IATA

INTERNATIONAL AIR TRANSPORT ASSOCIATION

ANNUAL REPORT 2005

2005

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IATA

Giovanni Bisignani
Director General & CEO

International Air Transport Association
Annual Report 2005
61st Annual General Meeting
Tokyo, May 2005

THE IATA Board of Governors

as at 1 May 2005

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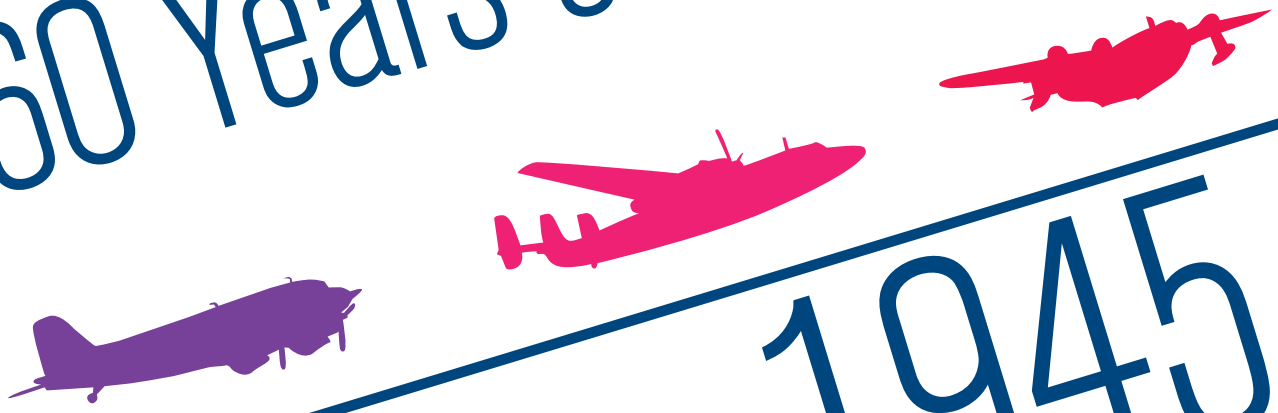
Chairman of the Board of Governors

THERE ARE 36 BILLION REASONS FOR CHANGE IN THIS INDUSTRY. AIRLINES HAVE CHANGED RADICALLY. WE ARE MAKING SOME PROGRESS WITH STAKEHOLDERS. CHANGE REMAINS CRITICAL. GREATER EFFICIENCY AND THE FREEDOM TO DO BUSINESS ON A LEVEL PLAYING FIELD ARE ESSENTIAL.

Giovanni Bisignani
IATA Global Press Briefing

60 Years of Progress



1945

THEN ...

In April 1945, delegates from 57 airlines in 31 countries met in Havana, Cuba, and established the International Air Transport Association (IATA) to succeed the International Air Traffic Association founded in 1919.

IATA's first Annual General Meeting was held in Montreal, Canada, in October 1945. Two months later, the Canadian government approved the incorporation of IATA. During 1945, the world's airlines carried 9 million passengers and a few thousand tonnes of cargo.

The initial emphasis of IATA's work was on technical and legal matters. In cooperation with the International Civil Aviation Organization (ICAO), the groundwork was laid for airline operations and related legislation.

The IATA Clearing House started operations in London in January 1947, and during its first year 17 airlines put US$26 million through the system.

Following the signing of the pioneering bilateral agreement between the United Kingdom and the United States of America, it was agreed that the development of fares and rates should be delegated to IATA, with its proposals subject to government approvals. The first Traffic Conferences were held in Rio de Janeiro in 1947 and developed fares and rates and the associated required standards.

The standards included traffic documents and procedures for appointing travel agents - although the worldwide Agency Agreement was not finalised until 1952. Another major achievement of the Traffic Conferences was the Multilateral International Traffic Agreement.

To support the Traffic Conferences, IATA set up its first regional offices, in New York for the Americas; in Paris for Europe, the Middle East and Africa; and in Singapore for the Asia-Pacific region.

By the end of IATA's first decade, the industry had developed remarkably, with 51 million passengers being transported in 1955, although cargo only amounted to 900,000 tonnes.

IATA membership totalled over 70 airlines.

2005

... AND NOW

The industry and IATA have come a long way since then. By the end of the 1950s, the aircraft had overtaken the ocean liner as the preferred means of long-distance travel. The association had over 100 members by 1965, worldwide scheduled cargo carriage had reached the 10 million tonne level by 1979 and scheduled passenger traffic passed the 1 billion passenger mark in 1987.

Technological progress boosted the industry with the widespread introduction of jet transports in the 1960s and the arrival of the "jumbo jets" in the following decade. Engines became more fuel-efficient and less polluting, while electronic equipment fine-tuned flight operations and assisted with reservations and a host of other activities.

IATA opened a new main office in Geneva, Switzerland, in 1968 and boosted its presence around the world. The association launched its inaugural training programmes and passenger and cargo settlement plans in the early-1970s. At the end of the 1970s, it reorganised its tariff coordination, and to keep its membership dues at modest levels it began to expand its commercial activities in the mid-1980s.

The industry had its problems, with hijacking becoming a major concern in the 1960s and the first fuel crisis occurring in 1973-74. Wars, too, had their impact. The Iraqi invasion of Kuwait in 1991 led to the first-ever decline in annual traffic growth. Internally, the industry struggled to produce acceptable profit margins.

Notwithstanding such tragedies as 9/11, the mood within the industry has remained largely optimistic, and the outlook for traffic growth is promising. By the end of 2004, IATA had over 260 members and the world's airlines had safely moved 1.8 billion passengers and 40 million tonnes of cargo. In fact, 2004 was the safest year ever for aviation.

The Clearing House grouped over 300 participants. Worldwide, IATA had more than 79,000 passenger and 6,800 cargo agent locations. And IATA's combined settlement systems - including the IATA Currency Clearance Service, the IATA Clearing House, Billing & Settlement Plans and Cargo Accounts Settlement Systems - processed US$225 billion.

With rising fuel costs as a backdrop, efficiency has become the industry's battle cry. IATA's focus on route and fuel efficiency generated US$1 billion in cost reductions. Further, its members have embarked on an industry-wide initiative to simplify the business.

Air transport has grown to provide the only worldwide transportation network essential for global business and tourism. It employs 4 million people and generates US$400 billion in output. Indirectly, it creates a further 24 million jobs, bringing its output to nearly US$1.4 trillion, or 4.5% of global GNP.

IATA has always been there to serve its members. Given the broad range of industry problems in recent years, the association has widened its scope to provide leadership on issues of concern to the membership as a whole, with the objective of reducing costs and maintaining a viable industry.

For every passenger journey in 1945, there were some 200 trips in 2004. Progress indeed!

En Route to a

It is time for some straight talking. Air transport has never been safer, cheaper and more environmentally efficient. We are a vital part of local commerce, the international economy and at the core of a value chain that contributes 4.5% of global GDP.

These achievements come despite the fact that we are saddled with cumbersome and costly regulation, inefficient monopoly suppliers of infrastructure and out-dated rules of engagement. On top of that, the industry saw its fuel bill increase by US$17 billion in 2004. This year, total fuel costs may well top US$83 billion. The result is massive losses - US$4.8 billion last year and US$6 billion more of red ink is projected for this year.

The need for change has never been so critical. Relentlessly restructuring and re-engineering their businesses, airlines have taken 2-3% annually out of their non-fuel unit costs. And deeper reductions are being seen this year.

WE ARE EN ROUTE TO A LOW COST INDUSTRY.

AND SPEED IS OF THE ESSENCE.

YOUR ASSOCIATION IS AT THE INDUSTRY'S SIDE

We are instilling a new industry paradigm of cost efficiency. Combating the high price of fuel, IATA campaigned for route and infrastructure improvements that netted US$1 billion in cost savings last year. Further savings of US$1.5 billion were achieved by challenging airports and air navigation service providers for greater efficiency.

Complex and costly paper-based industry processes have no place in today's world. An industry revolution - Simplifying the Business - started in 2004. At the top of the agenda is our commitment to 100% e-ticketing by the end of 2007. This is no easy task.

We are visiting every member airline to assess their needs and help with the conversion. We are also partnering with global distribution systems and other suppliers to ensure that the industry is ready. We will achieve the US$3 billion annual cost savings that e-ticketing will bring.

Low Cost Industry

Over 1.8 billion passengers travelled safely last year - our safest year ever. And we are determined to make air transport even safer.

The IATA Operational Safety Audit (IOSA) is at the core of our efforts. IOSA is fast gaining recognition as the global standard for airline safety management. This year alone, more than 100 airlines will be audited.

Our achievements at the 35th Assembly of the International Civil Aviation Organization (ICAO) were numerous. Alongside recognition for IOSA and a commitment to work together on security issues, IATA successfully defended the need for global solutions on environmental issues.

Airline efforts alone will not bring the industry back to health. Governments and our partners are not keeping pace with the industry's speed.

Monopoly service providers in the air transport value chain - airports and air navigation service providers - need to operate under the same commercial discipline as their airline customers. The days of "we spend and the airlines pay" must end. And airports that pander to point-to-point carrier demands must understand that all airlines need low-cost efficient infrastructure.

Governments too often micro-manage and mis-regulate. Competition has made air travel more accessible and airlines stronger. But the policies that supported reduced fares have not been balanced by a coherent policy vision for a competitive low-cost industry.

Air transport is not a cash cow. Governments do not realise that we are a mass transport system that is vital to the global economy. Too often airlines and our passengers are taxed beyond reason, while other modes of transport are subsidised.

And the rules of the game - the bilateral system that dates from the 1940's - must change. Markets and competition must guide our development. Airlines need access to global capital markets and the freedom to merge and consolidate across borders. In short, we need to be able to operate as true global businesses.

A STRONGER IATA WILL DELIVER THE INDUSTRY SOLUTIONS NEEDED TO EVOLVE TO A LOW COST INDUSTRY.

Our worldwide team has passion and edge. With a 40% change in management staff since 2002, we have new skills and perspectives that complement our industry expertise.

Sixty years after a group of visionaries signed IATA's Articles of Association we have a great industry. But some enormous challenges remain. Together with our members, we are leading a dynamic process of change that is essential to the future of our industry.

Giovanni Bisignani
Director General & CEO

The State of the Industry

In 2004, the air transport industry marked its fourth consecutive year of financial aggregate loss, bringing total post-9/11 industry losses to over US$36 billion since 2001. The principal cause of the US$4.8 billion loss in 2004 was the industry's US$61 billion fuel bill, US$17 billion more than in 2003. And the situation is getting worse. This overwhelmed the success of considerable cost-cutting initiatives in other areas.

www.iata.org/pressroom/industry_stats/index

If the oil price in 2004 had remained at its 2002 level of US$25 (Brent) a barrel, industry operating profitability would have returned to its late-1990's level of 5%.

As it stands, there was marked regional divergence in operating profitability in 2004. US airline losses deepened, to US$10 billion, while Asian and European airlines returned to profit.

THE CHALLENGE OF LIVING WITH A HIGH OIL PRICE

The extraordinarily high price of fuel has had the greatest adverse impact on our profitability (*fig. 1*) - but it is not the only factor. Even excluding the effect of the high price of oil on the industry, operating profits do not cover the industry's cost of capital (*fig. 2*). This situation cannot persist in a competitive business environment.

