



annual report
2010

International Air Transport Association

2010



Giovanni Bisignani
Director General & CEO

International Air Transport Association
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Cautious optimism is returning.
But challenges continue.
We must rebuild the industry
on a **new and more resilient**
foundation.

Safety, security, and environmental
responsibility are the pillars of
our industry, which we must
constantly strengthen.



Shocks and crises have exposed the weakness of the industry structure. The nearly \$50 billion loss over the last decade is a **blunt case for big change.**

Giovanni Bisignani



IATA Board of Governors

as of 1 May 2010

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Director General's Message

Airlines lost \$9.9 billion in 2009. Passenger traffic fell 2.1%, and cargo dropped 9.8%. Average yields tumbled 14%. Industry revenues fell 15%, or \$85 billion, to \$479 billion.

The scale of the financial shock comes into focus with a comparison to the aftermath of the tragic events of September 2001. The revenue fall then was 7%, or \$23 billion—nearly a quarter of what was experienced in 2009.

The volatility of the operating environment is characterized by the oil price—the industry's cost wildcard. From its peak of \$144 a barrel in 2008, it fell to an average \$62 per barrel in 2009. By the end of April 2010, the spot price was inching toward \$90 per barrel.

Signs of progress emerged in the fourth quarter of 2009, with a traffic rebound as dramatic as the fall. By March 2010, cargo and passenger traffic were within 1% of prerecession highs. But yields were 13% down. Risks such as the Greek debt crisis and the Icelandic volcano eruption remain large unknowns.

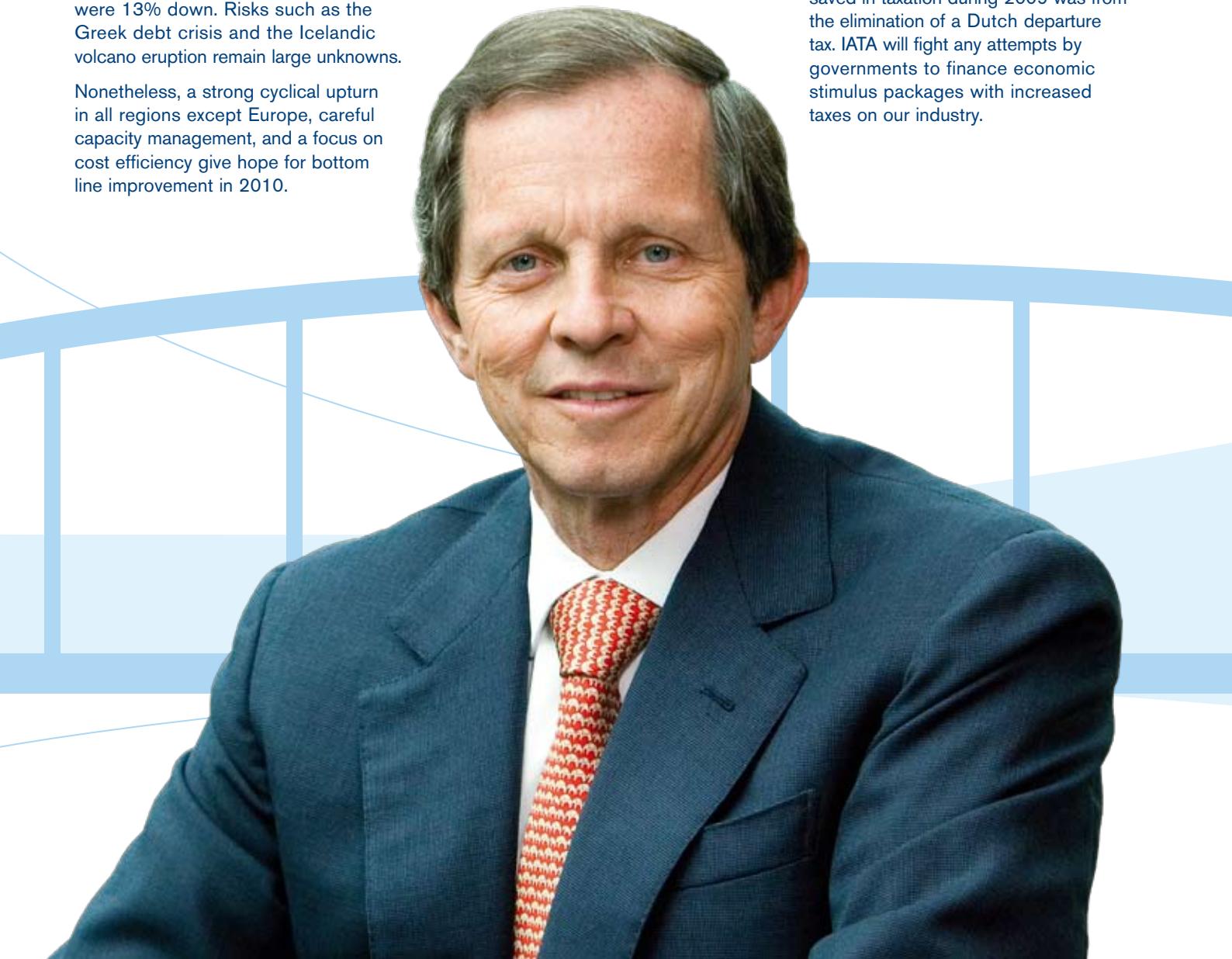
Nonetheless, a strong cyclical upturn in all regions except Europe, careful capacity management, and a focus on cost efficiency give hope for bottom line improvement in 2010.

As cautious optimism returns, your association is at your side.

We are working to keep your money safe. Over the past decade, IATA handled \$1.7 trillion through the Billing and Settlement Plan (BSP), Cargo Accounts Settlement System, and IATA Clearing House with more than 99.9% accuracy. Over the same period, efficiency gains cut unit rates 80%. By February 2010, IATA had completed the migration of BSP data processing operations for 42 countries to the Accounting Centre of China Aviation (ACCA), achieving further cost savings.

IATA is driving efficiencies across the value chain. Our work with airports, air navigation service providers, and fuel suppliers yielded \$2.1 billion in cost savings in 2009. But there were unjustified cost increases of \$2.6 billion. We will continue to fight to ensure that the burden of efficiency is shared across the industry value chain. Crisis also led to progress. The Single European Sky (SES) drew nearer as a consequence of the volcanic ash crisis that gripped Europe in April 2010. Seeing the need for greater efficiency, Europe committed to fast track SES plans, which will deliver \$6.5 billion in cost savings.

We are fighting unfair industry taxation. The majority of the \$1.8 billion saved in taxation during 2009 was from the elimination of a Dutch departure tax. IATA will fight any attempts by governments to finance economic stimulus packages with increased taxes on our industry.



IATA continues to deliver cost savings and improve processes. The Simplifying the Business (StB) program is aiming for \$16.8 billion in annual savings. E-ticketing and common use self-service kiosks have already delivered \$4 billion in annual savings. The next target is at the end of this year, when 100% bar-coded boarding passes will deliver \$1.5 billion in savings. Fast Travel, the Baggage Improvement Program, and IATA e-freight also are on target. IATA added a new component to StB with the launch of e-services. The electronic miscellaneous document will replace paper processes for sales of ancillary services. By 2013, this will deliver \$2.9 billion in annual cost savings.

Most importantly, IATA is working to make flying even safer. IATA airlines, which must pass the IATA Operational Safety Audit (IOSA), outperformed the global industry with a hull loss rate of one accident for every 1.6 million flights. Building on the success of IOSA, the IATA Safety Audit for Ground Operations (ISAGO) is gaining momentum. Twenty-seven governments and airport authorities have endorsed ISAGO, and 160 audits are complete.

In 2009, IATA launched the Global Safety Information Center (GSIC) to consolidate IATA safety data in one resource. This approach was expanded in March 2010, when IATA signed an agreement with the International Civil Aviation Organization (ICAO), the US Federal Aviation Administration, and the European Union to share safety information.

We are also looking beyond the decade of crisis to build a more sustainable industry—environmentally and financially.

Environmental responsibility is a core promise to our passengers. Your association played a leading role by building industry commitment to three sequential targets for aviation and climate change: improving fuel efficiency 1.5% per annum to 2020, capping net emissions with carbon-neutral growth from 2020, and cutting net emissions in half by 2050 compared with 2005.

More importantly, we are delivering results. Since 2004, IATA's efforts have saved over 70 million metric tons of CO₂. Biofuels, with the potential to reduce our carbon footprint by up to 80%, show good progress and the greatest potential.

Five airlines have tested them, and we expect certification by early 2011.

In the meantime, we are preparing for COP16. Our goal is to bring governments onboard with our ambitious targets, which UN Secretary General Ban Ki-moon commended as a role model for other industries to follow.

The industry must also be financially sustainable. Profitability is compromised by the antiquated bilateral system's restrictions on market access and ownership. It perpetuates hyper-fragmentation. The industry's top 30 players do not account for even 50% of the global market in which 1,000-plus airlines compete. Consolidation is a must.

We can now look to the future beyond the crisis with some cautious optimism. The challenge is to build our future with a vision for an industry that is even safer, more environmentally responsible, and sustainably profitable. I am confident that our great industry has the passion and commitment to deliver the success that our passengers, shippers, and shareholders expect.



Giovanni Bisignani
Director General & CEO



State of the Industry



There is evidence of recovery from the deep global recession, but challenges remain.

Passenger markets

The recent cyclical downturn was the deepest experienced by the commercial airline industry since the 1930s. Early 2009 marked the low point for international air travel markets. From the early-2008 peak to the early-2009 trough, premium travel fell 25%. Economy travel fell 9%, the decline softened by a shift to cheaper seats.

From mid-2009, air travel markets began to turn upward, boosted by the massive fiscal and monetary stimulus measures taken by governments. By the end of 2009, premium travel had risen 11% and economy 7%. But while the number of passengers traveling on economy seats was within 3% of the 2008 peak, premium travel lagged 17% below its previous high point.

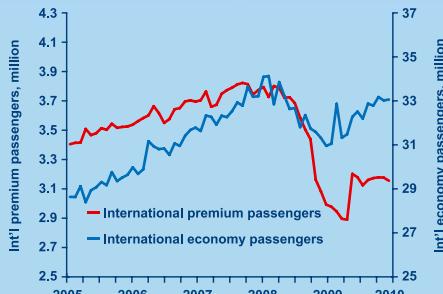
An important question was whether the decline in premium travel was a structural shift or simply a cyclical downturn, to be followed by an upturn. This market segment generates a disproportionate amount of profit for network airlines, particularly in long-haul markets.

Many passengers traveling on premium seats are on business, which is driven by international trade and financial activity. Growth in premium travel fits closely with world trade trends. This is consistent with the view that the loss of premium passengers early in 2009 was due to the unprecedented downturn in economic activity and world trade and not to a structural loss.

Overall, passenger demand dropped 2.1% in 2009. By December, though, traffic was up 8.4% on the February low and was rising at an annualized rate of 9% in the first quarter of 2010. The travel upturn during late 2009 and early 2010 was not even across markets. Weak economic activity in Europe, and to a lesser extent in North America, led to travel remaining fragile within and between these important markets. By contrast, strong economic recoveries in Asia and South America generated robust upturns in travel in those markets. Middle Eastern travel markets benefited from regional economic growth and continued market share gains in long-haul markets connecting over Middle Eastern hubs.



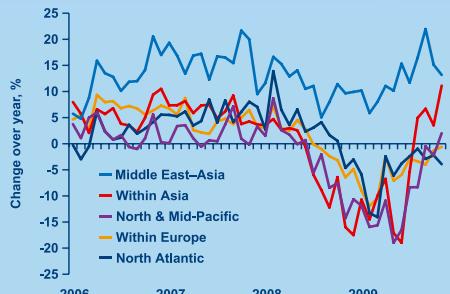
Air travel upturn varied by seat class
Source: IATA



Premium downturn looks cyclical not structural Sources: IATA, Netherlands CPB



Strength of upturn varied substantially by market
Source: IATA



Cargo markets

Cargo volumes rose strongly toward the end of 2009, growing 24%. The first quarter of 2010 has continued this upward trend and shows an annualized rate of 26%. Despite shrinking by over one-quarter during the second half of 2008, by the end of March 2010 air freight was within one percentage of its 2008 high.

Notably, air freight rose earlier and more rapidly than overall international trade in goods, a typical postrecession trend. When recession led to a large inventory overhang in late 2008, businesses abruptly stopped shipping components and goods. Air freight slumped as a result. As that overhang diminished through 2009 shipments began to rise, to the benefit of air freight.

The same trend was evident after the 2001 downturn.

Capacity

Airlines responded to the severity of the recession with an unprecedented reduction in both passenger and freight capacity. By the end of 2009, passenger capacity in international markets had shrunk 5%. Freight capacity was down 10%, and even more at its lowest point in mid-2009.

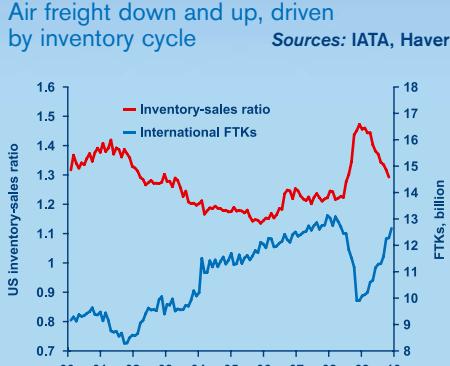
These capacity cuts, combined with the upturns in demand, led to load factors rising very sharply from their early 2009 lows. By the end of the year, load factors had reached record highs. During the first quarter of 2010, capacity was being added at an annualized pace of 6%, but this remains less than the 9% expansion in demand, and so supply-demand conditions were still tightening.

Load factor rises were also driven by aircraft underutilization. Aircraft were on the ground longer, largely due to reduced flight frequencies. Around 160 freighters were taken out of the in-service fleet in 2009, but the passenger fleet expanded.

Narrow-body aircraft utilization, mostly in short-haul markets, has recovered to prerecession levels. This mainly reflects capacity cuts in US domestic markets and strong demand in intra-Asian markets. However, wide-body and freighter utilization—largely in long-haul markets—was 7–10% lower at the end of 2009 than in early 2008.

