overhead and implementation costs.

## Efficiency

IATA Consulting's cost-reducing Go Teams deliver detailed assessments of main processes in air and ground operations and identify corrective actions if needed. Crucial to the assessment

is a return on investment framework that focuses on solutions that can be implemented quickly for immediate results.

### Revenue improvement

IATA Consulting helped Emirates improve the design of its new concourse to increase its capacity. This had the dual effect of revenue generation and unit cost reduction.

With an architectural firm designing its new facility, the carrier wished to validate that form would not impede function. IATA consultants simulated traffic flows for aircraft, ground handling, passengers, and baggage. The assessment identified and removed bottlenecks that would have severely limited operations, especially during peak periods.

The result was a heightened customer service experience, an increase in available capacity, and a \$26 million improvement in operating profit.

### Distribution cost reduction

Weblink is an IATA solution that grants travel agencies direct access to an airline's Web site while ensuring that transactions are entered through IATA's secure Billing and Settlement Plan (BSP).

In 2008, IATA used Weblink to settle 2.5 million transactions totaling \$401.5 million for Weblink's 24 clients throughout the world. This equates to savings in distribution costs of more than \$10 million. That total should grow to \$300 million as the Weblink share of BSP transactions increases to 10% by 2012.

## Safety

IATA produced more than 250 publications during 2008. They include *The Airline Coding Directory*, *The Airline Handling Manual*, *World Air Transport Statistics*, *The Travel Information Manual*, and *The Dangerous Goods Regulations Manual (DGR)*.

The *DGR* and its related publications are among the industry's most important safety documents. Produced by IATA for 50 years, the *DGR* is the de facto industry standard, available in various media and in six languages and distributed in 178 countries.

### Training

The IATA Training and Development Institute (ITDI) helps to establish a safer, more-productive work environment at airlines. ITDI offers a compelling group of internationally recognized training programs for airline management, operations, compliance, and safety.

In 2008, ITDI enrolled over 33,000 professional and vocational students from nearly 150 countries in around 500 disciplines across all market segments.

Over half of all classroom participants in 2008 enrolled in safety-related courses, including Safety Management Systems for Airlines, Dangerous Goods Regulations, and Ground Operations Audit ISAGO.

## Sustainability

IATA Consulting's Fuel Efficiency Gap Analysis (FEGA) teams helped uncover \$3.7 billion in potential annual savings in 2008. Since 2005, 93 FEGAs have taken place at carriers throughout the world and have identified potential savings ranging between 2% and 15% of airlines' annual fuel budgets.

Fuel conservation also creates a concurrent potential reduction in CO<sub>2</sub> emissions. FEGA assessments indicate that the potential fuel savings identified in 2008 are equivalent to a reduction of 3.5 million tonnes of CO<sub>2</sub> emissions.

Recently, a FEGA team ran a fuel consulting project for an IATA member airline and identified potential fuel savings of \$25 million. Process changes in flight operations, flight dispatch, and maintenance and engineering achieved 98% of the identified savings.



As businesses in such a difficult environment, what can we do?

Cut costs, adjust capacity to demand, simplify processes and encourage innovation everywhere.