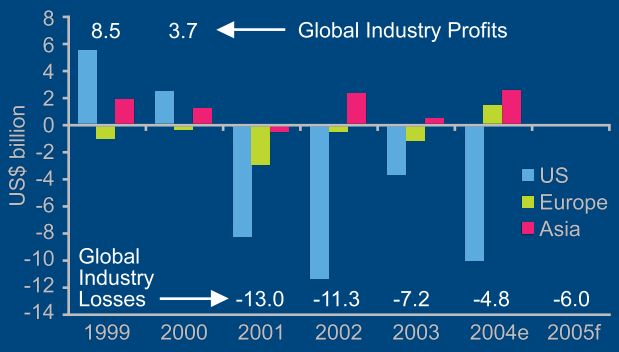
Further, the oil price is not expected to return to its previous 10-year average of US$21 a barrel. The consensus in financial markets, as of May 2005, was that the oil price for 2005 will average US$47 a barrel, US$8 a barrel higher than the 2004 average. Additionally, hedging to date in 2005 is covering an estimated 20% of fuel purchases, far lower than the 40% in 2004.

YIELDS CONTINUE TO FALL IN DEREGULATED MARKETS

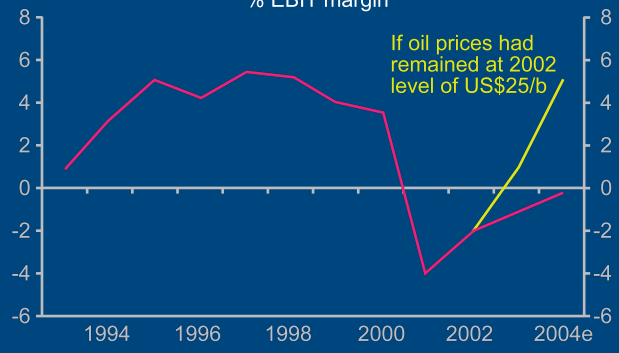
Strong traffic volumes have not meant strong revenues in many markets, as fares continue to fall. Increasing deregulation has brought many new market entrants. At the same time, capacity has not diminished in markets such as the United States, where substantial losses have been suffered. The resulting increase in competitive pressure, together with price transparency and corporate buying power, has reduced real yields by one-third in the past 10 years.

This situation is not unique to the airline transport industry. It is common to all deregulated industries, as shown (*fig. 3*) by a comparison of yields in the European airline and UK telecom industries. However, unlike companies in the telecom or other industries airlines are prevented by investment rules and other regulatory restrictions from rational cross-border restructuring and consolidation.

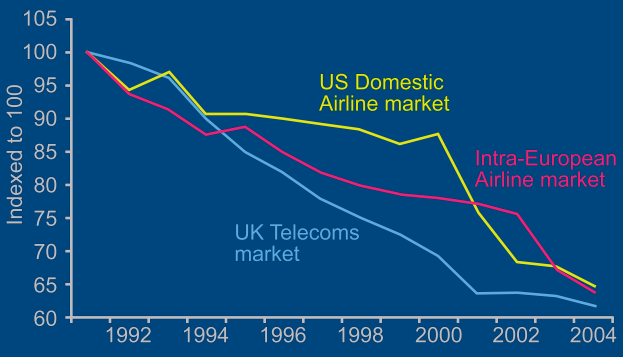
Airline Profits (*fig. 1*)



Operating Profitability (*fig. 2*)
% EBIT margin



Real Prices in Deregulated Markets (*fig. 3*)



SUPPLIERS STILL OPERATE AMID LITTLE COMPETITION

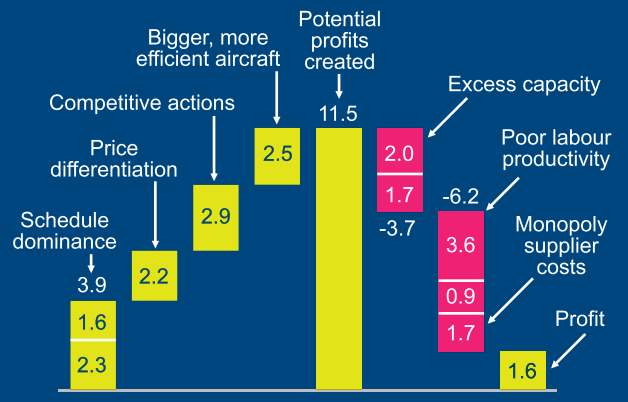
In contrast to the tough competitive environment experienced by airlines, many airline suppliers operate in markets with little or no competition. Unless near-monopoly suppliers are subject to proper economic regulation, they are likely to be inefficient. Prices charged to airlines for supplier services are well above competitive levels, with returns earned by many suppliers shown to be in excess of their cost of capital. Airline profits, meanwhile, are being squeezed by falling airline yields and by monopoly supplier pricing in deregulated and poorly regulated markets.

LABOUR COSTS REMAIN A MAJOR CHALLENGE

The cost of labour makes a big difference for operating profitability in the air transport industry. Improving productivity and significantly reducing labour costs is among the industry's biggest challenges. Labour is the industry's number one cost, and a recent analysis by management consulting firm McKinsey & Company confirms that the biggest loss in the value of European and US airlines in the recent past is due to poor labour productivity and high salary levels (*fig. 4*).

Labour Costs Absorb Value Creation (*fig. 4*)

European Network Airlines [numbers are in US$ billions]



Source: McKinsey Analysis

US airlines have had considerable success, with the help of Chapter 11, in reducing labour costs recently. Yet labour costs still represent almost 38% of US airlines' operating expenses, compared with less than 18% for airlines in the Asia-Pacific region, where pay levels are considerably lower.

High salary levels, however, are not the only liability to airline well-being. Also of crucial importance is the efficiency with which labour is used. Matching the aircraft utilisation and manning levels of the no-frills airlines on short-haul flights especially is a vital objective for all airline operators.

THE BIGGEST THREAT BESIDES OIL COMES FROM REGULATORS

Government unwillingness to understand aviation is creating a tremendous industry cost burden.

The cost of regulation in Europe exceeds €5.9 billion (US$7.61 billion*) a year, a rise of more than €2.5 billion (US$3.22 billion) in the past four years.

Denied-boarding compensation alone costs European airlines €0.6 billion (US$0.77 billion) annually, poor infrastructure and its regulation exact a toll of €3.4 billion (US$4.38 billion) yearly and additional security and insurance raise the cost by €1.9 billion (US$2.45 billion) a year.

And regulators have threatened to add to airlines' burden by fixing things that are not broken. This despite findings by engineering and management consultancy Mott MacDonald that aviation more than pays for its infrastructure in Europe, compared with rail, which is heavily subsidised.

One EU proposal plans for the auctioning of airport slots. Although the current slot system may need minor adjustments, the overhaul being planned is of questionable value. Another proposal calls for an environmental charge. Independent estimates of the cost to individual airlines of the proposed measures range between €1 billion (US$1.3 billion) and €5 billion (US$6.5 billion). The studies leading to these estimates also reveal that the proposed regulatory measures will not achieve their aims of reducing aircraft emissions or of improving slot utilisation.

The European Commission, as noted in the Lisbon Agenda, states as its goal to provide coherent, simple and effective legislation that includes impact assessment and ongoing reviews. The measures it has planned for the air transport industry prove that it is wildly off track.

** US/Euro exchange rate used (1.2986) was issued by the US Federal Reserve on April 1, 2005*

OUTLOOK FOR 2005

ASIA AND CENTRAL EUROPE HOLD THE GREATEST REVENUE POTENTIAL

International scheduled passenger traffic in 2004 increased 15.3% over 2003 levels, and cargo traffic rose 13.4%. Traffic growth in 2004 was exceptional for two reasons. First, there was a one-off rebound from the adverse affects in 2003 of the SARS epidemic and the war in Iraq on air traffic levels. Second, 2004 saw the strongest world economic growth in three decades.

The economic environment in 2005 and for the next two years will be less favourable for traffic growth. Over the short term, however, the chances of an economic recession are small, despite rising interest rates and government budget cuts. This is because the relatively low level of inflation, despite the high oil price, implies that interest rates will not rise as high as in previous cycles. So even given a more difficult environment, traffic growth should continue, albeit at a slower pace.

It is where liberalisation is taking place that the strongest potential for traffic growth lies. Economic liberalisation is expected to continue to boost air traffic growth in China, and the increasing trade integration of central European countries within the European Union will drive the rapid expansion of air traffic in central Europe.

	Passengers in 2003*	2004-8 AAGR
China	21.9 million	12.5%
Poland	4.4 million	11.0%
Hungary	4.4 million	9.6%
United Arab Emirates	17.7 million	9.3%
Czech Republic	5.9 million	9.1%

** Passengers on routes surveyed, not country total*

DIVERGENT REGIONAL FINANCIAL PERFORMANCES

The airline industry faces another challenging year in 2005, particularly in the United States. Airlines worldwide will be under financial pressure from the high price of oil, but their varying market conditions will again result in performance differences by region.

IATA anticipates further substantial losses for US airlines. Domestic markets are most open to new entrants and already show significant competition and excess capacity, depressing airline yields. Airlines in Europe and the Asia-Pacific region, where long-haul operations constitute a large proportion of business, are less vulnerable to the sort of competition seen in domestic markets. They, therefore, should continue to show an aggregate profit, but at a lower level than in 2004.

THE NEED TO CUT COSTS

Industry growth is forecast to average 6% annually for the 2004-2008 period. The imperative will be to turn this growth to profitability.

Regulatory burdens aside, however, there is still the high price of oil to contend with. The industry will be paying significantly more for its fuel in the year ahead. Airlines have significantly improved their non-fuel unit cost performances - down 3% in 2004 and 2.5% in 2003. But in 2005 slower traffic growth and a further fall in yields will create a more difficult revenue environment than in 2004. It is therefore more critical than ever that air transport becomes a low-cost industry.

Simplifying the Business

Consumers want value and convenience but are not interested in paying for the complexity. Our mission is to keep the value and eliminate the cost by re-engineering processes and clamping down on complexity to enhance customer service, ease travel and reduce costs.

Industry efforts to simplify are gaining momentum. Backed by the unanimous agreement of IATA's member airline chief executives and supported by IATA's Simplifying the Business (StB) project team, progress is being made on all fronts.

www.iata.org/whatwedo/simplibiz

E-TICKETING

E-ticketing is the top StB priority, with a target of 100% market penetration set for the end of 2007. In November 2004, IATA hosted an industry-wide StB conference to engage airlines and key stakeholders towards achieving these aims. The association is wholly committed to making widespread e-ticketing a reality. Its project team has been aggressively engaging alliances, vendors, airports, airline executives and experts.

The other main elements of the StB programme are as follows:

- Common user self-service (CUSS) kiosks
- Bar-coded boarding passes
- Radio frequency baggage identification
- Paperless cargo environment

THE RISKS: HIGHER COSTS AND LOWER REVENUES

Key to the success of the StB project is an industry understanding of the cost of not simplifying the business. Based on commitments made during the 2004 IATA Annual General Meeting, IATA will stop producing paper tickets at the end of 2007. As of 1 January 2008, carriers without e-ticketing capability will have to produce and distribute paper tickets on their own and at a high cost. Gone will be the benefit of working with IATA's 60,000 accredited agents* and access to IATA's global distribution mechanisms and centralised billing.

E-ticketing airlines are already cancelling interline agreements with non-e-ticketing airlines, a process that will only accelerate as we move towards 2007. Passengers will similarly seek more-convenient options and move increasingly to e-ticketing airlines. Invariably, the revenue levels of non-e-ticketing airlines will be put in jeopardy.

DESIGNING THE SOLUTION

The initial focus is on IATA member carriers without e-ticketing solutions. To meet milestones, these carriers must quickly identify resources and activate project teams to design and put the required processes and infrastructure in place. Industry experience shows that it takes six months from an airline's decision to implement e-ticketing to the airline's actual implementation and another two years for the airline to fully implement e-ticketing for its online and interline sales. Adding to the complexity of expanding e-ticketing is the need for all IATA member airlines to manage the varying business requirements for interline e-ticketing with their partners.