In a capital-intensive industry such as aviation, high asset utilization is vital to profitability. With such a large proportion of costs fixed over the short term, low aircraft use means higher unit costs. It also represents redundant capacity that could very easily return to the market and put downward pressure on yields.

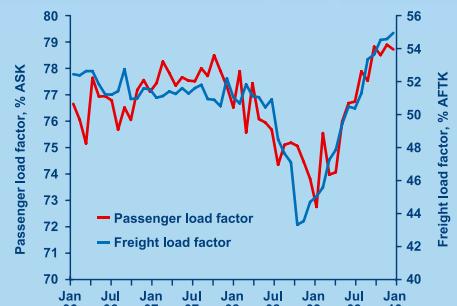
 Air freight down and up, driven by inventory cycle Sources: IATA, Haver



Airlines significantly downsized capacity Source: IATA



Pushing load factors back to record highs Sources: Platts, RBS



Yields

Intense competition continues to exert downward pressure on yields. When fuel prices were rising steeply in 2008, airlines managed to recover their costs through raising premium fares, their least price-sensitive market segment. But the collapse of business travel led to fare sales of premium seats. From peak to trough, average premium fares fell 26%, and economy fares saw a 17% decline. This was a measure of the financial distress network airlines were under during the first half of 2009.

From their low points, premium and economy fares (which exclude fuel surcharges and taxes) were up 10% by the end of the year. But it was still 9% cheaper to travel economy than in early 2008 and 20% cheaper to use premium. On average, passenger and cargo yields fell 14% in 2009.

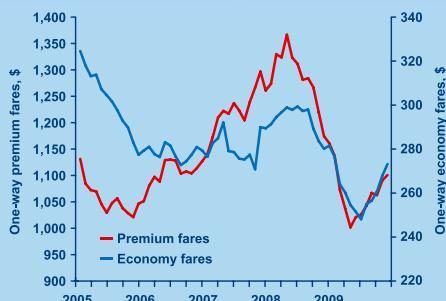
Freight rates are rising and on average were higher in the fourth quarter of 2009 than at the same time the previous year. However, the upturn has been highly concentrated in a few markets, especially in Asia, where the economic recovery has been strong. Trade with Asia is highly unbalanced, with flows out of Asia stronger than inward flows. Together with a shortage of cargo capacity in Asia, this has helped freight rates from Southeast Asia to Europe recover to prerecession levels. By contrast, rates in the opposite direction have barely moved from their depressed levels. This is also true of rates across the North Atlantic between the relatively weak economies of Europe and North America.

Revenues

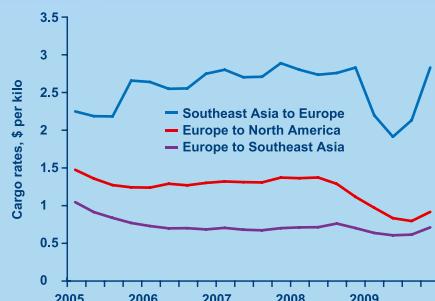
IATA estimates that global airline revenues fell to \$479 billion in 2009, an unprecedented fall of \$85 billion, or 15%. This represents a two- to three-year backward step for the industry.

Network airlines with significant long-haul services were hard hit during 2009 because of the larger proportion of their revenues made up by premium passengers and cargo. Despite a second-half upturn in demand, revenues from premium passengers were down an estimated 30% in 2009, and cargo revenues fell 24%. Although the industry has seen volumes and yields rising since the middle of 2009, there is still a long way to go before the revenue levels seen in early 2008 are recovered. For example, year-end 2009 revenues from premium passengers were still almost 30% below the previous peak. They were still over 20% below peak at the end of the first quarter of 2010.

Higher load factors started to push fares up from lows
Source: PAXIS Plus



Rise in freight rates is limited to a few markets
Source: CASS



Revenues still have a long way to recover
Source: IATA





Fuel costs

For the past decade, increases in jet kerosene prices have been the major driver of costs. Air transport is an energy-intensive industry, so when oil prices spiked in 2008 fuel made up 33% of operating costs on average. By the start of 2009, oil prices had fallen back to around \$40 a barrel as the so-called Great Recession caused energy demand to slump.

However, from that low point the industry has faced continuously rising fuel prices. By year-end 2009, crude oil prices had risen 85%, to \$74 a barrel, as economic recovery began to raise demand and as futures markets, anticipating strengthening economic recovery, added to upward pressures.

Jet kerosene prices did not rise quite as far, since the “crack spread” (the difference between jet kerosene and crude oil prices) narrowed from a very high 50% at the start of the year to an unusually low 15% by year-end, reflecting the emergence of significant excess capacity in the refining industry.

By the end of 2009, jet kerosene prices were \$85 a barrel. This was well down on the 2008 spike of \$180 a barrel but back to 2006–2007 levels when economic growth and the ability to offset higher costs with higher revenues was much stronger. The volatility in fuel prices has meant airline hedging strategies have met only moderate success.

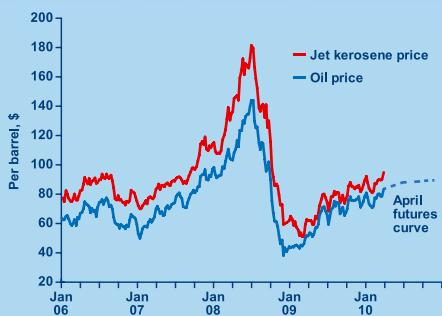
As of mid-May 2010, oil futures markets are anticipating a rise in spot oil prices above \$88 a barrel by the end of 2010, which would be consistent with a further rise in the price of jet kerosene to over \$100 a barrel.



The dimension of the crisis was unprecedented. Airline revenues plummeted by \$85 billion from 2008 to 2009. And we lost two years of growth.

Giovanni Bisignani

Fuel prices rose throughout the year
Sources: Platts, Bloomberg, RBS



Cash flow

The cash that airlines are able to generate from operations gives a clear picture of the impact of revenue and cost fluctuations on the bottom line. Earnings before interest, tax, and depreciation and amortization (EBITDA) as a percentage of revenues give a close approximation of airline cash flows in a metric that allows comparison across regions. Airlines in North America, Europe, and Asia-Pacific experienced very different trends in cash flows during 2009.

The weakest point for the US airlines was in mid-2008, as record fuel prices hit them at a time when their hedging levels were low and the US economy was weak. Early and sharp capacity cuts meant they were able to improve their operational cash flows, albeit from an exceptionally weak level, throughout 2009 and in spite of the recession. By the end of 2009, their cash flows were almost back to 2005–2007 levels. However, debt levels and interest rate spreads are high for US airlines, so once debt interest and capital spending are taken into account these positive operating cash flows turn into further net losses.

Asia-Pacific airlines found their cash flows hit dramatically by the recession. In addition, fuel hedges locking in prices that looked low in mid-2008 went wrong as oil prices slumped. In the second half of 2009, many airlines in this region saw an equally dramatic upturn. Cash flows in this region are back to a healthier 10% of revenues.

European airlines suffered a gentler decline in cash flows, partly because their hedging strategies offered better protection against the oil price fluctuations early on. However, that is offering less of an advantage now, and cash flows did not pick up at all during 2009 because of the weak economic recovery. In fact, a number of European economies weakened in the fourth quarter of 2009, and this has been reflected in disappointing revenues for the European airlines.

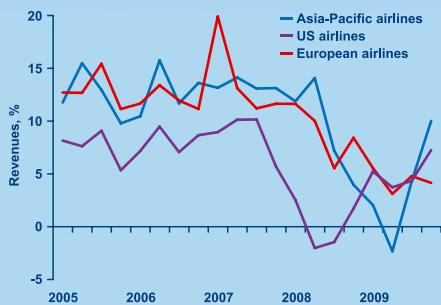
In April 2010, European airlines were hit hardest by the airspace closure in Europe resulting from the eruption of the Icelandic volcano Eyjafjallajökull. At its peak, the disruption affected 29% of global traffic. The industry is estimated to have lost \$1.7 billion in revenues over a six-day period. The greatest share of this revenue loss was borne by European carriers, whose operations accounted for 70% of the disruptions.

Profits

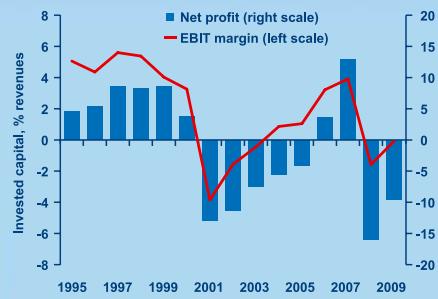
IATA estimates that capacity cuts and lower average fuel prices cut industry operating costs by more than the \$85 billion fall in revenues in 2009. At the operating or earnings before income tax (EBIT) level, the industry was almost back to breakeven, with losses of a few hundred million dollars, or 0.1% of revenues. However, the increase in debt as airlines raised cash and the widening of credit spreads increased debt interest payments. As a result, the reduction in losses was limited, and the global industry ended 2009 with estimated net losses of \$9.9 billion.

That total obscures some very different financial performances. Europe, from having been one of the best-performing regions in 2008, reported the largest losses in 2009. US airlines managed to substantially reduce their losses from 2008, thanks to large capacity cuts, but were coming from the weakest position. North America thus generated the second-largest net losses in 2009. Asia-Pacific has seen the largest rebound in economic growth and air transport demand, but the region was mired in the deepest recession at the start of 2009. That impact caused net losses there to be large.

Operational cash flows did not turn upward in all regions
Source: Bloomberg



Industry net losses shrank to \$9.9 billion in 2009
Sources: IATA, ICAO





There were small losses for African and Middle Eastern airlines. But in Latin America, a number of airlines continued to produce results that were exceptional given the economic environment. This was the one region that managed to be profitable in 2009, partly as a result of economies in the south of the continent that proved relatively resilient to the recession.

Cash and balance sheets

Stronger financial markets in 2009 allowed major airlines to raise a \$30 billion cash cushion by issuing debt and some equity on capital markets.

This allowed major airlines in North America and Europe, and some in Asia-Pacific, to raise their cash or near-cash balances to 20–25% of revenues. That, in turn, offered them a secure cushion against adverse economic conditions and reduced the risk of major airline bankruptcy during 2009.

The capital markets, however, were only open to the major airlines. Banks in Europe and North America are still not lending easily. As a result, many small and medium-sized airlines are finding accessing credit and establishing secure cash balances difficult. Consequently, the industry remains vulnerable to adverse shocks.

Major airlines raised \$25 billion of the \$30 billion in cash by issuing new debt. There was only \$5 billion in new equity. In addition, around \$13 billion of aircraft assets were sold and leased back. This weakened balance sheets, with leverage rising sharply in all regions. For US airlines in particular, where leverage is now around 100%, there are few unencumbered assets against which to raise future debt. Without new equity, balance sheets may be close to exhaustion, which may make significant capital spending on re-fleeting more difficult.

For many airlines, particularly in small countries with poorly developed capital markets, national ownership and control rules continue to restrict access to necessary equity.

Financial sustainability

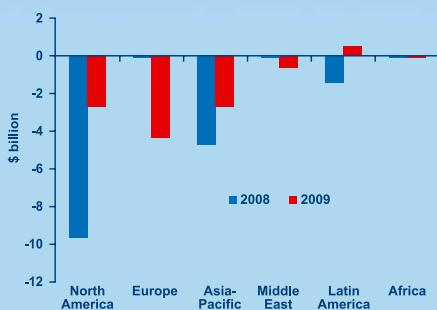
Financial sustainability for the industry means not just generating profit but also paying investors a “normal” return. Such a return is generally benchmarked as the average cost of equity and debt (the WACC, or weighted average cost of capital). In 2009, the industry was as far from achieving this as it has ever been, partly because the financial crisis

caused non-investment grade debt costs to rise dramatically. This raised the airlines’ average cost of capital to 12%, well above its normal 7–8%. But weak cash flows meant that in 2009 the return on capital (which is before debt interest or dividend payments) was only a little above the 2008 all-time low, at 1.6%.

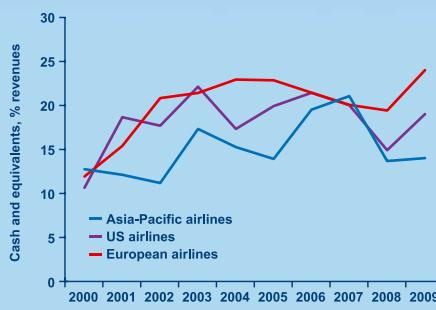
The return on capital rose throughout 2009 and is expected to be higher in 2010. There is, though, a long way to go before it approaches the cost of capital, which is now falling back to more normal levels. The industry has not managed to produce adequate returns even in peak years.

Overall, there was evidence of a strong cyclical upturn by the end of 2009. The trend continued in the first quarter of 2010. However, the structural problems remain and must be addressed.

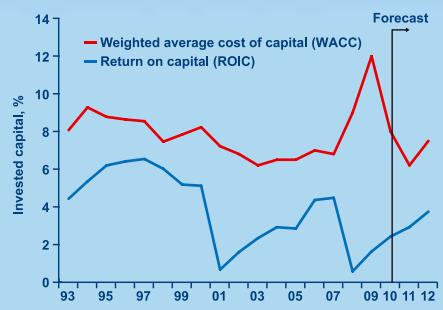
Very different financial performances by region
Sources: IATA, ICAO



Major airlines raised \$30 billion in cash during 2009
Source: Bloomberg



Return on capital remains inadequate
Source: IATA



Safety

Figures for 2009 demonstrate the industry's commitment to safety. Constant improvement is the guiding principle.

IATA Operational Safety Audit

In 2009, the accident rate for Western-built jet aircraft was the second lowest in aviation history. IATA member airlines outperformed the industry average with a Western-built jet hull accident rate of 0.62 (measured in hull losses per million flights). This is equal to one accident for every 1.6 million flights, compared with the global figure of one accident for every 1.4 million flights (0.71).

The 2009 global accident rate is a 17% improvement over the 0.81 rate recorded in 2008. Compared with 10 years ago, the accident rate has been cut 36%. The only year that the global accident rate was lower was 2006, when it stood at 0.65.