Giovanni Bisignani

# IATA Membership

as of 1 May 2009

## Active Members

Adria Airways	Air One	Bulgaria air	Emirates
Aegean Airlines	Air Pacific	C.A.L. Cargo Airlines	Estonian Air
Aer Lingus	Air Sénégal International	Cargojet Airways	Ethiopian Airlines
Aeroflot	Air Seychelles	Cargolux	Etihad Airways
Aeroflot-Don	Air Tahiti Nui	Caribbean Airlines	European Air Transport
Aerolineas Argentinas	Air Transat	Carpatair	Eurowings
Aeromexico	Air Vanuatu	Caspian Airlines	EVA Air
Aerosvit Airlines	Air Zimbabwe	Cathay Pacific	Federal Express
Afriqiyah Airways	Aircalin	CCM Airlines	Finnair
Aigle Azur	Alaska Airlines	China Airlines	flybe.British European
Air Algérie	All Nippon Airways	China Cargo Airlines	Garuda
Air Astana	American Airlines	China Eastern	Gulf Air
Air Austral	Arkia Israeli Airlines	China Southern Airlines	Hahn Air Lines
Air Baltic	Armavia	Cimber Air	Hainan Airlines
Air Berlin	Asiana Airlines	Cirrus Airlines	Hapag Lloyd
Air Canada	Atlas Air	CityJet	Hellas Jet
Air China	Atlasjet Airlines	Comair	Hemus Air
Air Contractors (UK)	Austrian	Continental Airlines	Hong Kong Express Airways
Air Europa	AVIANCA	Continental Micronesia	IBERIA
Air France	Azerbaijan Airlines	COPA Airlines	Icelandair
Air India (NACIL)	B&H Airlines	Corsair	Inter Air
Air Jamaica	Bangkok Airways	Croatia Airlines	Iran Air
Air Koryo	Belavia - Belarusian Airlines	Cubana	Iran Aseman Airlines
Air Macau	Bellview Airlines	Cyprus Airways	Isair
Air Madagascar	Biman	Czech Airlines	JALways
Air Malta	Binter Canarias	Delta Air Lines	Japan Airlines
Air Mauritius	Blue Panorama	Denim Air	Jat Airways
Air Moldova	Blue1	DHL Air	Jet Airways
Air Namibia	Blue Wings	DHL International E.C.	Jet Lite
Air New Zealand	bmi	Dragonair	Jordan Aviation Airlines
Air Niugini	British Airways	Egyptair	Kenya Airways
Air Nostrum	Brussels Airlines	EL AL	Kish Air



KLM  
 Korean Air  
 Kuwait Airways  
 LACSA  
 LAM - Linhas Aéreas  
 de Moçambique  
 Lan Airlines  
 Lan Argentina  
 Lan Chile Cargo  
 Lan Perú  
 Lan Ecuador  
 Lauda Air  
 Libyan 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  
 Mexicana  
 MIAT - Mongolian Airlines  
 Montenegro Airlines  
 Nippon Cargo Airlines  
 Northwest Airlines  
 Olympic Airlines  
 Oman Air  
 Onur Air  
 PAL - Philippine Airlines  
 Pegasus Airlines  
 PGA - Portugal Airlines  
 PIA - Pakistan International  
 Airlines  
 PLUNA  
 Precision Air  
 Qantas  
 Qatar Airways  
 Rossiya - Russian Airlines

Royal Air Maroc  
 Royal Brunei  
 Royal Jordanian  
 SA Airlink  
 SAA - South African Airways  
 SAS  
 SAS Norge  
 Saudi Arabian Airlines  
 Shandong Airlines  
 Shanghai Airlines  
 SIA - Singapore Airlines  
 SIA - Singapore Airlines Cargo  
 Siberia Airlines  
 Sichuan Airlines  
 Silkair  
 Skyways  
 Spanair  
 SriLankan Airlines  
 Sudan Airways  
 Surinam Airways  
 Swiss  
 Syrianair  
 TACA  
 TACA Peru  
 TAM - Transportes Aéreos  
 del Mercosur  
 TAM Linhas Aéreas  
 TAP - Air Portugal

TAROM  
 Thai Airways  
 Turkish Airlines  
 TNT Airways  
 Transaero  
 TransAsia Airways  
 Tunis Air  
 Ukraine International Airlines  
 United Airlines  
 UPS Airlines  
 US Airways  
 UT air  
 Vietnam Airlines  
 Virgin Atlantic  
 Virgin Nigeria  
 Vladivostok Air  
 Volga-Dnepr Airlines  
 Wideroe  
 Xiamen Airlines  
 Yemenia

## Associate Members

Air Tahiti  
 Austral  
 Lufthansa CityLine  
 Safair  
 SATA Air Açores  
 Shenzhen Airlines  
 Volaris



# IATA Offices



## 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

Sandown Mews East Block  
88 Stella Street  
Sandton  
Johannesburg 2146  
South Africa