IATA's second area of focus is on those carriers that have developed an independent or alliance solution or that have plans to do so. The emphasis must be on developing a common, cross-industry interline capability. IATA is working with alliance experts and vendors to develop a standard.

The third focus sees IATA working with non-member airlines. These include participants in the Multilateral Interline Traffic Agreement that have been advised of the risks and costs associated with not being ready for e-ticketing by the end of 2007.

The task of realising 100% e-ticketing is enormous. But saving billions of dollars while adding to the ease and convenience of travel is worth the effort.

**Does not include 19,000 agent locations in the U.S. where IATA does not distribute tickets*

COMMON USER SELF-SERVICE KIOSKS

By the end of 2005, IATA plans to launch IATA-standardised common-user self-service (CUSS) kiosks in at least five selected airports.

As with e-ticketing, customer convenience and cost reductions underline the value of this project. Consumers, already familiar with the increased use of kiosk technologies, will undoubtedly value the increased availability of those technologies.

Among the benefits of CUSS are potential off-airport check-in, shorter queues and greater traveller choice. On the cost savings side, airport space and personnel requirements can be reduced. CUSS can generate savings of up to US$3.50 per check-in.

To achieve IATA's goals for CUSS, specialists are working with airline alliances to develop standards for a single-user interface.

BAR-CODED BOARDING PASSES

Bar-coding technology on boarding passes is already in use in a number of countries. In 2004, IATA's members were successful in developing a global standard for this technology. The StB team is promoting that standard.

The proliferation of bar-coded boarding passes will further disperse the check-in process and lower costs. Travellers will print their boarding passes at home, saving time at airports and resulting in tremendous cost savings for airlines.

The magnetic stripe used on boarding passes (ATB2) is expensive to print. The equipment required is costly to purchase and to maintain. Enabling travellers to print their boarding passes will achieve cost savings of 60% for paper and 40% on equipment and is possible with relatively limited investment.

RADIO FREQUENCY BAGGAGE IDENTIFICATION

Radio frequency identification (RFID) is a solution to help reduce the amount of lost, delayed or mishandled baggage. With over 1.5 billion pieces of luggage moving through the air transport network annually, at an estimated mishandling cost of US$100 per piece, even a small improvement to the already low percentage of mishandled baggage yields significant cost savings. IATA and its partners will test RFID technology at five selected airports.

As with all StB projects, the development of a standard is fundamental to the success of RFID technology. Standardisation will boost confidence in the technology and drive investment. The RFID Working Group is working to finalise IATA Resolution 1740c, which will become the global industry standard for RFID by the end of 2005.

PAPERLESS CARGO ENVIRONMENT

The transport of cargo relies extensively on paper from start to finish. A typical international air cargo shipment is accompanied by an average of 25 documents, at an estimated cost of US$30 per shipment. This adds complexity and an enormous cost burden for combined and all-cargo carriers each year. And regulatory demands for advanced electronic air cargo information are difficult to meet using today's paper-driven processes.

In December 2004, the IATA Board of Governors endorsed the Cargo Paperless Environment Project as an additional element of IATA's Simplifying the Business strategy. The endorsement involved setting a goal of full implementation by 2010. The Board also requested that a fast-track programme be considered to accommodate cargo carriers that wish to be paperless by 2007.

THE INDUSTRY SUPPORTS SIMPLIFYING

JEAN-CYRIL SPINETTA

Air France

"An industry under constant cost pressures must work constantly to simplify the business."

RALPH NORRIS

Air New Zealand

"I was astounded at the level of complexity that had been allowed to creep into the business. What was of most concern was that very little of this complexity delivered anything of value to the customer."

ISAO KANEKO

Japan Airlines

"...for today's and tomorrow's air travellers, travel will become simpler and easier. For the airlines, there will be cost savings and benefits from simplified business processes. Truly, a 'win-win' situation."

ROBERT A. MILTON

Air Canada

"The traditional airline model is broken. We need to pull the plug on this model and establish a new business model and a new culture."

NELSON RAMIZ

Aeropostal

"Simplifying the business is really re-inventing our business and it is exactly the leadership role that IATA needs to take."

FERNANDO PINTO

TAP Portugal

"Not only are we going to reduce costs with this project, we are going to provide better service. It is a win-win situation."

AKBAR AL BAKER

Qatar Airways

"Overall, there is a need to make the air industry into a low-cost industry and streamline operations and processes to make air travel more affordable to travellers and at the same time more profitable for the airlines themselves."

ROD EDDINGTON

British Airways

"We will continue to simplify and modernise our business. New technology is key to simplifying processes for our customers."

DAVID BRONCZEK

Fedex Express

"Simplifying the Business is a win-win for the industry and the customer ... reducing the cost of industry processes is an important priority."

Safety

The year 2004 was the safest ever in aviation history, and aviation remains the safest form of transport. Despite its US$36 billion in accumulated losses since 2001, the air transport industry continues to invest in its number one priority. Fatalities were down more than 35% compared with 2003, to 428, and the accident rate dropped 10%, to 0.78 Western-built jet hull losses per million sectors. But there is still work to be done.

In 2004, the industry set a target for a 25% reduction in the accident rate by year-end 2006. The formula for reaching that target hinges on the implementation of IATA's Six-Point Safety Plan, of which IOSA is a critical component. In 2005, there will be a particular focus on raising operational safety among cargo carriers, on enhancing ground damage prevention and on reducing accidents in Africa.

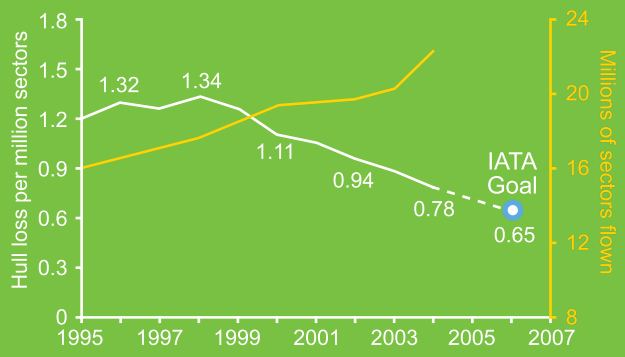
www.iata.org/whatwedo/safety

IOSA IS FUNDAMENTAL TO ACHIEVING OBJECTIVES

Launched in 2003, the IATA Operational Safety Audit (IOSA) is a pillar of the industry's safety plan. It is the key to improving safety for all airlines while reducing overall industry audits and costs. In 2004, 39 IOSA audits were conducted, and the target is for 100 more in 2005. As of 31 March 2005, 59 audits have been completed. A further 50 requests, 20% of which are from non-IATA member airlines, are being processed.

To encourage the participation of all airlines, including non-IATA member airlines, in IOSA audits, IATA has waived its programme management fees and made the IOSA Standards freely available. Further, the incorporation of Safety Management System (SMS) concepts to the audit process has reinforced the value in seeking IOSA registration.

HULL LOSSES/MILLION SECTORS



SUMMARY OF ACCIDENTS

IATA & Non-IATA airlines	2002	2003	2004
Fatal accidents	32	21	25
Fatalities*	974	663	428

**Fatalities include deaths up to 30 days after sustaining injuries in an accident (ICAO/IATA definition)*

IMPLEMENTING THE GROUND DAMAGE PREVENTION PROGRAMME

As part of its Ground Damage Prevention Programme, IATA has targeted a 10% reduction in ground accidents, also by 2006. IATA will provide the tools and expertise necessary to take on this US$4 billion industry-wide challenge by developing a worldwide database to identify and address air-side safety shortfalls.

The programme will also assist airlines in ascertaining ground damage expenses to ensure the quick recovery of uninsured costs. IATA's goal is to cut ground damage costs by US$2 billion in five years.

Product Profile - Dangerous Goods Regulations

The *IATA Dangerous Goods Regulations (DGR)* manual is acknowledged within the industry as the leading reference manual for shipping dangerous goods by air. In 2004, a *DGR Quick Reference Guide* was introduced to reinforce critical points in the front-line dangerous goods shipping process. The *DGR* is published in five languages and is used by companies located in more than 150 countries. For 2005, the *DGR* promises to be more relevant and easier to use than ever. The 47th edition will be offered as part of the new IATA DGR Compliance Kit, to include: the *DGR* on CD-ROM, a 10-minute DGR safety video and the *DGR Quick Reference Guide*. The *e-DGR* electronic version also will be available in 2005.

www.iata.org/ps/publications/9065

FOCUSING ON REGIONAL INITIATIVES

Regional safety initiatives continue to emphasise the challenges faced in Africa, the Middle East and Latin America, where accident rates exceed global averages.

In February 2005, IATA hosted an Africa Safety Enhancement Team (ASET) meeting in Nairobi that led to a commitment by African states to apply measures designed to bring down the accident rate in Africa to the worldwide average by 2008. IATA is also increasing its cooperation with regional safety organisations in Africa and elsewhere to eliminate any duplication of efforts and to improve the communication of strategy and the implementation of safety practices.

CARGO SAFETY IS A TOP CONCERN

Cargo operations suffer a disproportionate number of accidents. Freight carriers represent only 4% of operations, but some 28% of Western-built jet hull losses in 2004 involved dedicated freight aircraft. To address this disproportionately high accident rate and the number of cargo loading incidents, IATA has enhanced its *Airport Handling* and *Aircraft Loading* manuals.

IATA has also installed a Cargo Operations Safety Task Force to examine the issues across the operational spectrum relating directly to freight carriers' difficulties in meeting the industry's established safety norms.

INFRASTRUCTURE SAFETY

IATA's work with infrastructure and regulatory authorities has led to the development of a series of action plans for enhanced safety. In Europe, a safety toolkit has been introduced following a joint Eurocontrol/IATA workshop in 3rd quarter 2004. Elements of a strategy for the reduction of runway incursions, jointly developed by IATA and the US Federal Aviation Administration (FAA), are under consideration for adoption by ICAO.

SPECIAL FOCUS ON SAFETY DATA MANAGEMENT

The Safety Trend Analysis, Evaluation & Data Exchange System (STEADES) is at the heart of an IATA suite of safety products and services that provide a balance of forensic and forward-looking, data-driven solutions. Forty-five airlines submit Air Safety Reports (ASRs) regularly to STEADES, which includes over 280,000 ASRs in its database. This represents a new approach to airline safety management. Safety information is being regularly delivered to meet industry needs, including through daily information exchanges, the STEADES *Monthly Safety Bulletin*, the quarterly STEADES *Trend Analysis Report* and the annual *IATA Safety Report* that reviews the industry's yearly safety record.

FLIGHT DATA ANALYSIS PROGRAMME

IATA's Flight Data Analysis Programme is a response to the ICAO mandate for the implementation of flight data analysis (FDA) capabilities for many airlines by 2005. IATA will soon be providing data analysis services to all its members. Improvements in efficiency, standardisation and safety are the primary objectives of this endeavour.

CABIN OPERATIONS SAFETY PROGRAMME

IATA launched its Cabin Operations Safety Programme in 2004. The programme's objective is to cut in half by 2008 the US$85 million annual cost to operators of turbulence-related injuries and inadvertent slide deployments.

PREPARING FOR NEW LARGE AIRCRAFT OPERATIONS

The introduction of large new aircraft, such as the Airbus A380 and A340-600 and the Boeing 777-300, poses several challenges. The A380 is the most critical because of its almost 80-metre wingspan and its maximum takeoff weight of 560 tonnes. The A340-600 and B777-300 also offer challenges due to their longer fuselages.