An analysis of the causes of the 2009 accidents focused on the following:

- Pilot handling was noted as a contributing factor in 30% of the accidents.
- Runway excursions accounted for 26% of all accidents.
- Maintenance events, such as errors by maintenance crews, played a contributing role in approximately 11% of the accidents.
- Ground damage accounted for 10% of all accidents.

IATA initiatives—including the IATA Operational Safety Audit (IOSA); the IATA Safety Audit for Ground Operations (ISAGO); the new *IATA Ground Operations Manual (IGOM)*; the Runway Excursion Risk Reduction Toolkit; the Global Safety Information Center (GSIC); and the Ground Damage Database (GDDB)—are addressing these areas of concern. These initiatives are consistent with IATA's comprehensive Six-Point Safety Program, which focuses on infrastructure safety, safety data management and analysis, operations, safety management systems, maintenance, and auditing.

Success in safety is being driven by global standards, a coordinated approach, and industry-wide programs. IOSA illustrates the point. It is an internationally recognized audit open to all airlines. IATA membership is dependent on IOSA registration, with the association covering the core costs of renewal audits for its members.

Global safety data for 2009 shows that IOSA-registered carriers achieved a safety record more than 44% better than non-IOSA carriers. As of 30 April 2010, there are 335 carriers on the registry.

Airlines are able to share information via the *IOSA Audit Report*, eliminating the need for duplicative audits. This has led to over \$90 million in savings.

IATA is continuously looking to improve the IOSA program to ensure that it remains in the forefront of safety best practices. As part of this continuous improvement, IOSA audits will be structured to focus more on the verification of implementation. Additionally, the quality-assurance aspects of the program have been enhanced. They will continue to be reviewed for greater efficiency and improved output as well as for better consistency by operators in adherence to IOSA standards. The IOSA program is certified under ISO 9001:2008.

IOSA is one of four cornerstone audit programs in ICAO's Global Safety Information Exchange (GSIE), launched in March 2010. The GSIE is designed to take advantage of the various strengths of the ICAO, European Union (EU), IOSA, and US Federal Aviation Association (FAA) audit programs, while eliminating redundant audit activity.

IOSA has also been mandated at state level. Countries that include IOSA as part of national safety oversight programs include Brazil, Chile, Costa Rica, Egypt, Madagascar, Mexico, Panama, Bahrain, Syria, Lebanon, and Turkey.

IATA Safety Audit for Ground Operations

ISAGO is the industry's first global standard for the auditing of ground handling companies. ISAGO will bring similar improvements in safety and efficiency for ground handlers to those achieved by IOSA for airlines.

Ground damage costs the industry \$4 billion annually. The primary aim of the program is to reduce aircraft ground damage and personal injuries. It is also important that ISAGO drives down the number of redundant audits.



**Regional safety rate in 2009
(Industry western-built jet hull
losses per million sectors)**



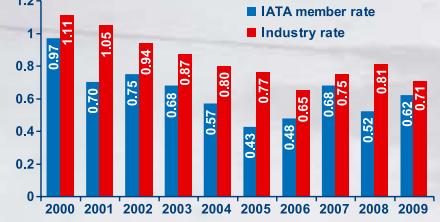
Source: IATA

Since its launch in February 2008, ISAGO has gained the support of civil aviation authorities in the United Kingdom, France, the Netherlands, Belgium, Austria, Lebanon, Jordan, Ethiopia, Nigeria, Chile, Macau, Hong Kong, Russia, Canada, and the United States. Airports, such as in Seattle, are even making ISAGO one of the conditions for issuing an operating license.

Since ISAGO's inception, 160 audits have been conducted. An audit pool has been established with 40 member airlines, consisting of 195 ISAGO-qualified auditors. By the end of 2009, 28 ground handling providers were on the ISAGO registry from 30 different locations around the world. IATA will conduct a minimum of 120 ISAGO audits in 2010. Taking advantage of early program experience, the second edition of the */ISAGO Standards Manual* was released in late 2009.

Two new programs were launched in early 2010 to complement the ISAGO initiative: */GOM* and *GDDB*. */GOM* will provide the first global set of ramp procedures, while the *GDDB* will provide carriers and ground service providers with a global benchmark to use in reducing the cost of ground damage.

**Historical safety rate
(Western-built jet hull
losses per million sectors)**



Source: IATA

Safety Management System

A Safety Management System (SMS) is a systematic approach to managing safety. It covers all operator activities, including areas such as organizational structures, accountabilities, policies, and procedures.

The world's first SMS assessment standards for airlines are included in the *IOSA Standards Manual (ISM)* 3rd edition, which will launch in June 2010. These standards have been validated to be in full compliance with ICAO standards. IOSA carriers will therefore benefit from the first globally recognized comprehensive set of ICAO-compliant SMS requirements. To enhance member SMS programs, a new *SMS Implementation Guide* will provide SMS program examples to assist airlines with implementation.

Working with ICAO, IATA has been helping to create regulatory guidance for the next step in SMS, which is the fatigue risk management system (FRMS). This is a new process to systematically manage crew fatigue, taking into account changes in aircraft capabilities and airline operations. Flight crew fatigue has been identified as a contributing factor in a number of recent accidents, and IATA will produce FRMS implementation guidance in 2010.

During 2009, IATA held a number of SMS workshops around the globe. They were attended by 53 airlines and civil aviation authorities (CAAs); aerodrome operators; air navigation service provider (ANSP) representatives; and maintenance organizations.

Safety data management and analysis

IATA produces its *Safety Report* based on data collected at the beginning of each year. Data sources include information from audits, accidents, incidents, and the Flight Data Analysis (FDA) program. 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.

In November 2009, IATA launched the GSIC. The web-based GSIC provides IATA members with unprecedented access to multiple IATA safety databases, including the IATA accident database, operational safety reports in the Safety Trending Evaluation Analysis Data Exchange System (STEADES), IOSA, ISAGO, and the FDA. It also provides information to support the IATA Training and Qualification Initiative (ITQI). This focuses training resources on the critical issues in pilot and maintenance technician training.

IATA's STEADES database consists of operational incident reports from participating airlines. In 2009, STEADES achieved an 83% increase in operational safety reporting and now has over 100 airline members. It includes over 550,000 reports, increasing at a rate of more than 80,000 reports per year. In 2010, IATA will launch through the GSIC and STEADES a broad spectrum of operational safety benchmarks. Those benchmarks will allow members to compare their performance with worldwide marks and will expand into cabin safety operations.

Operations

IATA's Safety Group and Cabin Safety Task Force provide strategic and tactical direction to IATA's Safety, Operations & Infrastructure department in developing priorities.

The Runway Excursion Risk Reduction Toolkit, over 7,000 copies of which have been distributed worldwide, is an example of the Safety Group's recommendations. The toolkit was released in 2009 and will be updated in 2010. ICAO has joined with IATA in producing the updated toolkit as part of a multiyear, comprehensive global runway safety program.

The ITQI aims to enhance technical training using a competency-based approach. This focuses on training real skills while addressing threats presented by accident and incident reports and by flight data collection and reporting.

Maintenance

IATA's strategy for maintenance operations continues to focus on the implementation of SMS within maintenance organizations and on the training of maintenance technicians through the ITQI program.

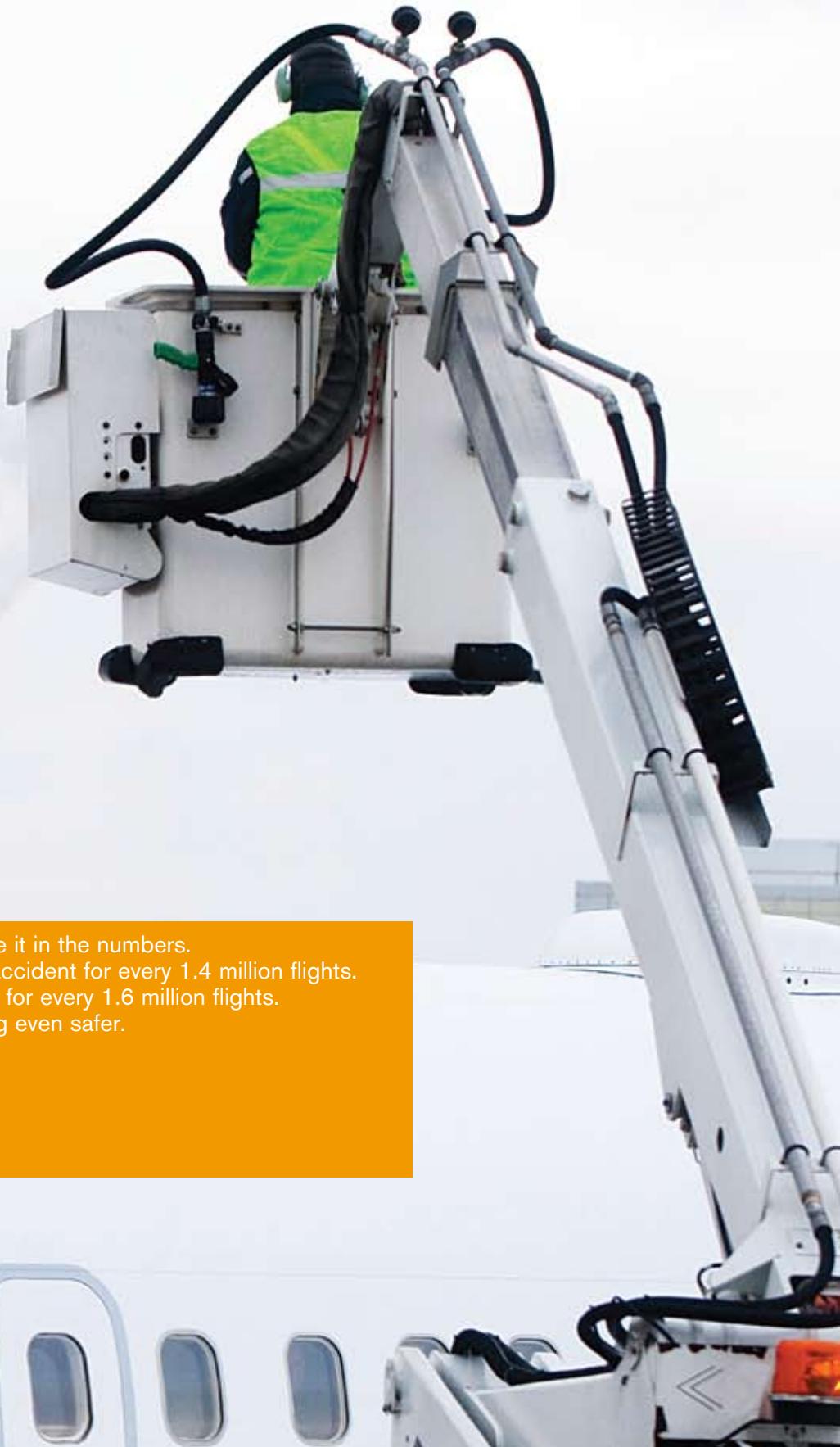
Such a focus will mitigate specific deficiencies, including technical documentation issues, unrecorded maintenance, the use of bogus parts, unapproved modifications, and the poor training of maintenance personnel.

Infrastructure safety

Infrastructure safety is focused on providing effective and safe communications, navigation, surveillance, and systemwide information in support of airline operations. In February 2010, IATA signed a five-year cooperation agreement with Eurocontrol. This agreement closely ties IATA with the development of the Single European SKY ATM Research (SESAR) initiative and integrates IATA's GSIC-STEADES analysis with Eurocontrol safety information.

IOSA is making a difference. We see it in the numbers.
The industry hull loss rate was one accident for every 1.4 million flights.
For IATA airlines it was one accident for every 1.6 million flights.
And we are committed to make flying even safer.

Giovanni Bisignani



Security and Facilitation

Security measures must be operationally effective, globally harmonized, and cost efficient.

In 2009, IATA implemented its new security and facilitation strategy. The strategy, developed in close cooperation with airline members, is focused on five areas:

- > Ensuring a threat-based, risk-managed approach to security
- > Shaping the regulatory framework
- > Managing stakeholder relationships
- > Applying innovation and technology
- > Ensuring security and facilitation are effective and cost efficient

IATA's initiatives and lobbying work in 2009, particularly in the field of passenger data exchange, included successes that totaled over \$500 million in cost savings or cost avoidance for the industry.