### Asia Pacific

111 Somerset Road,  
#14-05 Somerset Wing  
Singapore Power Building  
Singapore 238164  
Singapore



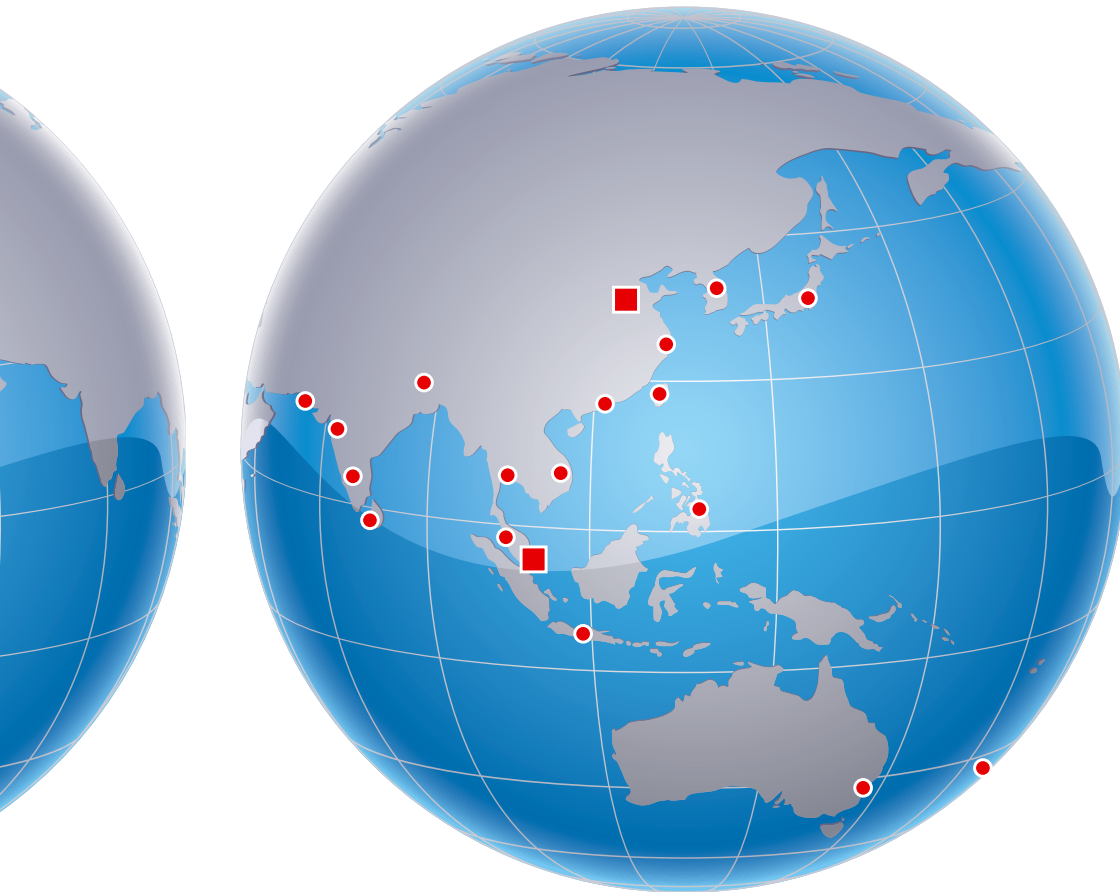
Main Office



Regional Office



Country Office



**China & North Asia**

3F East Tower  
World Financial Center  
No.1, Dongsanhuang Zhong Road  
Chaoyang District  
Beijing 100020  
People's Republic of China