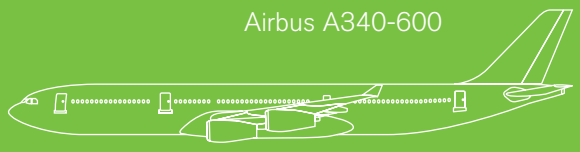
IATA is working closely with ICAO and other stakeholders on reviewing ICAO Annex 14 to the Standards and Recommended Practices (SARPs) for code F aircraft (wingspan of 65 metres to 80 metres). Participants can take advantage of safety and deviation study results made available by airports in Europe, by the FAA and by nation members. The initial assessment has clearly shown that the SARPs can be refined, allowing for a safer and more-efficient use of infrastructure that could generate substantial savings.

Also, in anticipation of the many changes to airport infrastructure and operations required to handle these new aircraft, IATA has established an A380 Task Force to focus on airport readiness. The main areas requiring action at airports are:

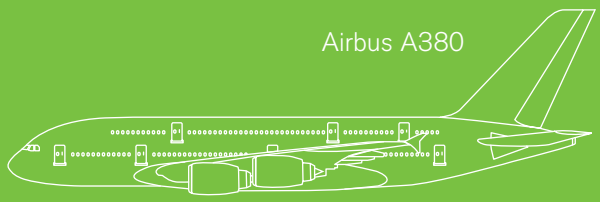
- air-side facilities
- aircraft stands and boarding bridges
- passenger terminal facilities
- ground servicing
- rescue and fire-fighting services
- aircraft recovery

IATA has conducted a detailed survey of the 26 airports that will handle the A380 when it enters service. Survey results show that air-side facilities will be ready, and most airports have committed to installing upper-deck access. Work, however, is needed to ensure consistent passenger service with the additional peak load.

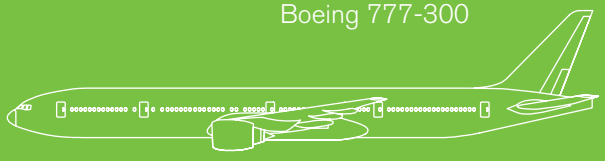
Airbus A340-600

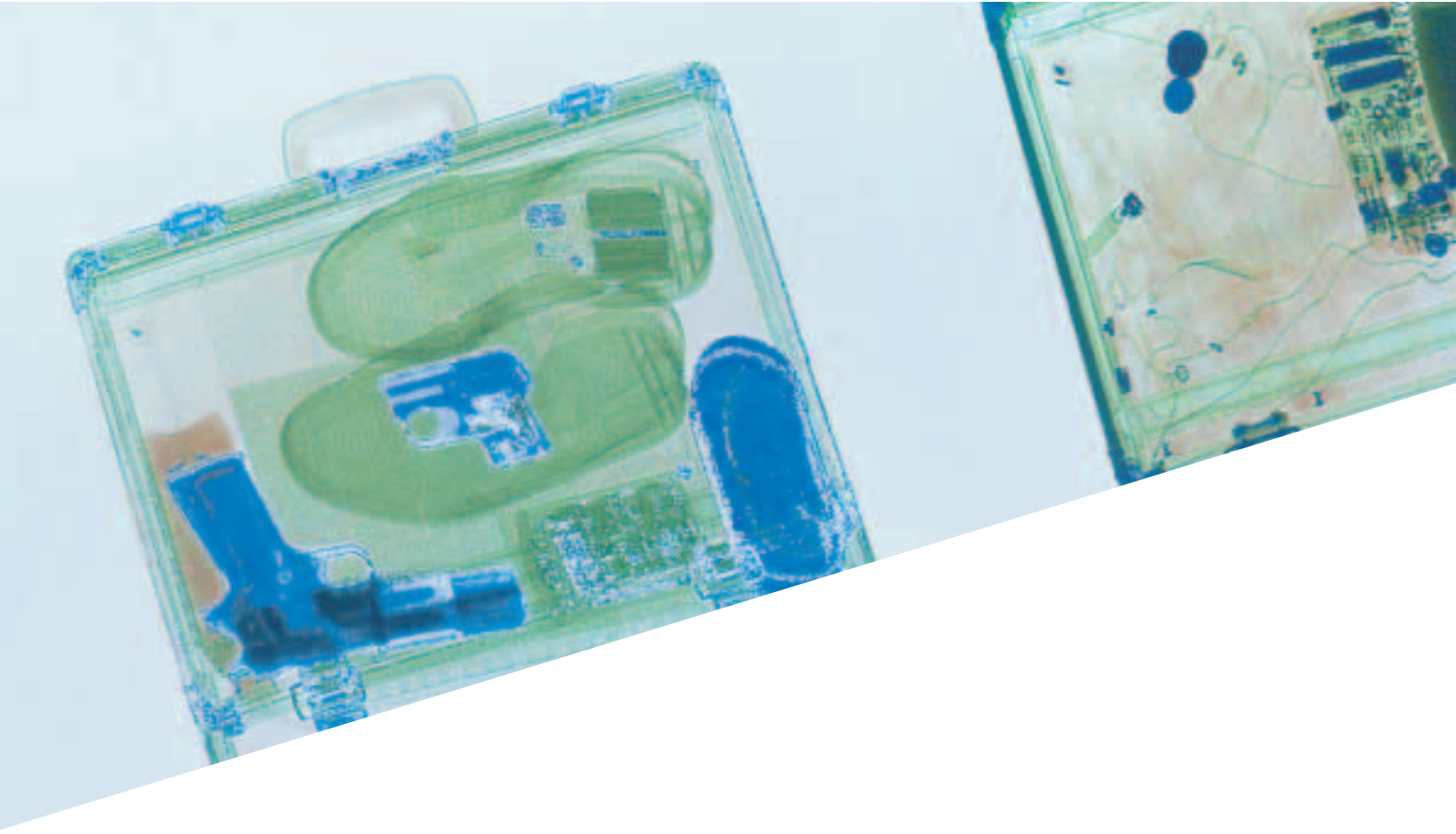


Airbus A380



Boeing 777-300





Security

Lack of international harmonisation is compromising our good progress on strengthening security. Efforts must be on battling terrorism, not bureaucracy. Security, moreover, is the responsibility of individual nations and must be paid for by governments. Passing almost US$5.6 billion in annual security costs onto airlines and travellers is unacceptable.

www.iata.org/whatwedo/security_issues1

The security cost burden on airlines and passengers for 2004 was approximately US$5.6 billion. Further, differences in security funding between countries and among modes of transport distort competition. Within Europe, IATA is particularly concerned with the funding of aviation security. Some countries partially fund security measures and others leave it all to the industry. A study funded by the European Commission to determine the best way forward has been delayed and has been expanded to cover all modes of transport.

In 2004, IATA undertook various security programmes and initiatives to somewhat soften the blow of security expenses on airlines' bottom lines. The heightened efficiency saved airlines more than US$265 million in direct operating costs in 2004.

Of that, savings of US$190 million were the result of substantial improvements to the US Transportation Security Administration (TSA) Master Crew List concept. Additional improvements to air carrier administration and operations were achieved through changes to the TSA's No Fly List. IATA also successfully lobbied for the removal of particularly problematic provisions, like failed-departure reporting, from an EU directive imposing advance passenger information (API) regimes across the EU member states.

IATA assisted a number of airports in improving passenger processing. For example, estimated annual savings of US$30 million were attained through significant improvements in security screening throughput at Los Angeles International Airport (Tom Bradley International Terminal, LAX). Still, the security cost burden on airlines remains unsustainably high.

HARMONISATION IS A MUST FOR GLOBAL AVIATION

The same levels of harmonisation and cooperation that produce positive results in safety are needed to ensure the overall effectiveness and efficiency of global aviation security. Unilateral government measures continue to put this at risk. They also add unnecessary cost. With that in mind, IATA is focused on harmonising requirements for security measures, API, passenger name record (PNR) access, supply-chain security and advance cargo information (ACI).

IATA is maintaining pressure on EU authorities to harmonise the implementation of additional security measures for third-country airports with services to EU member states. IATA is also striving to implement common security screening equipment certification standards in all EU member states. Additionally, IATA will work to harmonise aircraft security measures in the EU, including aircraft intercept measures, in-flight bomb threat assessment and response procedures and flight deck monitoring regulations.

Product Profile - Tim/Timatic

Inadmissable passengers annually cost the industry hundreds of millions of dollars in fines and related costs. IATA has invested in the enhancement of Tim/Timatic, the industry's definitive source of passport, visa and health information that will benefit passengers and airlines. The software will support the development of Simplifying the Business, CUSS, customised e-booking and off-airport applications. Beginning in 2006, a 100% passenger check with the Timatic database could lead to a 95% yearly decrease to airlines in fines and inadmissible passenger costs.

www.iata.org/ps/services/timaticweb

PASSENGER AND CREW DATA EXCHANGE IN NEED OF ALIGNMENT

The industry continues to face the rapid and largely incompatible implementation of API regimes by various governments. Detailed guidelines concerning API systems have been developed and agreed to between IATA, ICAO and the more than 135 customs administrations that constitute the World Customs Organisation. Nonetheless, many new or proposed systems are not aligned with guideline-compliant systems already in place. If this continues unchecked, the industry will shoulder unnecessary costs.

Harmonisation and increased system interoperability will prevent unwarranted costs of up to US$150 million over the next three years. Of particular importance, IATA is co-operating with US authorities in seeking the best means of exchanging accurate data to obviate the need for final API transmissions at least 60 minutes prior to departure. Requirements to provide API final data one hour prior to departure would result in billions of dollars of additional costs and in lost business.

IATA also has successfully lobbied a number of governments outside the United States about their proposed API systems, resulting in significant cost reductions for carriers serving those markets.

Working with various governments and intergovernmental organisations and with its member airlines, IATA is seeking the global adoption of an interactive, real-time API approach. That approach will enhance aviation security, reduce the transport of inadmissible passengers and lower overall operating expenses for our members.

WORKING TOWARD 100% HOLD BAGGAGE SCREENING

IATA continues its efforts to work with governments on the global implementation of 100% hold baggage screening to meet the ICAO deadline of 1 January 2006. It has also pressed EU member countries and the United States to eliminate the re-screening of hold baggage, when the baggage has previously been screened to reduce unnecessary duplication and redeploy the resources to higher risk areas.

GOVERNMENT ACCESS TO AIRLINE SYSTEMS MAY COME AT HIGH COST

Failure to develop a single, harmonised solution to data exchange from passenger name record (PNR) access regimes could result in further industry costs of US$30 to US$50 million. As more governments impose legislation that gives them access to airlines' reservation and departure control information, the issue of data privacy and data control will remain in the forefront. IATA is co-operating with all interested parties in pursuing a balance between passengers' rights to privacy and governments' needs to know. The far greater impact, though, could be a loss of trust by the travelling public in the industry and the exposure of the industry to increasing civil litigation.

TAKING A SYSTEMATIC APPROACH TO SECURITY

The implementation of Security Management Systems (SEMS) by nations and by IATA members is a priority. This includes the standardisation of air carrier security programme formats across countries and the implementation of SEMS principles into airline operations as part of the IOSA programme. SEMS is a systems approach to implementing a security programme by concentrating on security goals, support organisations, management structure, training, quality assurance and accountability. SEMS provides greater flexibility at a lower cost and in the end delivers a higher level of security.

CARGO SOLUTIONS ENSURE SAVINGS

During 2004, the United States Department of Homeland Security's Bureau of Customs and Border Protection mandated the use of the Air Automated Manifest System (Air AMS) for the electronic reporting of ACI. IATA and the Federation of International Forwarders Associations (FIATA) jointly developed industry positions and solutions for compliance for the short and long terms.