Risk-managed approach

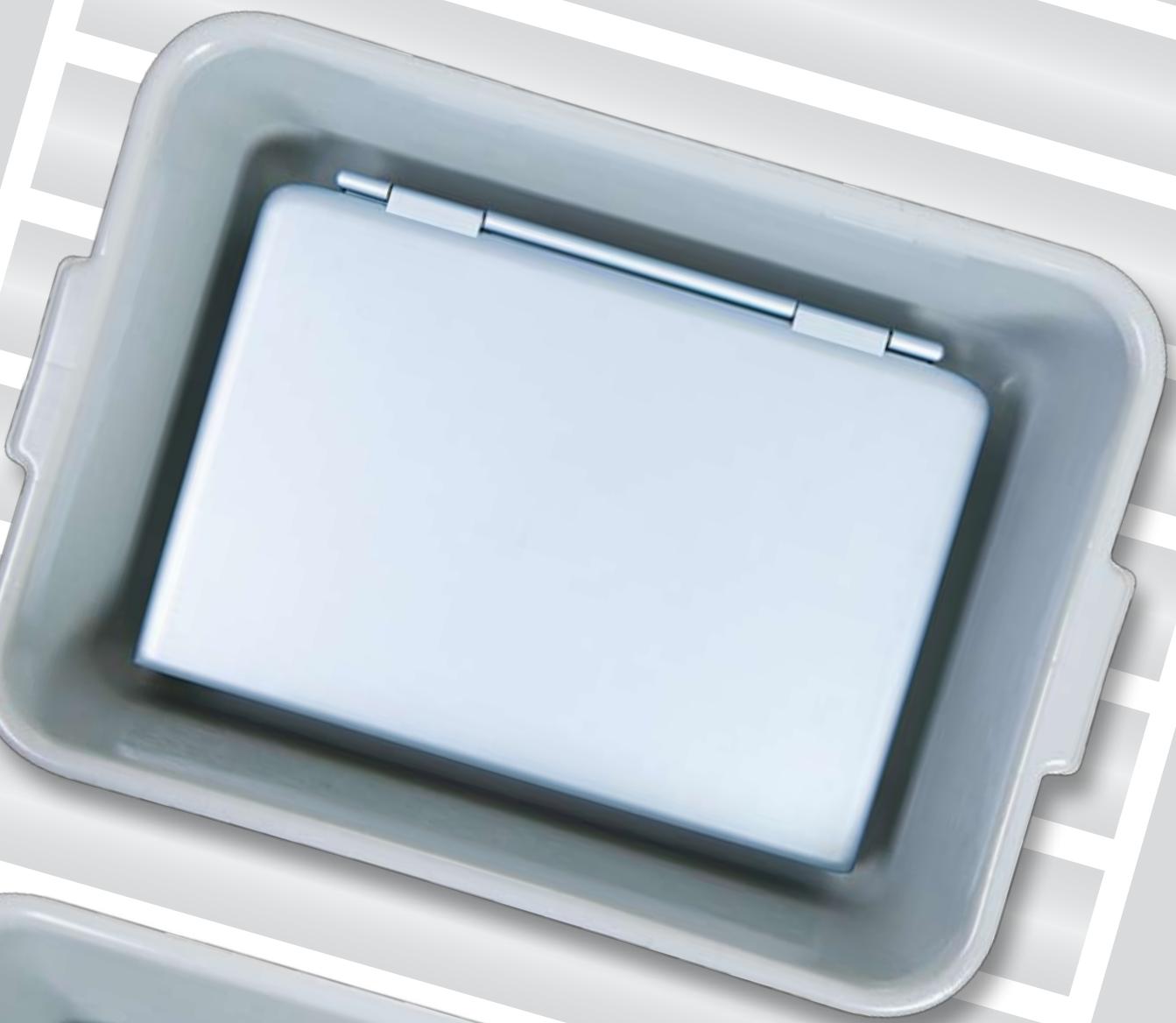
A security management system (SeMS) represents a methodical approach to managing security. SeMS includes security organizational structures, accountabilities, policies, and procedures. It aims to create a security culture throughout an organization. Since SeMS is a requirement of IOSA, all IATA members have a baseline level of SeMS in place. The efficiencies generated will save the industry about \$135 million per year.

In 2009, IATA's focus was on increasing the level of awareness and support for SeMS among the relevant national authorities. IATA stressed to ICAO contracting states the importance of SeMS and organized special training sessions for regulator audiences. Additionally, IATA worked with its members on updating the SeMS section of the *IOSA Security Manual* to ensure that its standards stay relevant to their structures and operations.

The Obama administration is taking a different approach to security by engaging industry. Combining government intelligence with airline operational expertise is the way forward.

No government can keep terrorists outside its borders without the cooperation of airlines and other governments. And we cannot keep terrorists off our planes without the help of governments.

Giovanni Bisignani



European regulatory developments

In May 2009, France authorized one-stop security for flights arriving from other EU countries. The challenge now is to move beyond the EU's borders into the United States, Canada, and Asia. One-stop security in France will save the industry \$30 million per year. It ensures that connecting passengers and baggage adequately screened at departure do not have to go through screening a second time.

IATA advocates a structured approach where nations conclude recognition agreements on security that allows one-stop security. One of every four passengers at the world's top 120 airports is a connecting passenger, so removing this unnecessary layer of redundant controls on a global basis could save \$1.6 billion per year. It would also increase infrastructure efficiency and strongly decrease the hassle factor.

The European Commission has agreed that when appropriate screening technology is available, the EU-wide liquids and gels ban for passengers using European airports will be lifted.

New working relationship with the United States

Aviation security made headlines in late December 2009 with a failed terrorist plot on a US-bound aircraft. Afterwards, IATA urged the US Department of Homeland Security (DHS) and governments around the world to consult with airlines before adopting unrealistic security measures.

IATA Director General and CEO Giovanni Bisignani hosted a successful summit with DHS Secretary Janet Napolitano on 22 January 2010 at IATA's Geneva headquarters. The meeting marked a far more proactive response from the US administration than previously and resulted in the adoption of the following recommendations:

- Maintaining formal continuous consultation with all airlines
- Refining existing emergency amendments to better address the international environment
- Eliminating inefficiencies in the data collection process
- Strengthening government-to-government outreach
- Developing a next-generation checkpoint

IATA's security and facilitation activities in 2010 will steer toward achieving the recommendations, which are in line with its long-term strategy. Regional meetings of IATA, the DHS, and member airline experts have taken place in Santiago and Abuja, and more are planned. Progress has already been made on several fronts, including the formation of an international working group in conjunction with the US Transportation Security Administration.



Innovation and technology

IATA's supply chain vision for cargo security—Secure Freight—gained important ground in 2009. A draft Secure Freight Standards Manual lists the requirements for supply chain stakeholders to become certified.

These requirements are largely based on best practices and are suitable for implementation in countries where regulation is lacking or weak. They will not be duplicative or overlay effective regulations.

Among other responsibilities, participating stakeholders will be required to

- Pack air cargo and prepare it for carriage in a secure environment
- Protect air cargo from unauthorized interference
- Create a message confirming the security status of the freight
- Maintain a chain of custody ensuring that Secure Freight is only handled by approved operators
- Agree to be audited against Secure Freight standards by their regulator

Early feedback from regulators describes the manual as an essential tool in establishing a robust approach to cargo security.

In parallel, strong support of key ICAO contracting states has ensured that supply chain security will be in Amendment 12 to ICAO's Security Annex 17. A new standard was adopted by the Aviation Security Panel in March 2010. Malaysia, the first pilot country, plans to write a National Secure Freight Program into its national law before the end of 2010.

Cost and efficiency

IATA continues to lead industry efforts to ensure that governments' requests for passenger data, including Advanced Passenger Information (API) and Passenger Name Records, are reasonable and adhere to international standards and practices.

As a result of these efforts, the Dominican Republic, South Africa, Mexico, Brazil, the United Kingdom, Italy, Peru, and Panama aligned their API requirements with international guidelines. More than \$250 million in savings or cost avoidance was achieved in 2009 by addressing tactical issues related to costs and efficiency.



Regulatory and Public Policy

The deep recession highlighted airlines' need for the same commercial freedoms as other businesses. Granting these freedoms would allow governments to realize the full potential of aviation's economic and social impact.

Liberalization

International air transport is governed by a network of antiquated bilateral air service agreements (ASAs) that prevent airlines from operating like other businesses. More than 3,500 ASAs restrict where airlines can fly, when they can fly, and what price they can charge to fly.

Most countries have placed foreign ownership and control restrictions on their airlines specifying the maximum percentage of airline shares that can be owned by foreign nationals. These severely limit the ability of airlines to consolidate across borders and raise much-needed capital.

Airlines urgently need access to the same tools as other global enterprises. The benefits of a liberalized airline industry are well established. For example, IATA estimates that the full liberalization of the airline industry by Chile, Singapore, and the United Arab Emirates (UAE)—all three signatories of the IATA Agenda for Freedom—would result in the addition of approximately 20 million passengers, 200,000 jobs, and \$3.6 billion in GDP growth.

In March 2010, the United States and the European Union concluded their Second Stage Air Transport Agreement. Unfortunately, both sides agreed to defer the issue of ownership and control until the necessary legislative changes in the US restrictions on ownership are made.

The industry can no longer afford the restrictions of the bilateral system. Airlines need a level playing field and the normal commercial freedoms to access markets and global capital.

Giovanni Bisignani

In October 2008, IATA hosted its Agenda for Freedom Summit in Istanbul, Turkey, to encourage governments to remove the archaic rules that restrict airlines' ability to enter foreign markets or to restructure across borders.

Following that meeting, in November 2009, in Montebello, Canada, seven countries (Chile, Malaysia, Panama, Singapore, Switzerland, the United States, and the UAE) signed the Multilateral Statement of Policy Principles regarding the Implementation of Bilateral Air Services Agreements. The statement was also endorsed by the European Commission.

The policy principles are non-binding and address four main areas:

- Freedom to access capital markets
- Freedom to do business
- Freedom to price services
- Freedom from market distortions

It is understood by all parties, and is clearly stated in the opening sentence of the statement, that a level playing field is a prerequisite for liberalization.

Passenger rights

Unrealistic passenger rights regulations continue to hinder airlines' ability to provide a safe, quality product to their customers.

In 2009, IATA worked with the National Airlines Council of Canada (NACC) to provide expert testimony in opposition to proposed legislation that would have imposed significant fines on all airlines operating in Canada for delays or cancellations, with no accommodation for weather. While the proposal seems unlikely to become law, IATA and NACC remain vigilant on this issue.

Meanwhile, the European Court of Justice issued a judgment interpreting existing European passenger rights legislation to mean that passengers who reach their destination three hours or more after the originally scheduled arrival time are entitled to monetary

compensation, just as if their flight had been cancelled.

Deficiencies in Europe's passenger rights regulations were clearly evident in April 2010. Over 100,000 flights were cancelled over six days because of a volcanic ash cloud over Europe. Insurance companies were able to limit their liability, as this was an "act of God." Despite the situation being completely beyond the control of airlines, the European Commission insisted that airlines continue to provide care to stranded passengers. This strengthened the industry's call on the European Commission to review this legislation, which places an unfair burden on airlines.

In the United States, the Department of Transportation implemented rules that impose heavy fines on domestic carriers for tarmac delays of over three hours. Thailand, Brazil, and Chile have also recently considered passenger rights legislation.

Regulations or rules that put pressure on airlines to avoid a three-hour delay to escape the obligation to compensate passengers, or to avoid significant fines, ignore the preference of most passengers to get to their destination rather than having their flight cancelled. Delays and cancellations are more often than not outside the control of airlines. Severe weather, airport congestion, air traffic control delays, airport equipment shortages, and mechanical problems all contribute to disruption in airline schedules.

The cost of fines will have to be recouped from passengers, the main source of airline revenue. And rather than governments mandating rights, passengers unhappy with their service can simply vote with their wallets and choose to take their business to another carrier.

IATA will continue to oppose, through political and legal channels, unnecessary, counterproductive, inflexible, and costly legislative mandates on how airlines should address their customers' needs.

Passenger taxation

In 2009, IATA secured tax savings for the industry of \$1.79 billion. Most of this was due to the Dutch government's cancellation of its Air Passenger Departure Tax from 1 July 2009, which saved \$1.6 billion. KLM was instrumental in this effort. Compared with the multi-billion dollar hike in taxes in 2008, increases were limited to \$252 million in 2009.

No major new ticket tax schemes were introduced thanks in part to the economic recession. Disappointingly, and despite strong industry opposition, the UK government continued with a planned hike in its Air Passenger Duty. This increased total revenues collected to \$3.8 billion annually.

There have been some other positive developments in taxation. With effect from 1 January 2010, the Jordan Ticket Aid Tax that had been in place since May 2009 was withdrawn. The tax had been introduced based on the French Solidarity Tax concept but was rescinded by law following airline and IATA protests. Other achievements over the year include the reversal of an increase in the Animal and Plant Health Inspection (APHIS) fees in the United States following industry protests and the exemption of aeronautical charges from a value-added tax in Indonesia.

IATA will continue to be vigilant and to launch robust campaigns against taxation on the international aviation community. Despite the positive developments, 2009 may be merely a lull. Creative yet counterproductive schemes and unfair taxation proposals will persist.

Jordan, for example, introduced a new Terminal User Charge, and the existing Civil Aviation Fee was increased to compensate for revenue lost because of a cancelled ticket tax.

Another concern is the development of tourism taxes in the Americas. Following the introduction of a tourism fee on select passengers traveling to the United States, Costa Rica, Nicaragua, and countries in the Caribbean, tourism tax proposals have multiplied. This has a counterproductive effect on tourism numbers and dilutes airlines' role as an economic catalyst.

Health and pandemic preparedness

In 2009, IATA worked closely with the World Health Organization (WHO) and ICAO to develop specific guidelines to help airlines address the Influenza A (H1N1) pandemic. Public health measures at key airports were evaluated, and best practices were shared with countries around the world.

IATA developed a health declaration card for use during the pandemic and

continues to work with WHO and ICAO to develop criteria to evaluate the efficacy, feasibility, and safety of aircraft nonchemical disinfection systems. IATA also held a well-received Aviation Health Conference to highlight the challenges and responses to Influenza A (H1N1) in the commercial aviation community.

In addition, IATA participated in the WHO's update of its *Guide to Hygiene and Sanitation in Aviation* to ensure that document reflected the operational and technical realities of international aviation.

Internally, IATA activated its Corporate Crisis Coordination Group (CCCG) to ensure the safety of IATA employees and the continuity of IATA core airline services. The CCCG works closely with WHO and governmental medical institutions to promote a consistent approach to crises throughout the industry.



Environment

Airlines, airports, air navigation service providers, and manufacturers share a common vision for aviation and climate change. Their commitment includes capping net CO₂ emissions from 2020 with carbon-neutral growth and aiming toward a 50% reduction in net CO₂ emissions by 2050 compared with 2005.

The industry has witnessed many changes since IATA called for a zero-emissions future at the 2007 AGM in Vancouver. But environmental responsibility remains a fundamental promise of aviation.