**Europe**

95 Paseo de Castellana Torre  
Europa  
Madrid 28046  
Spain

350 Avenue Louise  
Louizalaan  
Brussels 1050  
Belgium

**Middle East & North Africa**

52 Al-Hashemiyeen Street  
Abdoun  
P.O. Box 940587  
Amman 1194  
Jordan

**Latin America & the Caribbean**

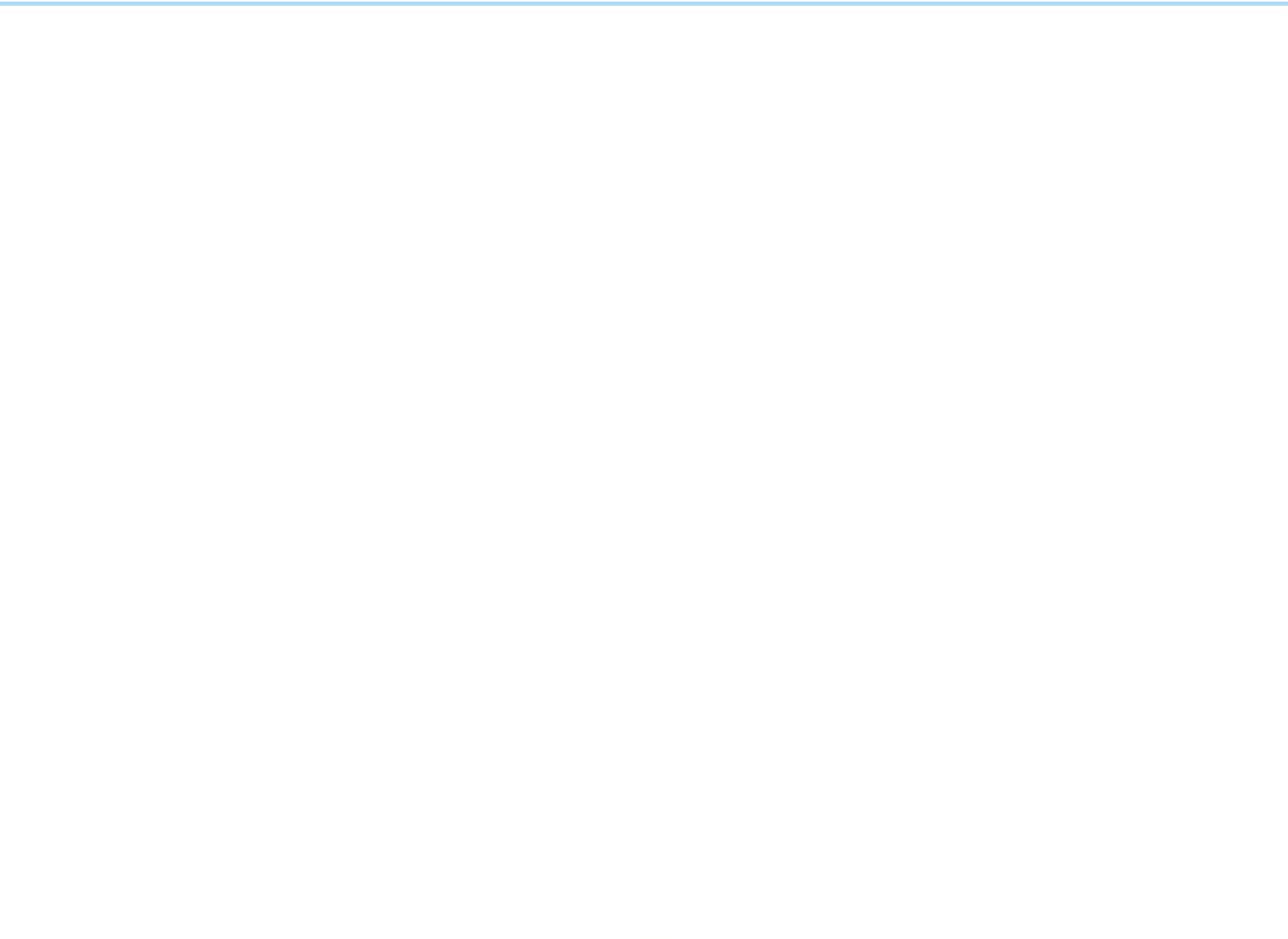
701 Waterford Way  
Miami, Florida 33126  
United States

**North America**

601 Pennsylvania Avenue NW  
North Building  
Washington DC 20004  
United States

**Russia and CIS**

19-1 Lyalin Lane  
Moscow 105062  
Russian Federation



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