The original US legislation, first published in the Federal Register in December 2003, indicated that the operating air carrier would be responsible for reporting all the air waybill information for the cargo on board. The solutions that have been developed have become industry standards following the March 2005 Cargo Conference.

IATA is providing ongoing input to cargo and supply-chain security initiatives in Canada, the United States and the European Union. New Canadian, American, and European air cargo security regulations largely reflect industry positions and will result in annual savings of US$15 million. Additionally, coordinated efforts led to the final development in Canada of the Advance Cargo Information Initiative (Phase 1), which is closely aligned with similar processes in the region and effectively addresses industry concerns and capabilities. IATA also assisted airlines in implementing a new mandatory advance cargo reporting process on flights to and from the United States with limited impact on those operations.

Numerous submissions by IATA led to the adoption of strengthened industry-friendly standards related to API, ACI and PNR access and to liability for inadmissible persons at the 2004 ICAO Facilitation Division (Cairo). IATA also established an industry initiative to harmonise cargo and supply-chain security programmes across the Asia-Pacific region.

CARGO REPORTING CALLS FOR BALANCE

Failure to achieve a balanced and harmonised approach to advance cargo information requirements could result in costs of US$30 to US$50 million per year. IATA is continuing its efforts with customs administrations worldwide to reduce the impact of advance cargo reporting requirements on international airline operations. IATA seeks agreements from countries that are developing automated cargo reporting regimes to adopt measures that are aligned with emerging standards. Additionally, the association's Cargo Paperless Environment Project will tackle ACI as it standardises and simplifies processes across the cargo industry.

ADDRESSING MAN PORTABLE AIR DEFENCE SYSTEMS (MANPADS) ISSUES

IATA works on MANPADS issues with countries that do not have airport risk assessment and response plans. In addition, IATA is engaging national and international organisations to initiate a programme to promote the expansion of global anti-proliferation initiatives.

IATA continues to work with the US DHS Counter-MANPADS office to ensure that industry positions on MANPADS are well known and are incorporated into DHS activities. Among the major issues are industry technical requirements, funding of possible counter measures, extra-territoriality and the need to ensure that response plans take account of safety in air traffic control (ATC) operations.

The 35th Assembly of ICAO passed an important resolution that called on States to control the export, import and storage of MANPADS, to destroy non-authorised MANPADS, to coordinate development of cost-effective countermeasures, and to apply the principles of the Wassenaar Arrangement on export controls for MANPADS.

Regulatory & Public Policy

Globally, airlines are responsible for US$1.4 trillion of economic activity, including US$0.4 trillion in direct and US$1 trillion in indirect transactions. Yet rather than support the growth of the air transport industry as a strategic part of the economy, governments worldwide continue to saddle it with complex, costly and often unnecessary regulations.

www.iata.org/whatwedo/regulatory_public_policies

Air transport is a global industry that requires global solutions. IATA works to help policy-makers understand the impact of over regulating an extremely competitive and fragmented industry. Policy-makers must look beyond national borders when adopting new rules and regulations.

Above all, they must pursue pragmatic agendas that allow airlines to adapt to changing conditions and to grow and to compete fairly to bring maximum benefit to consumers and the global economy.

IATA DISSEMINATES ITS EUROPEAN AGENDA

The US elections and the appointment of a new European Commission (EC) brought about a period of transition in policy-making. IATA seized this opportunity to formulate its vision for air transport policy in the European Union. The EC inflicts an annual cost of €5.9 billion (US$7.61 billion) on aviation. This cost reflects a legacy of neglect from the previous commission and is an enormous burden on the competitiveness of Europe's airlines.

Through its Industry Affairs Committee, IATA produced and widely distributed to EU policy-makers and national governments a policy paper entitled *Air Transport Policy in Europe: We Can Do Better*. This document calls for the implementation of a single European sky, the regulation of monopoly suppliers, the equal treatment of air and rail and the elimination of outdated regulations. It will form the basis for similar papers in other regions.

DEFENDING EXEMPTIONS

IATA defends systems and policies that benefit the industry and the 1.8 billion annual passengers it serves. A case in point is the European Commission's 2005 review of the 2001 Block Exemption covering tariff coordination and slot allocation conferences in Europe.

In response, IATA has submitted economic and legal arguments supporting a renewal of the Block Exemption. Formal expiration of the exemption is scheduled for 30 June 2005, but the EC may not have completed its review by then. In line with new EU Competition Law procedures, the decision will affect not only intra-EU routes but also routes to and from the European Union.

In Australia, IATA expects to file an application on the same issue with the Australian Consumer and Competition Commission (ACCC) during the first half of 2005.

SLOTS: DON'T FIX WHAT ISN'T BROKEN

Conversely, IATA opposes policies that attempt to fix what isn't broken. The association has vigorously fought proposals from several governments, including the European Commission's proposal to adopt market mechanisms - such as the forced repossession of slots, secondary trading and auctions - to allocate slots at congested airports.

Proposals of this nature represent a radical departure from worldwide procedures and do not follow the recommendations of ICAO's 5th Air Transport Conference. The changes involved in the EC proposal in particular do nothing to resolve the chief problem: insufficient infrastructure.

Product Profile - Security Manual

The IATA Security Manual contains extensive guidance and reference material to assist airline, airport and government personnel at all levels in all matters relating to aviation security. Reference is made in this Manual to information contained within the ICAO Security Manual and Annex 17 (Security) to the Chicago Convention on International Civil Aviation, as well as the IATA Recommended Security Standards.

www.iata.org/ps/publications/9005.htm

FIGHTING BAD CONSUMER PROTECTION RULES

EC Regulation 261/2004 came into force 17 February 2005. It introduced new and ill-conceived passenger compensation guidelines that confuse customers and that will cost the industry €600 million (US$779 million) annually. IATA and its members fully recognise the importance of maintaining high levels of customer satisfaction and of market-driven solutions for compensating passengers for denied boarding and similar situations that airlines control. But they do not accept legislation that confuses customers and that penalises airlines for delays beyond their control, such as adverse weather conditions, air traffic congestion or security procedures.

The new EC regulation contravenes international aviation treaties, including the Montreal Convention, which was signed by the EU and its member states. Additionally, the rule-making procedures set out in the Treaty of Rome were not adhered to.

In April 2004, almost a year prior to the implementation of this regulation, IATA filed an application for its judicial review at the United Kingdom High Court to challenge the regulation's legality. The UK court granted IATA's request for the case to be referred to the European Court of Justice (ECJ), but the ECJ hearing date has not yet been set.

PASSENGERS WITH REDUCED MOBILITY SUBJECT TO DIFFERING LEGISLATION

The US Department of Transportation (DOT) and the European Commission have each proposed differing legislation regarding the transport of passengers with reduced mobility (PRM). This breaks down international harmonisation at a time when airlines, and states, can least afford disunity.

The DOT proposal extends US rules to foreign air carriers. IATA has responded. It calls on the DOT to discard its unilateral approach in favour of international co-operation, to refrain from imposing US laws on other jurisdictions, to recognise differences between domestic and international air transport and to replace its proposal's proscriptive approach with broad general principles of the kind adopted in Europe.

In Europe, the European Commission's proposal aims to establish a centralised scheme at all EU airports to provide integrated assistance to PRMs from their point of arrival at an airport to their seat on board and vice versa. The scheme will be managed by airport authorities, but the airlines will have to bear the cost with little say in the matter. Moreover, airlines that self-handle PRMs cannot opt out.

ROME CONVENTION REQUIRES UPDATE

IATA is pushing to ensure that ICAO efforts at modernising the Rome Convention, the 1952 treaty for compensating victims on the ground in aircraft accidents, protect the interests of the public and of the industry in an era of heightened terrorism. ICAO has established a Special Group to develop a new treaty, and IATA has participated in all meetings of this group.

The Special Group has sought to bring compensation into line with the unlimited liability passenger accident compensation regime of the Montreal Convention. It also is emphasising that a new treaty needs to be sustainable in the event of catastrophic losses arising from incidents of terrorism and that the viability of the international air transport system must be protected.

IATA WORKING WITH ICAO

IATA made submissions to the 35th ICAO Triennial Assembly (28 September-8 October 2004) on a range of issues. These included aviation safety, security, the environment and related taxes and charges, IOSA, the harmonisation of standards, liberalisation, aviation insurance and improving the efficiency of airport and air navigation services.

Significant conclusions and resolutions for the industry were adopted at the Assembly, including:

- adoption of a unified safety strategy based on increased transparency, co-operation and assistance, including the exchange of safety information within the industry
- recognition of the value of the IOSA programme and of the complementary nature of IATA's IOSA and ICAO's Universal Safety Oversight Audit Programme (USOAP)
- endorsement of a difficult compromise on CO_2 emissions charges that urges states to refrain from unilateral implementation of such charges prior to the 2007 ICAO Triennial Assembly, when the matter will be reconsidered
- endorsement of the conclusions of the 5th World Air Transport Conference (ATConf/5) on the liberalisation of air transport

TARIFF COORDINATION

After receiving critical government approvals in 2004, on 15 January 2005 IATA members successfully implemented new IATA fare construction rules.

The introduction of simplified fare calculation procedures is hailed as a great benefit to the flying public and provides lower airfares, especially to first- and business-class passengers.

To facilitate the transition from the old to the new fare construction rules and the handling of subsequent ticket reissues, IATA Interline Tariffs launched the IATA Voluntary Rerouting Guidebook in June 2004.

Environment

Like all industries, aviation is being challenged to do better on the environment. Air transport, though, was delivering results long before the Kyoto Protocol. In the last 40 years, we have reduced emissions per passenger kilometre 70%. Black smoke has been virtually eliminated. And aircraft noise at source has dropped 75%.

We have a proud environmental record that must be defended. To further improve, we must eliminate air traffic management inefficiencies that are producing in excess of four million tonnes of carbon dioxide (CO_2) emissions every year. We must also support ICAO's mission to study and report on economic measures related to the environment, including emissions trading, by 2007.

Governments, in turn, must respect our industry's need for global solutions. They must improve infrastructure efficiency to reduce emissions. And they must not levy additional taxes and charges that limit our ability to invest in new environment-related technology.

www.iata.org/whatwedo/environment1

With the industry growing again, challenges on environmental issues are mounting. IATA's contributions to the 35th ICAO Assembly led to a number of positive results, including agreement by ICAO's 188 contracting states to refrain from implementing unilateral CO_2 emissions charges pending discussions at the next assembly in 2007. EU member states, however, will be permitted to raise such levies on their own carriers performing intra-European flights, provided the countries concerned formally agree on this beforehand.

In addition, the assembly confirmed ICAO's lead role in dealing with aviation-related environmental issues and supported IATA's recommendation for the introduction by countries of more efficient air routes and airport procedures. This could enable further reductions in aviation fuel consumption and in CO_2 emissions of at least 6% to 12% worldwide.

GOVERNMENTAL ACTION

IATA's Board of Governors made governmental action on infrastructure a critical component of the position that IATA is expected to develop in 2005 on climate change and emissions trading. IATA's Environment Task Force (ENTAF) is responsible for elaborating this position, with input from other IATA committees. IATA also has been asked to co-chair a new ICAO Committee on Aviation Environmental Protection (CAEP), a task group dealing with emissions trading.

The need for global solutions to noise concerns was also emphasised in 2004. Regulators around the world were urged to fully implement ICAO's detailed guidance for a balanced approach to managing aircraft noise. This guidance was developed through CAEP, with IATA input.

Communication is essential to consolidate the air transport industry's environmental image and to coordinate industry improvements. To highlight the industry's environmental performance, IATA published Environmental Review 2004.