In June 2009, IATA's Board of Governors underlined this commitment by adopting three sequential goals:

1. Further improve fuel efficiency an average of 1.5% annually by 2020
2. Cap net carbon emissions with carbon-neutral growth from 2020
3. Achieve a 50% reduction in net CO₂ emissions by 2050 compared with 2005

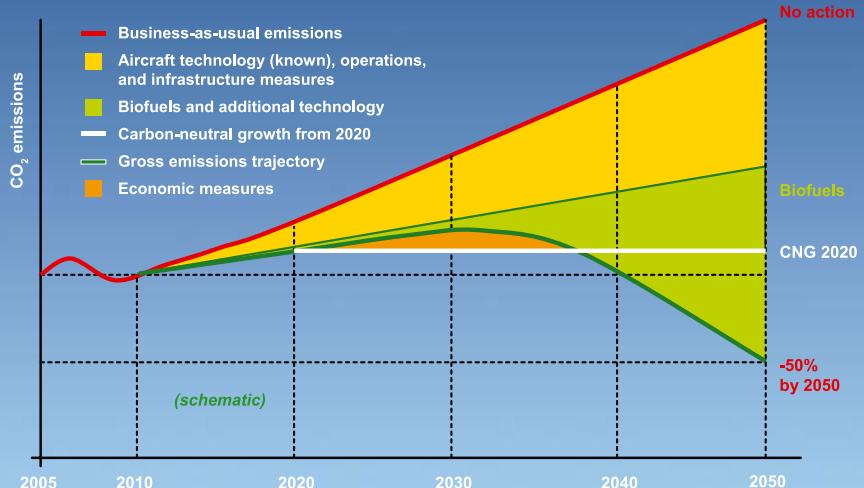
To attain these goals, IATA is calling on governments to work through ICAO to establish a global framework for addressing aviation emissions. The industry already has full and effective cooperation with ICAO, and the organization remains the ideal conduit for environmental work.

All aviation stakeholders are united behind the global framework approach. In September 2009, it was presented to the ICAO High Level Meeting on Climate Change, where it was acknowledged in the final declaration. Three months later, the industry also presented its global concept to the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP)15 meeting in Copenhagen.

UN Secretary General Ban Ki-moon commended the industry on its leadership position. Aviation is, to date, the only industry that has been able to put forward such ambitious proposals at a global level.

IATA continues to campaign for positive economic measures with respect to the environment. It is calling on governments to replace punitive taxation with instruments that ensure more investment in research; the upgrading of air traffic management infrastructure; and the accelerated development and deployment of low-carbon alternative fuels, particularly new-generation biofuels.

Emissions reduction roadmap



Four-pillar strategy

1. Technology

New technology is integral to the long-term vision of carbon-free flight. Introducing increasingly fuel-efficient aircraft into the global fleet is the most effective way of reducing emissions over time. Each new generation of airframe and engine combinations brings improvements of 20–30% in fuel efficiency over the aircraft it replaces. IATA's research partners are running performance models to predict the CO₂ savings of future aircraft. This work will help guide IATA's airline members in fleet planning.

In June 2009, IATA published the *Technology Roadmap*. This document outlines the potential environmental benefits of new technologies for airframes, engines, air traffic management, and alternative fuels.

Alternative fuels

Progress is being made in the development of alternative, low-carbon fuels for aviation, especially those derived from biofuels. In 2009, Continental, Japan Airlines, and KLM carried out flight tests using various mixes of biofuels. Qatar Airways ran the first commercial flight using a gas-to-liquid fuel.

Also in 2009, a major step forward was achieved with the technical certification of fuels containing up to a 50% mix of coal to liquid, gas to liquid, and biomass to liquid using the Fischer-Tropsch process. Full certification of 100% biofuels is expected by the beginning of 2011.

Moreover, IATA is a member of the Roundtable on Sustainable Biofuels that is working to establish agreed-upon sustainability criteria for biofuels. It is also taking part with other stakeholders in the EU's Sustainable Way for Alternative Fuel and Energy in Aviation initiative.

2. Operations

In 2009, IATA's Green Teams helped airlines reduce their CO₂ emissions by some 8 million metric tons, saving them \$1.8 billion. The goal is to have all IATA members complete the Fuel Efficiency Gap Analysis (FEGA). Over 100 airlines have so far taken part. The *IATA Fuel Book* supports recommendations in fuel management efficiency.

IATA worked with over 120 airlines in 2009, delivering savings averaging 3% of their annual fuel budgets. Improvements included better flight management, flight planning optimization, auxiliary power unit usage, maintenance, and aircraft weight management.

3. Infrastructure

IATA has continued to work with key stakeholders, including ICAO and ANSPs, and in 2009 helped the industry achieve 266 air route and 253 airport and airspace improvements. This resulted in CO₂ emissions reductions of 4.02 million metric tons and savings of \$682 million.

An important enabler is the ICAO Performance-Based Navigation (PBN) program. PBN avoided nearly 400,000 metric tons of CO₂ in 2009. Airlines saved \$66 million as a result. PBN's implementation at Chennai Airport in India alone resulted in 53,000 metric tons of CO₂ savings (\$9 million saved). PBN also enhances the safety, efficiency, and accessibility of airports.

IATA is working with ICAO on a global campaign in parallel with PBN to implement flexible routes that would change according to winds and operational requirements.

Additionally, the association remains engaged in the long-term Single European Sky ATM Research (SESAR) and Next Generation Air Transportation Management System (NextGen) projects in Europe and the United States, respectively. The European Parliament has approved a 2012 implementation date for Functional Airspace Blocks (FABs). These will greatly reduce the complexity in European airspace and enhance efficiency.

An important EU-US memorandum of understanding should be signed by June 2010. It will further the political resolve to ensure that both SESAR and NextGen are harmonized, interoperable air traffic systems.

4. Economic measures

The UNFCCC COP15 meeting in Copenhagen was the culmination of intense climate change negotiations in 2009. Although COP15 did not formalize a global treaty, IATA believes that progress was made in gaining support for the industry's position.

However, the lack of formalization could lead governments to establish unilateral emissions trading schemes or taxes that do nothing to reduce emissions. Such schemes and taxes are not effective incentives. And their lack of harmonization distorts competition.

IATA will continue to promote alternative positive measures within a global framework and to strongly oppose local and regional taxes and levies.

ICAO Assembly and COP16

At the end of September 2010, the member states of ICAO will gather in Montreal for the 37th triennial assembly. IATA believes that it is vital that the final assembly declaration is clear on targets, in line with the industry's ambitious vision. Moreover, it should call on all nations to agree to a global framework for addressing aviation emissions under the auspices of ICAO.

It is particularly important that measures to accommodate the needs of developing countries are established. A decade ago, under ICAO's leadership, governments agreed to a balanced solution on aircraft noise that included extended timelines for developing nations. This past success could provide guidance for governments searching for an inclusive solution on carbon emissions.

The president of the ICAO Council has established an informal group of 18 member states to develop proposals on addressing climate change for presentation to the assembly. For the first time, industry representatives have been invited to participate in the meetings. IATA will also contribute to the UNFCCC intersessional meetings taking place during the year.

In December 2010, the UNFCCC COP16 will take place in Cancun, Mexico. The industry will again field a strong delegation to ensure that its position is understood and promoted in the negotiations.

Carbon Offset Program

Heading into 2009, some 30 IATA airlines had independently established carbon offset schemes.

At the request of the IATA Board of Governors, in 2009 IATA developed and implemented an industry-wide carbon offset program. The first airline to launch that program was TAP Portugal, on 5 June, World Environment Day. For its efforts, TAP Portugal received the Planet Earth Award 2010 in UNESCO's Most Innovative Sustainable Product category. By year-end 2009, 16 airlines had signed up to the industry program. These programs will go live during 2010. IATA is working to extend the program to other airlines and Global Distribution Systems (GDSs).

The IATA program works behind an airline's own web sales portal to calculate the emissions for a given flight. This calculation uses ICAO's methodology but the airline's emissions data. The program only offsets emissions through UN-certified emissions reduction credits, guaranteeing the highest-possible quality and credibility. The IATA Carbon Offset Program is also accredited under the UK government's Quality Assurance Scheme for Carbon Offsetting.

Our strategy has already saved over 70 million metric tons of carbon emissions.

UN Secretary General Ban Ki-moon commended aviation's united efforts on climate change as a role model for others to follow.

Giovanni Bisignani



European Union Emissions Trading Scheme

The inclusion of aviation in the European Union's Emissions Trading Scheme (EU ETS) from 2012 is affecting every aircraft operator flying into, out of, or within the EU. IATA is joining many others in the industry—including the US administration—in questioning the legality of the scheme under international law. Already, IATA has joined US carriers and the US Air Transport Association in bringing the first case to the UK courts.

Despite the legal uncertainty, in 2009 airlines were obliged to submit monitoring plans to their administering member country. From 1 January 2010, they have had to start monitoring metric ton-kilometer and emissions data.

IATA continues to press for a global solution—and to express concern about the extraterritorial nature of the EU scheme—while working to support airline members in complying with the requirements of the EU ETS. Updated information is supplied to members on IATA's website (www.iata.org/mrv). IATA also runs a number of training courses for future verifiers to educate them on airline operations to facilitate their work.

Communicating aviation and the environment

Aviation remains a focal industry for the media in environmental discussions. Effective communication is vital to ensuring that the industry's environmental efforts, significant improvements, and ambitious goals are recognized.

To this end, IATA has continued its campaign of installing interactive environment stands at major airports in Europe and Asia. The stands inform travelers about the industry's work in such areas as shortening routes, new technologies, and biofuels. The stands have appeared at airports in Europe and Asia. These include Amsterdam, Geneva, Hong Kong, Istanbul, Kuala Lumpur, London Heathrow, Madrid, Rome, Singapore, and Stockholm.

In the run-up to the UNFCCC COP15 meeting in Copenhagen, IATA teamed with airlines on a campaign aimed at delegates and politicians. Some 15 airlines flying to Copenhagen utilized seat-back flyers and in-flight entertainment systems as part of the campaign. While the event was running, IATA advertised the industry's position in the *International Herald Tribune*. There was also an industry position wraparound for newspapers distributed in Copenhagen.

IATA continues to play a major role in the industry's environmental communications campaign. The ongoing rebuttal of misleading or inaccurate comments in the media has been strengthened, and the environmental information website (www.enviro.aero) has been translated into six languages. The website has also been linked to popular portals, such as Twitter and YouTube.

International Herald Tribune

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50%
less emissions by
2050



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www.iata.org



The International Air Transport Association (IATA) is the global association of the world's airlines. Our 231 members serve 89% of scheduled international traffic. Our products are safe, efficient and environmentally responsible air transport. Aviation employs 3.2 million people and supports US\$3.5 trillion in economic activity. (Weflow 2008) In 2008 airlines connected 2.2 billion people and brought 43 million tonnes of goods to market.

Simplifying the Business

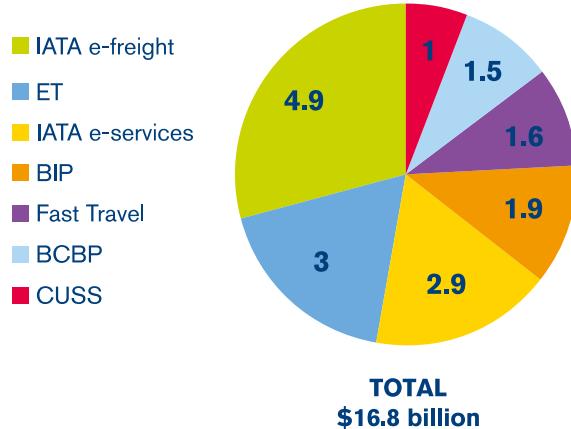
Since 2004, Simplifying the Business has delivered on its promise of an improved travel process for airlines and passengers alike. New initiatives will complete the journey.

StB is changing the way the industry operates. The program already saves the industry \$4 billion annually through the successful completion of 100% electronic ticketing and common-use self-service (CUSS) kiosk projects.

Five StB initiatives have the potential to save the industry a further \$12.8 billion a year:

- Bar-coded boarding passes (BCBPs) eliminate costly magnetic-stripe boarding passes and offer more choice for passengers. For example, BCBPs can be accessed via the web, a kiosk, a check-in desk, or a mobile phone. Potential annual savings: \$1.5 billion

StB's potential annual savings in 2010 (\$ billion)



- The Baggage Improvement Program (BIP) addresses all causes of baggage mishandling. The BIP's goal is to cut baggage mishandling in half by the end of 2012. Potential annual savings: \$1.9 billion

- The Fast Travel program provides passengers with more control over their journeys and saves airlines money through automation. It introduces self-service options in the following areas: bags ready to go (bag registration); document check; flight rebooking; self-boarding; and bag recovery (lost bag registration). Potential annual savings: \$1.6 billion

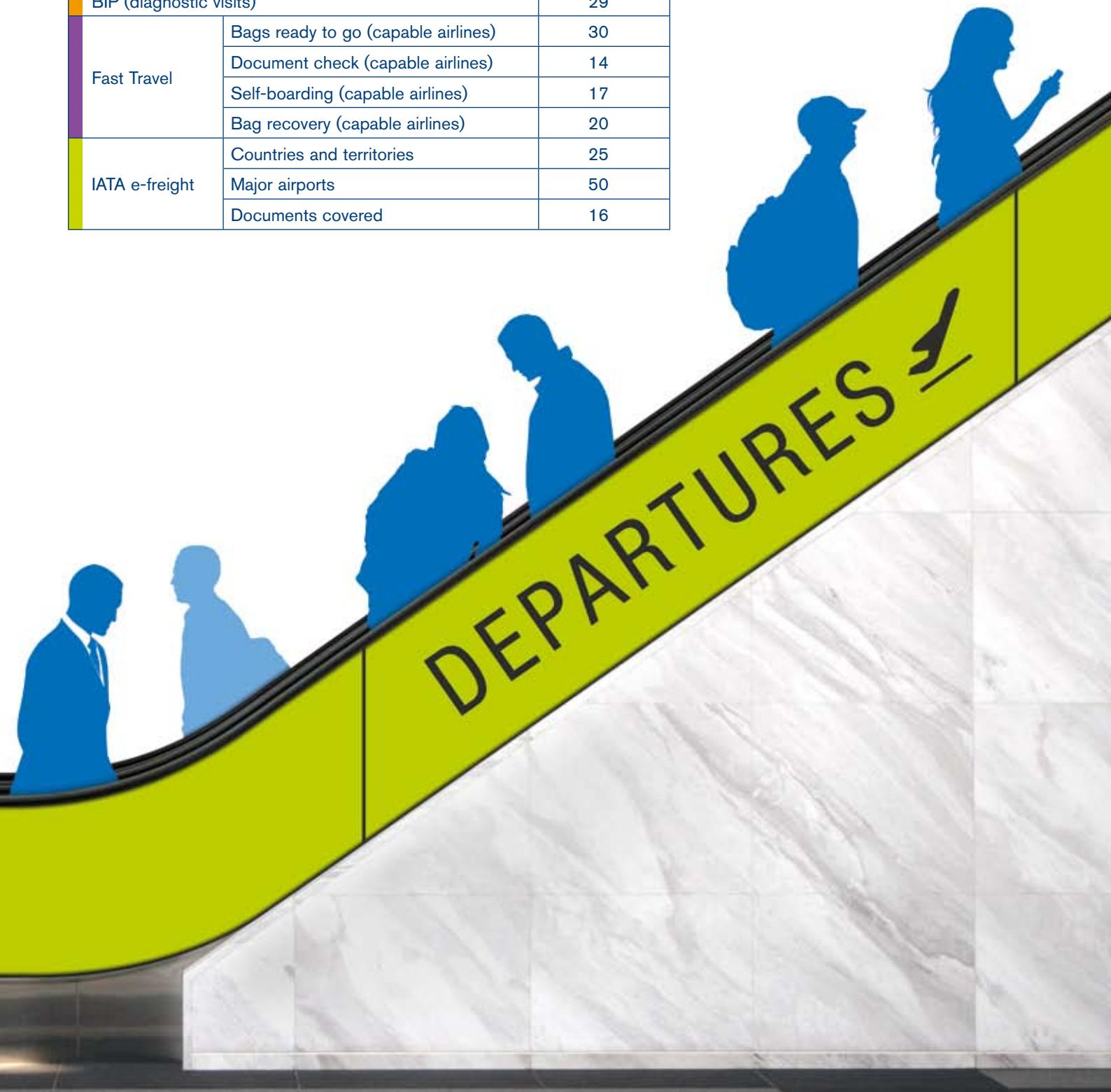
- IATA e-freight replaces paper documents with electronic messages. This makes for faster, more reliable air freight. Potential annual savings: \$4.9 billion