Additionally, under the umbrella of the Air Transport Action Group (ATAG), IATA jointly organised the first annual Aviation & Environment Summit from 17-18 March 2005 in Geneva with such industry groups as the Airports Council International (ACI); the Civil Air Navigation Services Organisation (CANSO), including air navigation service providers (ANSPs); and ICCAIA (manufacturers). Over 300 industry representatives from around the world participated in this event and unanimously endorsed a series of specific actions and recommendations to enhance environment-related co-operation and to further aviation's impressive environmental record.

ENVIRONMENTAL PERFORMANCE

- Modern aircraft have a fuel efficiency of 3.5 litres per 100 passenger kilometres, less than a compact car but delivering six times the speed.
- In the last 40 years, CO_2 emissions per passenger kilometre have been reduced 70%, black smoke has been virtually eliminated and aircraft noise at source has dropped 75%.
- A further 50% reduction in noise during takeoff and landing is expected by 2020.
- Research programmes aim to achieve a further 50% fuel saving and an 80% reduction in nitrous oxides (NO_x) by 2020.
- Thanks to constant improvements in fuel efficiency, of around 1.3% per year, CO_2 emissions from aviation grow at a slower rate than air traffic.

EFFICIENCY HIGHLIGHTS

- Air transport has occupancy rates of 65% to 70%, more than double those of road and rail transportation.
- Airport infrastructure needs only 1% of the total land spanned by the entire transport network, whereas the road network uses 83% and the rail sector 4% (European figures).
- Airlines fully cover the costs of their infrastructure, whereas rail is heavily subsidised (US$50 billion per year in the European Union).

Operational Efficiency

Air transport operating costs approached US$400 billion during 2004. Rising fuel prices, passenger traffic growth and environmental awareness make improved operational efficiency more important than ever before. Governments, airports and air navigation service providers must recognise this imperative and work closely with users to enhance operational efficiency at every opportunity. A 1% improvement saves the industry US$4 billion annually.

www.iata.org/whatwedo/air_traffic1

IATA has taken a five-pronged approach to improve operational efficiency. It includes infrastructure improvements; fuel efficiency; the Save One Minute campaign (*see Fuel Efficiency section, page 35*); an air traffic management (ATM) road map; and the development of a decommissioning road map. IATA has, moreover, taken the lead in identifying "quick-win" infrastructure improvement and efficiency opportunities with countries and service providers.

These efforts generated US$1 billion in savings during 2004.

Work continues on optimising city-pair route networks, terminal area management procedures, airports and associated taxiways and parking areas. IATA's focus also includes the technical capabilities needed to support infrastructure, including navigation, surveillance and communications equipment and air traffic control and management personnel.

Route inefficiencies increase time in the air and adversely affect overall operating costs. National air navigation service providers nevertheless are not able, or willing, to act quickly when airlines seek infrastructure improvements. In many cases, this is because service providers are state entities and thus do not have the private-sector mindset or the financial incentive to serve the customer and improve infrastructure efficiency.

IATA's Safety, Operations & Infrastructure (SO&I) regional offices are extending their 2004 campaign to identify priority routes in their regions where efficiencies can be achieved in 2005. For 2005, the target is US$700 million.

MEETING THE TARGETS

Africa

IATA will focus on the implementation of reduced vertical separation minima (RVSM) in Africa to hopefully solve the shortage of economical flights across Africa and to help address the safety deficiencies in African countries that have been identified as prerequisites to RVSM.

Also, major route improvements are expected, including the introduction of routes UM 731 and UM 998, which will connect Europe to South Africa and facilitate the handling of northbound flights out of Johannesburg.

IATA will continue to gradually implement global navigation satellite system (GNSS) procedures in Southern Africa Development Community (SADC) states and very small aperture terminal (VSAT) stations and VOR DMEs in the Democratic Republic of Congo.

IATA also will cooperate with Air Traffic and Navigation Services Company of South Africa (ATNS) in the design of two major VSAT networks that will link Cape Town to Cairo.

Asia and North Asia

IATA is targeting over US$460 million in benefits from route and terminal area improvements through 2008. The chief goal is a complete restructuring of the arrival and departure routes into the airports serving the Pearl River Delta, including Hong Kong, Guangzhou, Shenzhen and Macau.

Traffic on the transpolar routes from China to North America will increase significantly in 2005, and IATA's efforts at enabling access to optimum routes will deliver substantial benefits.

Product Profile - Security Manual

The *IATA Security Manual* contains extensive guidance and reference material to assist airline, airport and government personnel at all levels in all matters relating to aviation security. Reference is made in this Manual to information contained within the ICAO Security Manual and Annex 17 (Security) to the Chicago Convention on International Civil Aviation, as well as the IATA Recommended Security Standards.

www.iata.org/ps/publications/9005.htm

Europe

IATA is working closely with Eurocontrol to further enhance route structures in Europe and in adjacent regions, including North Africa. RVSM was introduced in the Caucasus - providing a modest benefit of around US$5 million to US$6 million annually. More significantly, RSVM's introduction there established a foothold for RVSM in Russian (Rostov FIR) airspace. The 2005 objective for Europe is US$250 million in savings through route improvements.

IATA has agreed to participate in the Single European Sky ATM Master Plan (SESAME) project, which is sponsored by the European Commission and Eurocontrol. Currently in the tender evaluation stage, the project's objective is to double ATM capacity in Europe by 2020. IATA's principal objective will be to ensure that developments in Europe remain aligned with those in the United States and the rest of the world. It seeks a global approach to interoperability that is underpinned by ICAO.

IATA will also monitor progress to make sure practical solutions are created with clear benefits to the user community. This will be dependent on the will and commitment of participants to produce common solutions that are driven by true operational needs.

Middle East

IATA hopes to achieve savings of US$45 million in the Middle East, mostly as a result of route improvements and improved access in Iraq and Afghanistan. Better inter-facility coordination, driven by the use of Navisat, a regional satellite communications protocol, will bring further benefits in the years ahead.

North Atlantic and North America

Because of increased traffic, by 2008 the North Atlantic (NAT) routes may approach levels of inefficiency not experienced since prior to the introduction of RVSM in 1997. So IATA is working with NAT planning groups to leverage aircraft capabilities in an attempt to reduce spacing and to improve efficiency. Benefits are not expected until 2006 or beyond, but quick-win opportunities have been targeted in the transition area between the NAT and Europe - the North Atlantic Transition Area - and between the NAT and Canada. Gains for 2005 are estimated at about US$10 million, and increasing benefits are expected through 2006.

IATA-led efforts resulted in the single-biggest infrastructure improvement in the Americas in 2005. RVSM was introduced in the upper airspace - above FL290, or 29,000 feet-over the whole of North, Central and South America on 20 January 2005. This will provide a benefit of over US$500 million per year.

LATAM

During 2005, IATA will work closely with ICAO and with countries to implement 15 new RNAV routes within the Americas. These routes will lead to considerable time and fuel savings for airlines. Such routes include Buenos Aires to Lima, São Paulo to Houston and Dallas and Caracas to Mexico. Close coordination is also taking place with the Directors General of Civil Aviation of Colombia and Ecuador to implement GNSS/RNAV/RNP terminal procedures at their key international airports in Bogota and Quito. The efficiencies achieved will translate into shorter flight times and reduced aircraft emissions and fuel consumption.

ROAD MAP TO FUTURE ATM

In 2004, IATA led a team of industry partners in delivering an air traffic management road map to ICAO. That road map has been accepted by ICAO and is being adopted into ICAO's global plan for communications, navigation and surveillance (CNS) and ATM systems. The plan is scheduled for release in the latter part of 2005.

The road map sets out a pragmatic strategy to implement performance enhancements across the global ATM system. It is aimed at delivering near-term benefits using capabilities and equipment already available. The benefits of this IATA initiative will start to filter through in 2006.

To bolster its ATM road map, IATA is leading an industry team in developing an infrastructure plan. This plan is aimed at identifying and prioritising appropriate technical and procedural solution sets, including data link protocols and applications; surveillance technologies, such as ADS-B; navigation solutions like GNSS; and area navigation like RNAV. A by-product of this plan will be an infrastructure decommissioning road map, which will identify elements of infrastructure that are no longer required and that airlines will no longer fund.

AIRPORT EFFICIENCY IS BEING UPGRADED

Capital expenditures for airport projects totaled US$24.5 billion in 2003 and US$31.1 billion in 2004. A further US$475 billion to US$500 billion will be spent worldwide to expand and upgrade airport facilities over the next 12 to 15 years.

The IATA Airport Consultative Committee (ACC) process is effective in ensuring that new airport facilities are efficient, capacity balanced, cost-effective, functional and in line with the needs of users. In 2004, more than 20 ACCs were active, mainly in Europe and in the Asia-Pacific region.

HIGHLIGHTS IN ASIA

Significant pressure has been applied on the Thai government to establish a realistic schedule for completing the new Bangkok International Airport. IATA also has raised concerns about the new airport's passenger security screening, insufficient airline office space, need to revise its A380 gate layout and requirement to establish a CUSS working group and to install CUSS kiosks.

AIRPORTS IN EUROPE

IATA's efforts in Europe are focused on the five primary European hubs of Amsterdam, Paris-Charles de Gaulle, Frankfurt, London Heathrow and Madrid and on emerging secondary airports. The goal is to ensure that each airport can add capacity to satisfy growth in a sustainable and cost-effective manner.

AIRPORT DEVELOPMENT REFERENCE MANUAL IS REVISED

In January 2004, IATA published the ninth edition of its *Airport Development Reference Manual*. This manual contains a wealth of information on airport planning, including some material on runway capacity.

Cost Efficiency

Soaring fuel prices illustrate the need for the air transport industry's evolution to a low-cost industry. For the past three years, airlines have made significant inroads in slashing operational costs and improving efficiency. Our partners must do the same.

In 2004, IATA secured savings in excess of US$1.5 billion in airport and ATC charges. We cannot afford monopoly partners that do not pull their weight in cost-efficiency.

www.iata.org/whatwedo/user_charges1

SERVICE PROVIDERS' COST EFFICIENCY MUST IMPROVE

In 2004, IATA secured savings of more than US$1.5 billion in airport and ATC charges. Importantly, 72% of these savings were in the form of actual cost reductions. Major savings of over US$0.5 billion were achieved with the European air navigation service providers (ANSPs) and Eurocontrol. In airports, US$334 million were saved in charges (US$102 million in cost reductions; US$232 million in cost avoidance), including over US$80 million at Incheon, in Korea. Reductions in Canadian security fees, meanwhile, saved US$38.5 million in 2004.

A number of major cost-saving campaigns are continuing in 2005. In Canada, IATA remains hopeful of a federal government decision to significantly reduce Crown rents at major airports and continues to seek real reductions in costs and charges at the Toronto airport. In Europe, our priority targets for charge reductions include the major airports of Amsterdam, Brussels, Frankfurt, London and Paris.

In Asia, IATA has secured the deferral of a 15% increase in landing charges at Bangkok, Thailand, until the new Bangkok International Airport is opened. A significant reduction in landing charges at Narita airport, near Tokyo, Japan, is expected before the middle of 2005. IATA is also working closely with Hong Kong authorities on the proposed privatisation of the Hong Kong Airport Authority and with authorities in India on privatising airports and reducing air traffic control charges.

The cost-consciousness of many industry partners has improved. But the harsh truth is that most of the 2004 savings stemmed from increased traffic and from reasons other than significant and sustainable reductions in airport and ANSP cost bases.

IATA is working to establish cost-efficiency targets with airports and ANSPs that embrace continuous improvements that can be reflected in longer-term pricing arrangements. A landmark agreement in 2004 with AirServices Australia could serve as a model for arrangements with other industry partners. A five-year pricing agreement also addresses broader capacity and investment, operational, social and governmental issues.

A critical first step towards cost-efficiency targets is effective benchmarking. IATA is working closely with the Civil Air Navigation Services Organisation (CANSO) to set benchmarks and has also recently opened benchmarking discussions with Airports Council International. These are encouraging steps, with the industry moving towards industry best practices. But much remains to be done.

For this movement to be successful, participants must take ownership of the process and its results and focus on improving performance and cost-efficiency versus arguing about data and methodologies. The participants can then set clear, credible and agreed targets for safety, capacity, performance and cost-efficiency.

There is little doubt that the term "cost-efficiency" is becoming commonplace in the industry vocabulary. IATA's joint mission with airports and ANSPs, however, is to ensure that costs are driven down further, faster and across the board in 2005.

Product Profile - ATC and Airport Enhancement and Financing Services

Sound financing of ATC and airport investments are crucial to efficient operations. IATA's financial systems can help airports and ANSPs lower the cost and improve the efficiency of the invoicing and collection of user charges and to secure cost-effective financing for civil aviation infrastructure. By the end of 2004, 33 ANSPs and 29 airports had used enhancement and financing services to process US$303 million during the year. This money, collected through fees, was reinvested in infrastructure projects that contribute to improved safety and efficiency.

www.iata.org/ps/services/efservices

Fuel Efficiency

Fuel has never played such an important role in determining profitability within the air transport industry. In 2005, fuel will constitute 22% of airlines' operating costs. That means a total fuel bill of US$83 billion, up from US$61 billion in 2004 and US$44 billion in 2003.

The air transport industry cannot influence the commodity price of oil. But it can strengthen measures to reduce its fuel-related costs by reducing its consumption and by ensuring a reliable supply of jet fuel at competitive prices. Our fuel campaign along with route and infrastructure improvements netted US$1.3 billion in cost savings in 2004.

www.iata.org/whatwedo/fuelaction1

One of IATA's objectives is to ensure a reliable supply of jet fuel at competitive prices worldwide. By increasing market access and competition; lowering duties, fees and taxes; and reducing technical issues related to jet fuel handling, IATA generated in excess of US$330 million in benefits for airlines in 2004.

IATA's 2004 achievements in this regard include its successful challenge to EU attempts to increase reserve requirements, the elimination of a US$0.25 per gallon tax in the Philippines, increased market competition in India and reductions in incidents of microbiological contamination at a number of major airport fuel facilities. Work to date in these areas during 2005 indicates that we will surpass our 2004 achievements in the year ahead.

The best way to reduce fuel costs is to lower consumption requirements. IATA is helping the industry achieve this by working with governments to open new routes, to optimise existing routes and to improve airport and ground traffic flows.

Optimising fuel efficiency is only part of the strategy. It is essential that the most fuel-efficient route also be the most cost-effective. IATA user charges experts are working to ensure that air navigation service charges do not compromise the industry's fuel-saving efforts.

In addition, IATA is leading industry efforts to formulate electronic standards, to automate manual practices and to further remove paper from the business. IATA has also strengthened its relationships with leading fuel management system providers to make cost-saving technology more affordable, effective and easier to deploy by member airlines.

SAVE ONE MINUTE CAMPAIGN GETS UNDERWAY

There are an estimated 40 million globally scheduled air transport operations each year. Averaging 97 minutes each, and at US$100 per minute, the total operating costs approach US$400 billion annually. Saving just one minute, or about 1%, of every flight could bring the industry yearly savings of US$4 billion.

In September 2004, IATA launched the Save One Minute campaign. It is aimed at encouraging air navigation service providers to amend their operating practices and to change their route and terminal area designs and at raising awareness among air traffic service personnel about the value of reducing time in the air.

IATA is realistically targeting savings of US$1 billion a year through this campaign. To attain that goal, it is actively engaging all 188 ANSPs worldwide to participate. Training and awareness material has also been distributed, free, to all ANSPs. The Save One Minute campaign also challenges ANSPs to establish a "fuel champion" position, and many service providers have responded positively to IATA's initiative.

FUEL EFFICIENCY RESULTS IN SIGNIFICANT SAVINGS

Each 1% improvement in fuel efficiency generates US$800 million in cost savings and reduces emissions. In August 2004, IATA began compiling material for an industry best practices book called the *Fuel Book*. The publication, which was completed in November 2004, assembles information for IATA members on actions that can be taken internally to reduce fuel consumption. Specifically, it looks at all aspects of airline operations, from pilot practices to maintenance and dispatch techniques, and offers pragmatic suggestions from experts for lowering fuel consumption.

The *Fuel Book* has been widely distributed to all IATA member airlines and to other air transport industry stakeholders. IATA is supporting the book with training courses delivered worldwide.

Industry Services

Efforts to streamline and adapt the traditional business model continue to head the industry's agenda. Acting on opportunities to re-engineer industry processes that deliver more value to customers while cutting costs is a key to our evolution to a low-cost industry. IATA products and services strive to help carriers achieve this goal.

www.iata.org/whatwedo/passenger
www.iata.org/whatwedo/cargo

PASSENGER SERVICES ARE BEING IMPROVED

Considerable headway was made in 2004 in response to the industry mandate to achieve 100% electronic ticketing by 2007 year-end. This included a decision to freeze any further development of paper ticketing standards that involve substantial programming and cost. Additionally, the adoption of new resolutions for airline and neutral electronic miscellaneous charges orders (MCOs), together with new data elements and procedures, will facilitate e-ticketing for staff travel. New ticketing procedures and data elements to automate the reissue and exchange of tickets have also been established, eliminating the need for agents to undertake manual calculations for rerouting passengers.

Distribution streamlining

IATA, meanwhile, has made significant progress in streamlining accreditation criteria for agents in Europe. A new pan-European accreditation system has been developed to simplify the business and to satisfy the needs of large multinational agents. It has been agreed to by the agents' associations and endorsed by the European Commission.

Ground handling clause: cost recovery for damages

The IATA Ground Handling Council has developed a cargo liability clause for the standard ground handling agreement that will allow airlines to recover costs for damage.

Schedule analysis tool is introduced

The Schedule Reference Service (SRS) Analyzer, an airline schedule analysis tool, was introduced at the 115th IATA Schedule Conference, in Boston.

This tool provides airlines and airline industry specialists immediate online access to information essential to the activities of network planning and route development.

Product Profile - CargoIS

CargoIS offers business intelligence on a lane-by-lane, or route-by-route, basis for air freight originating from 38 countries. Derived from information contained on air waybills settled through Cargo Account Settlement Systems (CASS) worldwide, CargoIS provides accurate and reliable market information on tonnage, revenue and shipment numbers to allow for better route planning and for performance benchmarking. With many new CASS offices scheduled to start operations in 2005, CargoIS will offer improved coverage and more market intelligence than ever.

www.iata.org/ps/services/cargois1

CARGO IS EXPERIENCING DRAMATIC ALTERATION

Cargo distribution

A major change to the European Air Cargo Programme, launched in May 2004, is the culmination of three years' industry dialogue and intensive development and establishes a new relationship between airlines and their air freight forwarder partners. The change fosters greater co-operation to facilitate mutual business accomplishment. Cargo Accounts Settlement Systems (CASS), industry credit monitoring and a new intermediary agreement are the foundations for the revised programme's success.

Since the programme's launch, record numbers of new intermediaries (cargo agents) have applied for programme recognition. In addition, hundreds of existing freight forwarder branch locations have become full participants.

In parallel, IATA's regional cargo agency programmes have been enhanced. The process has introduced various changes to ensure relevance and benefit to the air freight community.

Unit Load Devices

In 2004, the Unit Load Devices (ULDs) Technical Panel, in conjunction with the Society of Automotive Engineers (SAE) and the International Standards Organisation (ISO), drafted a Technical Standards Order for the US FAA. That order laid out the standard specifications for the manufacture and certification of cargo restraint straps. It was accompanied by proposals for physical and environmental impact tests as part of an initiative to correct cargo safety deficiencies.

The ULD Allowable Damage Standards that are being developed will complement the order. Together, these specifications will directly impact the serviceability and airworthiness of ULDs. The order calls for the visible demarcation of ULD airworthiness on the unit itself. This, in turn, will increase user awareness and simplify the damage inspection of ULDs and facilitate the determination of "Go-No-Go" status.

IATA SETTLEMENT SYSTEMS (ISS) FACTS AND FIGURES FOR 2004

BSPs and CASSs operate on a cost-recovery basis. In 2004, a US$5 million credit was issued to member airlines because of a positive difference between actual costs and budgeted costs.

Also in 2004, new BSPs were established in Abu Dhabi, Israel and Yemen. And CASS operations began in Egypt and Saudi Arabia. A substantial number of new BSP and CASS operations are under review, with several scheduled for implementation in the second half of 2005 or in early 2006.

Billing and Settlement Plans

- By year-end, there were 71 BSPs for 390 airline and non-airline participants covering 150 countries and territories.
- Gross sales totalled US$158.4 billion, up 20% over 2003.
- Including e-tickets, 339.9 million standard tickets were used, an increase of 9.8% over 2003.
- E-ticketing was made available through 59 BSPs in 91 countries.

Cargo Accounts Settlement Systems

- 34 CASS offices served 253 airlines in 41 countries, including the United States.
- CASS processed 14.8 million transactions, up 5% over 2003.
- CASS settled US$16.3 billion in transactions, an increase of 23.8% on 2003.

Supply-chain management

- The industry produced 670 million pre-printed standard traffic documents (STDs).
- It also controlled 830 million serial numbers, covering pre-printed STDs and computer-generated numbers for automated and electronic tickets.
- A full 210,000 STD orders were distributed to 60,000 travel agents.

ISS TRANSFORMATION PHASE 2 (T2)

In December 2003, the IATA Board of Governors approved a five-year project under the guidance of the IATA Settlement Systems Advisory Committee (ISSAC) for phase 2 of the ISS restructuring. The aim is to build a new BSP business model, supported by streamlined business processes and new technology. Known in IATA as T2, the project started in early 2004 with a focus on BSP operations in Europe.

Project proposals are being finalised for the re-engineering of customer services with a new agency accreditation system (AGENTlink); for the creation of a financial system (TREASURYlink) to manage hinge account and airline money more effectively; for the provision of a system to manage the supply of tickets and ticket numbers (SUPPLYlink); and for the building of a new general accounting system to better support global field operations.

As a result, IATA is ready to start developing the information technology infrastructure to support the new BSP business model. The project team has been restructured to ensure that the project management skills necessary to drive T2 forward on a global basis are available.