- IATA e-services replaces paper miscellaneous documents with electronic versions, simplifying airline accounting and providing easier access to more services for passengers. Potential annual savings: \$2.9 billion



Simplifying the Business

Initiative	Current Status as of 30 April 2010
BCBP (capability)	86%
BIP (diagnostic visits)	29
Fast Travel	Bags ready to go (capable airlines)
	Document check (capable airlines)
	Self-boarding (capable airlines)
	Bag recovery (capable airlines)
IATA e-freight	Countries and territories
	Major airports
	Documents covered



E-travel

An e-travel vision—where airlines no longer issue any paper documents to passengers—guides several StB initiatives.

The achievement of 100% e-ticketing in 2008 enabled electronic boarding passes. Over 25 airlines now issue mobile BCBPs, where passengers receive IATA-standard 2-D barcodes on their mobile phones. Passengers can then present their phones at security, at the boarding gate, and when they enter the plane. The industry aims to be 100% BCBP compliant by the end of 2010. Over time, it is expected that mobile BCBP will increase in use, as it provides even greater convenience and flexibility than self-printed BCBP.

The last step in fulfilling the e-travel vision is e-services. This is the removal of paper miscellaneous documents. Items such as excess baggage tickets and lounge access vouchers require legacy paper processes, which adds cost and complexity to industry distribution systems.

With e-services, these documents will be replaced with electronic versions using IATA's Electronic Miscellaneous Document (EMD) standard. Passengers will be able to book each component of their journey through their channel of choice. For example, a travel agent could book an economy fare and lounge access without the need to go directly to the airline.

The IATA e-services project, approved by the IATA Board in December 2009, will drive the implementation of the EMD standard across the industry.

E-services has the following targets:

- All GDSs and 10 airlines must be EMD capable by the end of 2010
- The industry must be 100% EMD capable by the end of 2012
- IATA's distribution systems must have 100% usage of EMDs by the end of 2013

The introduction of the EMD standard will also facilitate further efficiencies in BSPs by replacing virtual Multi-Purpose Documents (vMPDs) and virtual Miscellaneous Change Orders (vMCOs).

Baggage Improvement Program

Lost baggage costs the industry more than \$2.5 billion every year according to the 2010 SITA *Baggage Report*. It is also the second most important factor in having a pleasant trip according to the 2009 IATA Corporate Air Travel Survey (CATS).

In 2009, the BIP team visited 25 airports that are mentioned in 28% of mishandling files. The team proposed solutions that addressed over 90% of mishandling issues in some airports, proving the methodology of the program and its solutions toolkit. One example is Charles de Gaulle Airport in Paris, where Air France improved its baggage performance 40% during the fourth quarter of 2009 compared with the same period in 2008. The BIP team identified 30 solutions from its baggage toolkit during its visit, of which 24 were selected by Air France for implementation.

In 2010, the BIP will reach out to 35 airports. Fifteen will receive diagnosis visits. The other 20 will be part of the self-help program, featuring workshops and a solutions toolkit.

By the end of 2012, the BIP will engage airports that account for 85% of mishandling claims.

Fast Travel

The vision of Fast Travel is to provide passengers with more choice, convenience, and control through self-service options. Fast Travel is made up of five projects:

- Bags ready to go enables passengers to deliver their bags tagged and ready for acceptance by a check-in agent, speeding up the check-in process
- Document check allows passengers to scan travel documents at kiosks for transmission and validation by government authorities
- Flight rebooking allows passengers to obtain a new boarding pass for cancelled or delayed flights at a self-service channel
- Self-boarding provides automated boarding gates for passengers, as in a train or subway station, reducing boarding lines
- Bag recovery allows passengers to report a missing bag at a kiosk instead of waiting in line at a baggage service counter

Over 60 implementations across these five areas will take place by the end of 2010.





IATA e-freight

Each air cargo shipment can require more than 30 different paper documents—increasing the cost of air freight and lengthening transport times. IATA e-freight is an industry-wide initiative involving airlines, freight forwarders, ground handlers, shippers, customs brokers, and customs authorities. IATA e-freight replaces paper documents with electronic messages, increasing the speed and the reliability of air freight.

By the end of 2010, 44 locations and 76 major airports, representing over 80% of international air cargo volumes, will be e-freight live. And internationally standardized electronic messages will have replaced the 20 paper documents for which there are agreed international standards.

End-to-end passenger experience

The Joint Passenger Services Conference created the Passenger Experience Management Group (PEMG) in October 2009 to review the entire end-to-end passenger process. The PEMG—a merger of Fast Travel and Simplifying Passenger Travel—will provide industry standards and recommended practices that improve passenger movement across a 14-step, end-to-end process.

The PEMG will also work to promote one-stop security and to increase passenger preparedness, reducing the time people spend in line.



Simplifying the Business can save the industry up to \$16.8 billion each year and make our processes easier for travelers and shippers.

We must continue to take advantage of technology to reinvent our way of doing business with increasing efficiency and convenience.

Giovanni Bisignani



Cost Efficiency

Airport and air navigation infrastructure charges cost airlines at least \$54.2 billion a year, about 11% of their total expenditures. Monopoly suppliers must share the burden of change.

Infrastructure charge freezes and real cost reductions are vital to airlines' ongoing battle for sustainability. Key principles, contained in ICAO policies, must be applied to infrastructure charges:

- > Transparency
- > Cost-related charges
- > Airline consultation
- > Equitable charges structure for all airlines
- > Single till
- > Productivity improvements

In 2009, IATA's successful campaigning on these principles secured cost savings of \$2.1 billion, including real reductions, from airports, ANSPs, and fuel suppliers. The savings, however, were wiped out by \$2.6 billion in increased charges from the same areas.

Industry-wide policy change

Throughout 2009, IATA successfully lobbied for a stronger framework for infrastructure charges. In May 2009, the European Commission (EC) proposed a Directive on Aviation Security Charges in Europe. It is largely complementary to the EC Airport Charges Directive issued earlier in the year. It states that the money raised by airport security fees should be used exclusively to finance security costs.

ICAO and the Airports Economics Panel and Air Navigation Services Economics Panel (AEP/ANSEP) met in December 2009 to discuss amendments to the ICAO guidance manuals for airport and ANS economics (documents 9161 and 9562), as well as other improvements. IATA is heavily involved in the final drafting of the manuals in preparation for their approval at the next AEP/ANSEP in September 2010.

In Africa, at the joint ICAO/African Civil Aviation Commission (AFCAC) Regional Symposium in August 2009, IATA expressed concern about the lack of compliance with ICAO airport and air traffic control (ATC) charging principles across Africa. With IATA support, ICAO and AFCAC will organize user charges workshops to raise awareness among African civil aviation authorities, airports, and air navigation services regarding relevant ICAO policies.

Airports

Savings in airport charges of \$1.5 billion during 2009 were more than offset by increases of \$2 billion. These increases were caused mainly by a few major cases. New airport development fees and increased airport charges in India added \$587 million, a passenger fee increase in Dubai cost \$227 million, and overall charges increases at London Heathrow put \$161 million on the bill. The South African airports company also tabled a proposal for a 133% increase in 2010–11.



In Europe, following the UK Competition Commission's endorsement of IATA's call to break up the BAA monopoly, Gatwick Airport was sold to Global Infrastructure Partners, owners of London City Airport, for \$2.3 billion. The sale of London Stansted and either Glasgow or Edinburgh airports has been delayed by a BAA appeal to the Competition Appeal Tribunal.

IATA is fully engaged in a review to reform UK airports' economic regulations. Objectives include improved competition, service quality, and cost-effectiveness.

North Asia and Asia-Pacific

The Civil Aviation Administration of China provided various relief measures in 2009 mainly targeted at domestic airlines. International airlines received modest relief from a landing fee surcharge waiver. However, there is little sign of a reversal of the high airport charges in force in China since March 2008.

In India, the Airports Economic Regulatory Authority (AERA) has been established and is actively engaged in setting the appropriate charges and regulatory framework. IATA is working closely with AERA to ensure its alignment with ICAO principles. Nevertheless, airport charges at Delhi and Mumbai rose dramatically in mid-2009.

Elsewhere, Singapore Changi Airport announced an airline support package for 2010 that includes an average 12.5% landing fee reduction. And Malaysia Airports announced airline cash-back schemes to promote traffic growth. This is in addition to the 50% landing fee rebates in place from April 2009 to March 2011.

In late 2009, agreement was reached with Japan's Tokyo Narita International Airport on reductions in landing charges. The good news was offset by new passenger security and transit fees.

The Americas and Middle East

Meanwhile, in South America IATA's efforts contributed to \$123 million in cost avoidance at Lima Airport in Peru. A close relationship with the regulatory authorities in Brazil should ensure an ICAO-compliant regulatory framework and safeguard the upcoming commercialization process of Brazilian airports.

In North America, the US government responded to the drop in air traffic by releasing \$200 million through Economic Recovery Funds to US airports. This helped offset airport charges.

In Canada, the Greater Toronto Airports Authority reduced landing and terminal charges 10%, saving airlines an estimated \$50 million. IATA continues to work to address the Federal Crown Rent that burdens Canadian airports with unjustifiable and unacceptable costs, which are passed on to airlines.

IATA is also launching a campaign with the Arab Air Carriers Organization to tackle civil aviation taxes and charges issues in the Middle East. Six countries—Egypt, Jordan, Lebanon, Saudi Arabia, Syria, and the United Arab Emirates—were identified as priorities.



Air navigation service providers

Savings achieved in air navigation charges were almost equal to the increases, at \$550 million and \$546 million, respectively. Savings came largely from Eurocontrol states and from Russia. In Russia, airlines saved \$44 million because of the devaluation of the ruble. IATA applauded 15 Eurocontrol member countries that froze or reduced their 2010 unit rates, saving \$378 million. But 19 other European nations wiped out these benefits with cost increases of \$421 million.

The European Commission is finalizing legislative text for a performance improvement scheme for European air traffic services. Given the delays in implementing the Single European Sky, this scheme must ensure that long-awaited improvements in cost efficiency and cost control are realized as soon as possible. FABs have been determined, and performance targets are due in summer 2010.

Achieving the Single European Sky took on a new urgency as a result of the six-day shutdown of airspace in Europe. The eruption of the Icelandic volcano in April 2010 forced an extraordinary meeting of European transport ministers in early May. The ministers agreed on political support to fast track the Single European Sky project. Key developments include the implementation of a European network manager, adoption of the SESAR deployment strategy within 2010, and the accelerated implementation of FABs.

In Asia-Pacific, Airservices Australia froze charges for two years up to June 2011. IATA is in consultation with Airservices Australia on the development of a best practice service charter. It is also discussing with Airways New Zealand innovative commercial models that address ATC charges in a traffic downturn.

Fuel

In 2009, IATA participated in fuel campaigns that saved the airline industry \$383 million. Aéroports de Paris and London Gatwick agreed to eliminate unjustified airport fuel fees, saving \$187 million and \$52 million, respectively. In Peru, a government decision to exempt jet fuel from the excise tax saved \$108 million.

IATA's efforts on the regulation of fuel supply, supply chain, and refueling services bore positive results. The European Commission made several positive changes to its directive on compulsory stock-holding obligations, such as reducing the required stock obligation from 120 to 90 days. It also rescinded its earlier decision to introduce a deadline of 15 minutes before departure for a customs export declaration for jet fuel. Airlines can now operate without interruption.

IATA and industry efforts to increase competition for the supply of jet fuel have met with success. The Russian Federation introduced legislation favoring open markets. This move was mirrored in the Ukraine and in Kazakhstan. India announced competitive, formula-based pricing structures, while Ho Chi Minh City (Tan Son Nhat International Airport) welcomed new entrants to a previously monopolistic market.

IATA also continued work on fuel supply reliability. This includes airport-specific improvements, such as the jet fuel tankage study for London Heathrow Airport. Solutions were also proposed for major supply chain bottlenecks in Africa, the Caribbean, and the United Kingdom.

IATA has launched a fuel fees and charges database for the industry. A business case for the global introduction of the IATA Standard Intoplane Fueling Procedures will be completed in 2010.

The future

The results of 2009 will be tough to repeat in 2010. Providers and governments will be seeking to fill their empty coffers through increased charges and new taxes. Adapting to the post-crisis economic environment is crucial. IATA must now focus on long-term agreements for charges and on avoiding the fallout of under-recoveries from 2009.

The IATA Board of Governors has set a target for 2010 of savings of \$2 billion. This includes at least \$0.5 billion in real cost reductions.





Airlines pay \$54 billion to airports and ANSPs each year. The last financial crisis saw airline revenues plummet by \$85 billion.

All our partners in the value chain—including airports and ANSPs—must come to the table with efficiency gains that lead to cost reductions.

Giovanni Bisignani

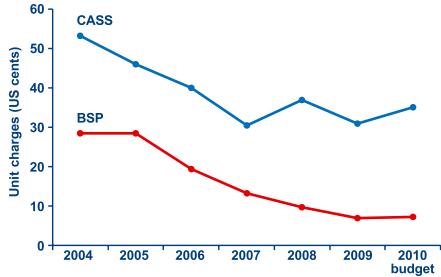
Industry and Financial Services

IATA's financial systems are improving efficiency and cash flow for the industry at a critical juncture.

IATA's financial services handled approximately \$280 billion of the industry's money in 2009, 20% lower than the previous year's \$350 billion because of the economic recession. BSPs accounted for the majority of the total at \$191 billion. The Cargo Accounts Settlement System (CASS), which settled \$20 billion; the IATA Currency Clearance Service (ICCS), which settled \$23 billion; and the IATA Clearing House (ICH), which settled \$40 billion, also made significant contributions.

Precautionary measures instigated in 2008, such as opening secondary accounts in all locations as a contingency against bank failures, continued in 2009. Rapid response teams and business continuity plans were also readily available.

BSP/CASS unit charges to airlines



Billing and Settlement Plans

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

BSPs processed some 459 million transactions in 2009. Bad debt on sales remained low. New BSPs were implemented in Ghana, Vietnam, and Kyrgyzstan. There are now 86 BSPs covering 168 countries and territories.

In December 2009, all BSPs became paperless. Paper documents have been replaced by vMPDs, supplied via IATA BSPlink, and by vMCOs, supplied in some BSPs via GDSSs. The next step is to replace the vMPDs and vMCOs with electronic miscellaneous documents.

Also in 2009, 42 BSP locations were successfully migrated to the Accounting Centre of China Aviation (ACCA). ACCA was already responsible for BSPs in the People's Republic of China, in Chinese Taipei, and in the special administrative regions of Hong Kong and Macao. All locations will be served by ACCA's headquarters in Beijing, China.

Cargo Accounts Settlement System

During 2009, IATA added 13 CASS operations to the global network, bringing the total to 97. Highlights include the addition of import operations for Australia, Canada, the Netherlands, Switzerland, and the United Arab Emirates.



The combined value of settlements processed by CASS in 2009 fell 28% from 2008 record levels. Despite the economic turmoil of 2009, the collection success remained stable, at 99.98%.

IATA continues to enhance CASS. Improvements include electronic signature and fiscal compliance with various value-added tax requirements throughout the world.

In 2010, CASS will focus on expanding import operations further as IATA seeks to enhance its value proposition for the cargo community. Seven new operations in the top 50 international freight markets will be implemented, which will further reduce unit charges.

Strengthening financial controls

The secure operation of BSP and CASS systems is a core function of IATA, with a demonstrated track record of operational effectiveness and efficiency.

As part of IATA's ongoing activity and commitment to operational integrity, a fundamental review to further strengthen these systems has been launched. The review will focus on those aspects of the systems related to the receipt of funds from travel agents, their reconciliation, and their settlement to the participating airlines. This is referred to as the Remittance and Settlement (R&S) process. Recommendations resulting from the R&S will be presented to the IATA Board of Governors at its June 2010 meeting.

IATA Currency Clearance Service

The ICCS helps airlines manage the repatriation of their worldwide sales funds at optimal market exchange rates. It processed \$23.3 billion in 2009 on behalf of its 264 user airlines.

The ICCS is a key component of airlines' treasury tools and now covers 105 of IATA's BSP and CASS operations. In 2009, 14 countries were added, including coverage of the Eastern Caribbean region. The ICCS also offers an accelerated repatriation option for airlines that do not require funds conversion.

IATA's systems are the financial backbone of the industry. Our mission is to efficiently safeguard the \$280 billion that flows through our settlement systems.

BSP unit rates have fallen 78% in the last decade, from 34 cents in 2000 to an estimated 7 cents in 2010, even as we are strengthening our controls.

Giovanni Bisignani





IATA's currency coordination activities

IATA helps airlines repatriate funds from highly or restrictively regulated markets and countries. In 2009, according to IATA's Remittance of Foreign Balances Survey, \$610 million of members' funds was blocked or delayed, up 106% over 2008. Of this, \$474 million is in Venezuela, representing 77% of the total outstanding. As of April 2010, IATA has been able to repatriate \$335 million.

Ghana, Mozambique, the Seychelles, and Turkmenistan were dropped from the currency coordination report in 2009. Angola, Sudan, and Uzbekistan were added. Angola and Sudan's inclusion is due to their lack of hard currency, and Uzbekistan has been added for its cumbersome restrictions. The countries holding the largest amount for repatriation are Venezuela, Ethiopia, Sudan, Algeria, and Eritrea. IATA, together with airline treasury departments, is driving action plans to ease the repatriation of funds from these markets.

IATA's air traffic control and airport Enhancement and Financing Service

The Enhancement and Financing Service (E&F) helps ANSPs and airports lower costs and improve the efficiency associated with the invoicing and collection of user charges. The service also helps airports and ANSPs secure cost-effective financing for investment in civil aviation infrastructure. In addition, airlines benefit from the service through improved data quality and an efficient payment process. By the end of 2009, IATA's E&F Service had processed \$1.65 billion in approximately 50 countries.

IATA Travel Agent Service

IATA has developed a solution to assist travel agents in collecting their service fees for credit card sales through BSPs. In addition to the collection process, the service offers travel agents a number of reporting tools to facilitate the tracking and monitoring of their activities. This service is available in 20 countries on four continents.

IATA Clearing House

The ICH facilitates the offsetting of billings between over 350 airlines and associated companies before those billings are settled on a weekly basis. This efficiency enables a cash flow saving of over 70% in each weekly settlement. In addition, it reduces industry financial risk by minimizing the time and the amount of outstanding intercompany debts.

In 2009, intercompany settlements fell 20%, to \$40 billion, the largest one-year drop on record. The number of suspensions due to nonpayment increased substantially over the previous year. Losses to participants were less than in 2008, however, because of active management and the maintenance of security deposits wherever justified under the regulations.

Simplified Interline Settlement

Simplified Interline Settlement (SIS) will make interline billing fully electronic. At present, settlement requires the use of various outdated and manual processes, leading to difficulties in reconciliation, to delays, and to unnecessary costs.

SIS will be linked directly to the ICH. Its electronic formats contain sufficient data to allow interline invoices to be posted in the accounts and routed to the appropriate department, all automatically.

In 2009, the SIS's designs and functional requirements were finalized. Pilot testing of SIS will start early in 2011, and the industry will begin migrating to the service in summer 2011.

When fully implemented, SIS is expected to save the industry over \$500 million per year in operating efficiencies and reduced costs. It will also eliminate the 200 metric tons of associated paper that has to be shipped around the world annually.

First & Final Interline Billing

First & Final Interline Billing enables airline passenger billings to be settled on a first-time basis, avoiding the need for lengthy billing dispute resolution. This reduces workload in revenue accounting and increases the speed and the accuracy of management reporting and route revenue analysis.

In 2009, the number of airlines participating grew from 37 to 42. Processing volumes increased to cover over 3.5 million interline journeys per month on average during the year.

The volume of First & Final Interline Billing is expected to grow as airlines look for simple, automated processes to reduce their costs. New services resulting from the completion of the SIS project are likely to further increase demand. These include the ability to invoice and settle interline tickets on a fully automatic basis.

PASSENGERS

Ground handling and in-flight services

Following an extensive review and update, a completely revamped version of the *Airport Handling Manual (AHM)* was published 1 January 2010. For the first time it includes environmental standards to be adhered to by airports and ground handlers worldwide.

IATA members have also adopted radio frequency identification (RFID) specifications for in-flight catering equipment management. This will enable the tracking, tracing, and preventative maintenance of in-flight catering equipment on a global scale. It should allow the industry to realize \$60 million in one-off cost savings and \$76 million annually.

Moreover, IATA issued a toolkit for the Standard In-Flight Catering Agreement, which details solutions for all legal issues. This allows energies to be focused on negotiating the commercial clauses, saving both airlines and caterers time and money.

Passenger Agency Program

The Passenger Agency Program allows the secure distribution of airline tickets and related services through a network of accredited sales locations. The Passenger Agency Conference (PACConf) establishes the rules for accreditation.

In 2009, the PACConf continued to drive forward the adoption of a competition-compliant set of sales agency rules as part of Resolution 818g. The conference approved the implementation of the resolution in a further 61 countries. As of 1 June 2010, there are 149 countries adhering to the rules. The vision is to migrate the remaining 66 countries where feasible and at least 32 of those by the end of 2011.

PACConf took a number of actions to strengthen the security of monies collected through BSPs. It established rules for the operation of financial advisory groups and approved a large number of changes to local financial criteria. It also agreed to amendments on the remittance conditions for agents, and it altered ownership provisions to help detect fraudulent activities. PACConf also approved an automated process for regular mail votes. The approval recognizes the increased activity caused by the migration of countries to 818g and the need to take action on financial criteria approvals, which were previously delegated to local bodies.

In recognition of the importance of maintaining a neutral dispute arbitration process, PACConf approved an indemnity provision designed to protect the Travel Agency Commissioners in the performance of their responsibilities.

IATA Flex Fares

IATA Flex Fares have been adopted for the majority of IATA routes worldwide. The result is a global tariff coordination process that cuts meeting costs, simplifies fare structures, and shortens the regulatory approval process.

CARGO

IATA Cargo provides leadership for the global air cargo supply chain. Key areas of focus for 2009 included

- Protecting industry money via the Cargo Agency Program and CASS
- Continuing the transformation of the air cargo supply chain via IATA e-freight; Secure Freight; and Cargo 2000 initiatives
- Creating and managing industry standards to support the global supply chain transformation

Cargo standards

During 2009, IATA, through the Cargo Committee and the Cargo Services Conference, defined the standard resolutions, recommended practices, and electronic messages required as a foundation for IATA e-freight, Cargo 2000, and Secure Freight.

IATA and the International Federation of Freight Forwarders Associations (FIATA) jointly completed the development of the electronic Air Waybill (e-AWB), which is now an industry standard. The e-AWB can be used to reduce costs and speed up the delivery process.

Additionally, a memorandum of understanding was signed with the World Customs Organization recognizing mutual standards and initiatives and fostering cooperation.

Through its Customs Advisory Group and the IATA/FIATA Customs Working Group, IATA is ensuring that regional and national customs administrations are aware of international standards and consider industry requirements when developing new regulations.

Cargo Agency Program

IATA's Cargo Agency Program regulates the relationship between airlines and sales agents. Becoming an accredited IATA cargo agent bestows industry recognition of financial and professional competence. The program also gives airlines a worldwide network of approved agents.

Key changes have been made to accommodate the introduction of the e-AWB. Aligned with IATA's objective to continually simplify the business, further amendments by the Cargo Agency Program will harmonize global standards and procedures wherever possible. For CASS, new standards for global query time frames were introduced to enhance billing discipline.

Cargo tariff coordination

During 2009, cargo tariff phaseout activity resulted in a 50% increase in the number of rates generated individually by carriers, replacing the previous tariffs agreed to multilaterally. The cargo interlining settlement process was modified to accommodate these new tariffs. To effectively distribute these rates on behalf of carriers and to provide a simplified process for forwarders, a cargo tariff distribution system project was launched. Further tariff phaseout and systems analysis will continue through 2010.

Cargo 2000

Cargo 2000 (C2K) delivers a quality management system that reduces the number of steps in the air cargo supply chain from 40 to 29 while increasing reliability. C2K is under the management of Cargo Network Services, an IATA subsidiary, and was reorganized in 2009. The C2K board remains an IATA-funded interest group.

Overall network shipment growth was up 16%, to 13.6 million shipments in 2009. Performance for C2K shipments improved 1% in each key performance indicator over the 2008 average. Twelve C2K members were recruited in 2009. C2K now has 73 members, accounting for over 60% of the international air freight market.



Aviation Solutions

IATA's comprehensive array of aviation solutions promotes a safe and sustainable industry.

IATA Consulting

IATA Consulting works in three areas to deliver solutions: airlines, airports, and air traffic management. In 2009, IATA Consulting undertook 45 projects spanning all three focus areas.

Key projects in 2009 included the development of PBN procedures for 22 airports in Nigeria on behalf of the Nigeria Airspace Management Agency. The procedures will not only improve the safety of aircraft arrivals and departures but also reduce CO₂ emissions and airline expenses by providing enhanced flight paths.

Fuel efficiency implementations were undertaken for several airlines around the world in conjunction with IATA's FEGA assessments. The efforts saved the airlines more than \$200 million annually.

IATA Consulting also reviewed the master planning approach and traffic forecast for the third runway at London Heathrow Airport (LHR) on behalf of the London Airports Airline Consultative Committee. Alternative sources to fund the multi-billion dollar project have been recommended to LHR airlines.

In Hong Kong, IATA Consulting supported the airport authority and government in assessing the potential for a rail link between Hong Kong International Airport and the nearby Shenzhen International Airport.

IATA Consulting also helped an African airline identify potential revenue gains and provided hands-on expertise and training to implement the recommendations.

IATA Training and Development Institute

The IATA Training and Development Institute (ITDI) aims to develop human capital for tomorrow's air transport industry. ITDI offers internationally recognized training programs for areas such as airline and airport management, safety, security, and cargo as well as organization and human performance.

In 2009, ITDI enrolled over 30,000 professional and vocational students from nearly 150 countries in some 500 disciplines across all market segments.

ITDI works closely with business schools, training centers, and major industry players to develop partnerships and cutting-edge training solutions for the changing needs of the industry. It employs 40 dedicated training professionals throughout the world. To deliver its programs, ITDI leverages a pool of over 200 qualified instructors based in 50 locations.

ITDI priorities for 2010–2011 are to develop its in-company training delivery model and to bring to market innovative self-study programs using e-learning technology. ITDI is also launching the first International Aviation Human Resources Summit in October 2011.

The International Airline Training Fund (IATF) provides training to member airlines in developing countries. It is an independent nonprofit foundation that supports airlines in meeting industry priorities and achieving a sustainable future.

In 2009, the IATF trained 1,457 people through 81 training events. Additionally, 128 personnel received assistance from the IATF scholarship program, which gives the staff of developing nation airlines the chance to attend courses at any of the IATA training centers.

Corporate publishing

IATA's approximately 250 publications serve as industry standards for authoritative information related to regulatory matters, safety, operational efficiency, finance, and more.

The *Airline Coding Directory*, *Airport Handling Manual*, *Tax Suite*, *Travel Information Manual*, and *Dangerous Goods Regulations (DGR)* are examples of IATA's knowledge-based products.

The IATA DGR publications portfolio is the cornerstone of cargo facilitation and safety information. For example, *DGR ClearShip*, produced in conjunction with ICAO, is a cutting-edge e-freight-compatible tool allowing users to create a validated dangerous goods declaration. On average, 10% of dangerous goods shipments are at risk of fines and delays because of incomplete documentation. *DGR ClearShip* will virtually eliminate this problem.

The *DGR* continues to be adopted by more and more members of the supply chain, selling over 100,000 copies annually in several electronic formats as well as in print. It is offered in six languages and is distributed in virtually every country with commercial aviation activities.

IATA's suite of tax products is equally intrinsic. By consolidating data from governments, tax authorities, and more than 1,600 airports in 190 countries, IATA provides the tools for efficient and precise settlements, contributing to the industry's bottom line.

The Timatic product suite outlines the documents customers require for their travel. It was further enhanced by the launch of Timatic AutoCheck in 2009. This latest product ensures that 100% of international passengers are in compliance with document requirements. Its simple answer format shaves at least 30 seconds off the time needed for checking a passenger's documents and helps to save over \$300 million by quickly identifying inadmissible passengers.



Airport Handling

Effective 1 January



Our goal is to help the success
of our members with cost-effective
solutions in a competitive market.

Giovanni Bisignani

Airline Coding

Effective 1 July



Dangerous Goods Regulations

Effective 1 January – 31 December 2011

Produced in consultation with ICAO



THE GUIDE RECOGNIZED BY THE WORLD'S AIRLINES 52nd Edition

30th Edition



IATA Tax Products
Stay ahead of the game

Strategic Partnership Program

Since 1990, the Strategic Partnership Program has allowed aviation suppliers and service providers to directly contribute to solutions for industry challenges and priorities.

Over 320 aviation suppliers from around the globe are active Strategic Partners. Through their participation alongside IATA and its member airlines, Strategic Partners set and develop global industry standards. This assists airlines, airports, and other industry stakeholders in making strategic and resource management choices. Involvement in the successful Simplifying the Business program—which met or exceeded all of its 2009 board targets—illustrates the relevance of Strategic Partners.

Business intelligence

IATA's business intelligence tools support decision making at airlines. For example, Cargo Intelligence Services (CargoIS) taps more than 20 million shipment records by agent location, average yield, and origin and destination. CargoIS is used by more than 200 airlines, representing 75% of the world's cargo volumes.

IATA's Passenger Information Services (PaxIS) is supported by IATA's worldwide BSP ticket data and various other statistics. PaxIS offers comprehensive, timely, and reliable passenger intelligence information. In 2009, the PaxIS client list comprised over 50 airlines ranging from large network to regional carriers.

A potential enhancement to PaxIS is under review and development. The Direct Data Service (DDS) will be based upon data sourced from BSPs but supplemented by data directly contributed by the airlines.

AirportIS is a web-based business intelligence tool used by more than 40 international airports for marketing and air service development. It was further developed and enhanced in 2009. As a result, AirportIS provides the most comprehensive available information on global air passenger flows.

Qualitative data is as important as quantitative data. In 2009, 41,800 international passengers moving through 32 of the world's busiest airports were interviewed by IATA agents for its quarterly airline benchmark survey. As a result, IATA helped 18 international carriers to identify their products' value drivers, improve their product offerings, and measure how product modifications were received. In 2010, this survey will be migrated to an online platform to speed up data availability and improve reach.

IATA's most recent business intelligence offering is Data AirHouse, a turnkey solution of hardware, software, data, hosting, support, and maintenance custom built to a client's needs. The first Data AirHouse was implemented in 2009 at Malaysia Airlines.

Financial services

Weblink is an IATA solution that extends the cost-efficient settlement process of a BSP to an airline agency's direct sales.

In 2009, 26 clients used Weblink to settle more than 2.7 million BSP transactions totaling more than \$400 million. This equates to savings in distribution costs of more than \$15 million. The amount saved should grow to \$300 million as the Weblink share of BSP transactions increases to 10% by 2012.

→ 101-157
← 168-181, 500-505

IATA Membership

as of 1 May 2010



Active Members

Adria Airways	Air One	British Airways	DHL International E.C.
Aegean Airlines	Air Pacific	Brussels Airlines	Donavia
Aer Lingus	Air Seychelles	Bulgaria air	Dragonair
Aero Repùblica	Air Tahiti	C.A.L. Cargo Airlines	Dubrovnik Airline
Aeroflot	Air Tahiti Nui	Cargojet Airways	Egyptair
Aerolineas Argentinas	Air Transat	Cargolux	EL AL
Aeromexico	Air Vanuatu	Caribbean Airlines	Emirates
Aerosvit Airlines	Air Zimbabwe	Carpatair	Estonian Air
Afriqiyah Airways	Aircalin	Cathay Pacific	Ethiopian Airlines
Aigle Azur	Airlink	CCM Airlines	Etihad Airways
Air Algérie	Alaska Airlines	China Airlines	Eurowings
Air Astana	Alitalia	China Cargo Airlines	EVA Air
Air Austral	All Nippon Airways	China Eastern	Federal Express
Air Baltic	American Airlines	China Southern Airlines	Finnair
Air Berlin	Arkia Israeli Airlines	Cimber Sterling	flybe
Air Canada	Armavia	Cirrus Airlines	Freebird Airlines
Air China	Asiana Airlines	CityJet	Garuda
Air Europa	Atlas Air	Comair	Georgian Airways
Air France	Atlasjet Airlines	Condor	Gulf Air
Air India (NACIL)	Austrian	Condor Berlin	Hahn Air
Air Jamaica	AVIANCA	Continental Airlines	Hainan Airlines
Air Koryo	Azerbaijan Airlines	Continental Micronesia	Hapag Lloyd
Air Macau	B&H Airlines	COPA Airlines	Hawaiian Airlines
Air Madagascar	Bangkok Airways	Corsair	Hemus Air
Air Malta	Belavia—Belarusian Airlines	Croatia Airlines	Hong Kong Express Airways
Air Mauritius	Biman	Cubana	IBERIA
Air Moldova	Binter Canarias	Cyprus Airways	Icelandair
Air Namibia	Blue Panorama	Czech Airlines	Interair
Air New Zealand	Blue Wings	Delta Air Lines	Iran Air
Air Niugini	Blue1	Denim Air	Iran Aseman Airlines
Air Nostrum	bmi	DHL Air	Israir

JALways	Malmö Aviation	SIA—Singapore Airlines Cargo	US Airways
Japan Airlines	MAS AIR	Siberia Airlines	UT air
Jat Airways	MEA—Middle East Airlines	Sichuan Airlines	Vietnam Airlines
Jet Airways	Meridiana fly	Silkair	Virgin Atlantic
JetBlue	Méxicana	Skyways	Vladivostok Air
Jet Lite	MIAT—Mongolian Airlines	South African Express Airways	Volga-Dnepr Airlines
Jordan Aviation	Montenegro Airlines	Spanair	VRG Linhas Aéreas
Kenya Airways	Nigerian Eagle	SriLankan Airlines	Wataniya Airways
Kingfisher Airlines	Nippon Cargo Airlines	Sudan Airways	White Airways
Kish Air	Oman Air	Surinam Airways	Wideroe
KLM	Onur Air	SWISS	Xiamen Airlines
Korean Air	PAL—Philippine Airlines	Syrianair	Yemenia
Kuwait Airways	Pegasus Airlines	TAAG—Angola Airlines	
LACSA	PGA—Portugália Airlines	TACA	
LAM—Linhas Aéreas de	PIA—Pakistan International	TACA Peru	Austral
Moçambique	Airlines	TACV Cabo Verde Airlines	Lufthansa CityLine
Lan Airlines	PLUNA	TAM—Transportes Aéreos del	Safair
Lan Argentina	Precision Air	Mercosur	SATA Air Açores
Lan Chile Cargo	Qantas	TAM Linhas Aéreas	Volaris
Lan Perú	Qatar Airways	TAME—Línea Aérea del Ecuador	
Lan Ecuador	Rossiya—Russian Airlines	TAP—Air Portugal	
Lauda Air	Royal Air Maroc	TAROM	
Libyan Airlines	Royal Brunei	Thai Airways International	
LOT Polish Airlines	Royal Jordanian	THY—Turkish Airlines	
LTU	SAA—South African Airways	TNT Airways	
Lufthansa	SAS	Transaero	
Lufthansa Cargo	Saudi Arabian Airlines	TransAsia Airways	
Luxair	Shandong Airlines	Tunis Air	
Mahan Air	Shanghai Airlines	Ukraine International Airlines	
Malaysia Airlines	Shenzhen Airlines	United Airlines	
MALEV	SIA—Singapore Airlines	UPS Airlines	

Associate members

Austral
Lufthansa CityLine
Safair
SATA Air Açores
Volaris

IATA Offices

IATA's 1,300 staff serve its 230 members from 66 offices in 62 countries. A growing number of IATA offices operate under accord de siège agreements, which recognize the important nature of IATA's work and grant it semi-diplomatic status. Such agreements are in place in Canada, Cote d'Ivoire, Jordan, Kenya, Morocco, Senegal, Singapore, Spain, Switzerland, and Syria.



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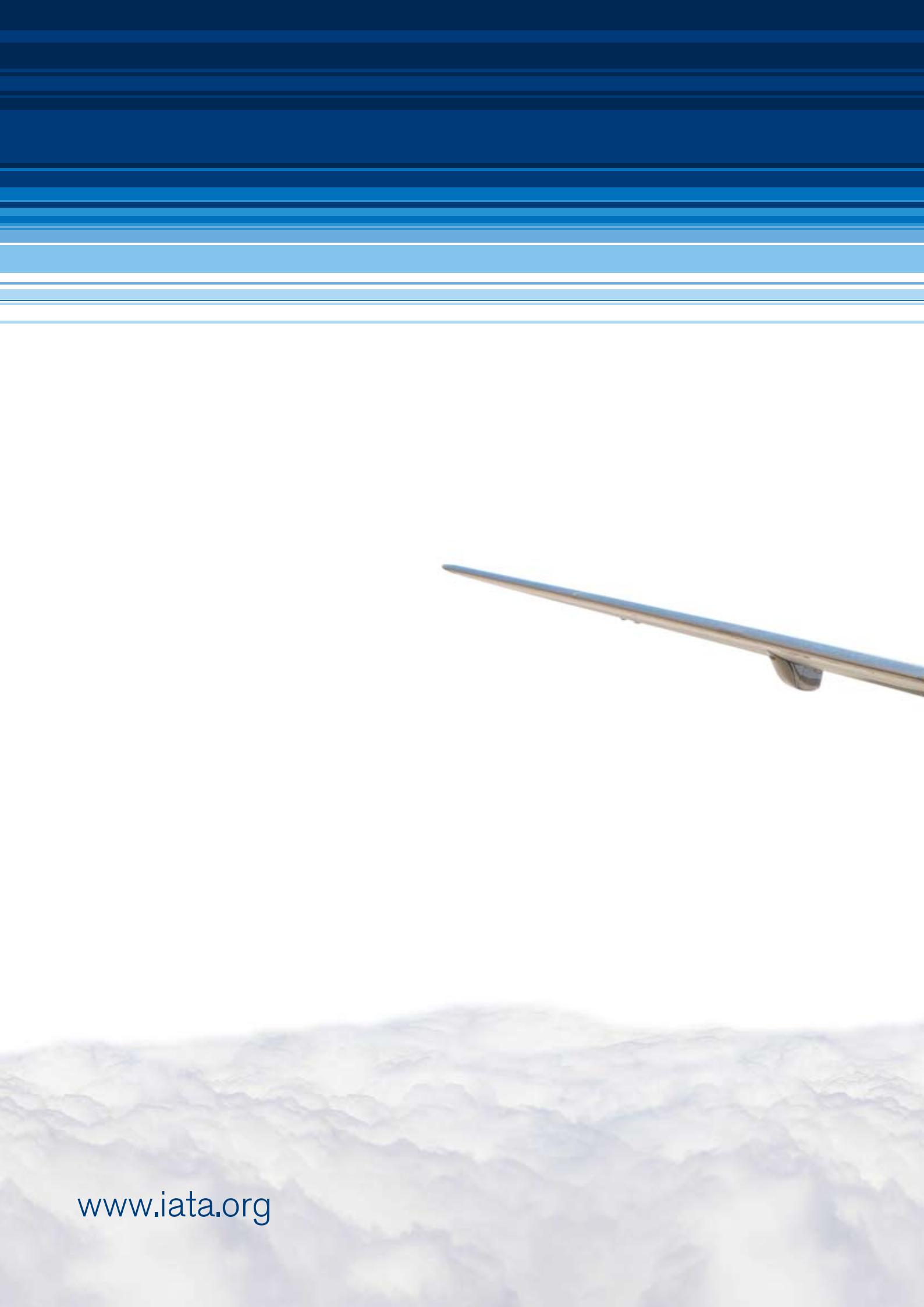
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A photograph of an airplane wing flying over clouds. The wing is visible in the upper right corner, angled downwards. Below it, a layer of white, fluffy clouds is visible against a bright sky.

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