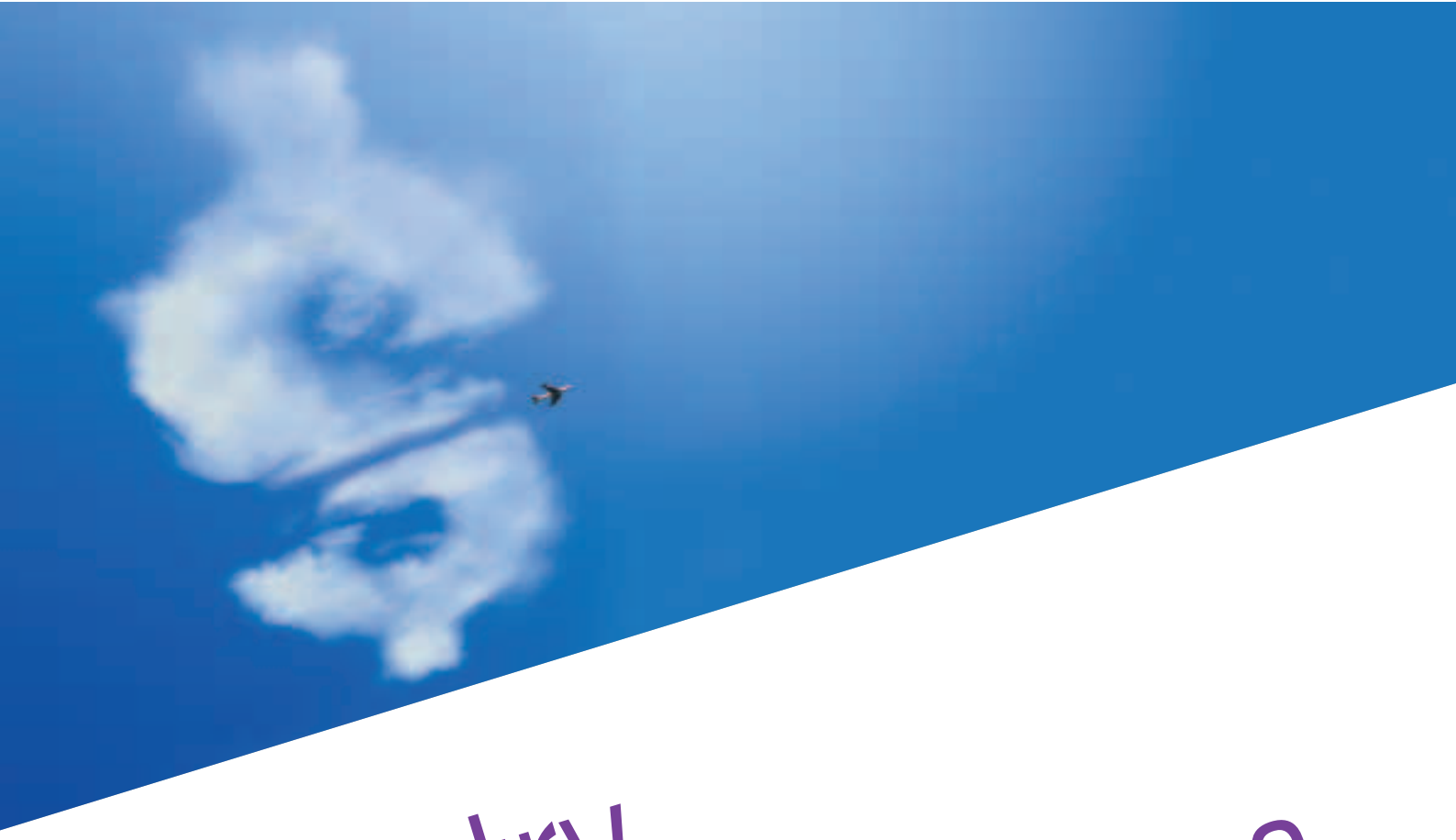
IATAN IS FOCUSING ON INTERNET PRODUCTS

International Airlines Travel Agent Network (IATAN) activities, which were formerly managed as a separate subsidiary, were integrated into IATA's mainline operations effective 31 December 2004. IATAN is an integral department of IATA Industry Distribution & Financial Services and offers a wide range of programmes and services to airlines, travel agents and other travel and tourism suppliers in the United States.

Recently, IATAN has focused on the development of Internet-based products that provide information to travel agents, industry suppliers and consumers.

LocateATravelAgent.com is a valuable tool for the consumer to find a nearby IATAN-endorsed travel agency.

CheckACode.com, which allows industry suppliers to easily check the status of and location of Agency ID cards worldwide, has likewise evolved into a frequently used and valuable tool.



Industry Financial Services

Efficient back-office technologies are the lifeblood of interlining finance. Including industry and financial services settlement, clearing house, currency clearance and credit card services, US$225 billion flowed through IATA systems in 2004. Enabling airlines to easily access systems and to freely repatriate overseas sales funds remain priorities.

www.iata.org/whatwedo/finance

IATA CLEARING HOUSE TRANSACTIONS INCREASE

The value of claims cleared through the IATA Clearing House (ICH) by its 323 airline and 33 industry supplier members rose 1.5% in 2004, to US$34.7 billion. The offset ratio increased slightly, to 79.3%.

In 2004, the IATA Financial Committee endorsed the use of the ICH Web interface as the primary method of access to the ICH for airline claimants. This facilitates a move towards a paperless processing environment, reducing costs and increasing speed and efficiency. More than 150 airlines have converted to the Web interface. The target is to have completed the migration by the end of 2005.

FIRST & FINAL BILLING SERVICE GROWS IN POPULARITY

IATA's First & Final Billing Service, launched in September 2003, ended 2004 with 14 customer airlines that account for around 50% of the industry's interline volume. The service's methodology, which is fast becoming the industry standard, expedites the interline settlement period and improves cash flow management, financial control and management reporting.

IATA CURRENCY CLEARANCE SERVICE EXPANDS

With the addition of 29 members by year-end 2004, IATA Currency Clearance Service (ICCS) membership had reached 104 members, and its area of operation had expanded to 67 countries. ICCS assisted airline treasuries in collecting and repatriating a record US$15.6 billion in foreign sales in 2004, a 29% increase over 2003.

ICCS's General Sales Agencies (GSA) sales collection facility also expanded in 2004, to cover 5 more countries. The service handled its first credit card sales settlements during the year and is aiming to expand further in this vital clearance area.

IATA CURRENCY COORDINATION IMPROVES FLOW OF FUNDS

By leading and coordinating industry lobbying efforts to improve airlines' ability to freely repatriate overseas sales funds, the total amount of blocked or delayed funds decreased to US$188 million at year-end 2004. A major success took place in Egypt, where sufficient foreign exchange made available by the commercial banks resulted in airlines clearing all backlogs and freely repatriating their funds. In other countries, however, such as Algeria, Ghana, Pakistan and Venezuela, delays due to local regulations increased the amount of funds sitting idle at the end of 2004.

Product Profile - Partnership Programme

The Partnership Programme is widely acknowledged as the vehicle through which air transport industry suppliers and service providers interact with IATA and its member airlines in the development of industry solutions. The number of partners continues to grow, increasing 20% in 2004. During 2005, the programme will evolve to reflect the changes taking place in the industry and the new initiatives that IATA is leading.

www.iata.org/sp/index

IATA CARD SERVICES ARE CENTRAL TO AIRLINES' CREDIT CARD SETTLEMENT

IATA CardClear global card processing and CardAXS credit card settlement offer the efficiency to airlines of central settlement for global credit card sales. Worldwide, credit card sales account for 30%, or US$40 billion, of airline sales through IATA agents.

IATA TRAVEL AGENT SERVICE FEE OFFERS EXPEDIENT SETTLEMENT SOLUTION

IATA's Travel Agent Service Fee (TASF) responds to increasing demands within IATA's agent community for a simple and efficient mechanism to receive settlement for service fees paid by credit card.

During 2004, four million service fee transactions were processed. Originally launched in Canada, TASF has since been expanded into Spain, Germany, Austria, Belgium, Luxembourg, the Netherlands and Switzerland. So far in 2005, at least 10 countries have been added to the list.

IATA INVOICEWORKS IS POISED FOR SUBSTANTIAL SAVINGS

IATA InvoiceWorks is an electronic invoicing and process management service designed to help airlines eliminate paper invoices and associated costly and inefficient manual, paper-based processes.

Airlines spend millions of dollars on staff and back-office systems each year to receive, handle, account, audit and otherwise process paper invoices for the goods and services purchased at their head offices and across their sales office networks.

Independent surveys indicate airlines and suppliers stand to save 50% to 75% by utilising IATA InvoiceWorks. By the end of 2004, 215 airlines and 3,500 industry suppliers were linked to the service. Another 68,000 suppliers had registered with the service by year-end.

MARKET RESEARCH AND CONSULTANCY

IATA uses its extensive experience in the aviation and travel industries to offer a full range of services. The programme provides key data for passenger satisfaction benchmarking to member airlines to either concentrate new product development investments where they have the highest impact or to monitor new products rolled out by competitors.

A customer satisfaction benchmarking survey analyses the experiences of international and domestic travellers. The strength of this survey led 21 airports to join the AETRA programme (formerly IATA Global Airport Monitor) in 2004, for a total of 53, to help them improve their passengers' travel experiences. A main benefit of the AETRA programme is its use as a strategic management tool that ultimately helps airports reduce costs and improve services.

Consultancy services through IATA provide airports, airlines and civil aviation authorities with assistance on a wide variety of subjects. This contributes to increased efficiency, optimised growth and lower costs.

In 2004, IATA Airport and Inflight Services worked with an international carrier to develop a new inflight management manual. IATA Airport and Inflight Services also helped another international carrier to refine its passenger-handling business unit at its home base. This included the complete revision of the business unit's management structure to reflect business requirements and a review of procedures and processes to enhance productivity, improve customer service and reduce costs.

IATA'S EXPERTISE INCLUDES

Airports and civil aviation

- Strategic business planning
- Traffic forecasting
- Air service development (increase airport traffic by attracting new airlines or by adding services from existing airlines)
- Airport development and planning
- Privatisation

Airlines

- Revenue assessment
- Commercial assessment and benchmarking
- In-flight services and ground handling

By working in partnership with airports on their expansion projects, IATA ensures that unnecessary costs do not get passed onto airlines. IATA also contributes to airport planning with a phased approach that ensures that projects are implemented efficiently and, therefore, at a 5% to 10% reduction in cost.

Training and Publications

In the most challenging of times it is the vision, knowledge and leadership of an industry's people that drive that industry's success.

People continue to be the air transport industry's most important resource. Their contributions are needed now more than at any other time in IATA's 60-year history. In support of this imperative, IATA trained more than 28,000 airline staff and published more than 150 technical publications in 2004.

www.iata.org/ps/training/index
www.iata.org/ps/publications/index

In 2004, IATA's Airline Training and Development Institute offered 333 courses to 5,541 students. Including the number of people who passed through its Distance Learning Programme, the institute trained 27,216 aviation workers during the year. The institute's courses cover more than 230 topics on airline safety, airport security, quality management, dangerous goods regulations and other areas.

More than 60 training courses were held in Latin America, the Middle East and Africa in 2004, involving more than 1,000 participants. In 2005, IATA's Training and Development Institute will work in conjunction with AACO to provide management and safety courses in Amman. In Africa, 14 workshops have been conducted on the 2005 fare construction rules, and additional courses are already scheduled, mainly aimed at safety.

SAFETY TRAINING IS CRUCIAL

A lack of training was cited as a contributing factor in 31% of the air traffic accidents during 2004. IATA has developed training tools and courses that it makes available to meet the safety demands of airlines, airports, regulators and cargo operators. Several Threat and Error Management (TEM) courses delivered worldwide have also extended IATA's impact and knowledge. In 2004, ATDI devised a new accreditation process for its Diploma Programme in Safety Management.

AVIATION ENGLISH SOLUTION ENHANCES SAFETY

IATA offers the Aviation English Solution, which provides the three services of assessment, training and testing, through its partnership with Berlitz. The objective is to assist the industry in its drive to improve safety by reducing the number of language-related incidents. The Aviation English Solution is structured to help pilots and air traffic controllers meet the ICAO English-language standards that are required by March 2008.

INTERNATIONAL AIRLINES TRAINING FUND

Since 1984, the International Airlines Training Fund (IATF) has provided training opportunities to more than 5,000 airline staff in developing countries. This is thanks to IATA member contributions and to donations from industry partners. In 2004, the IATF beat its target of 1,000 trainees by sponsoring training for 1,248 students, an increase of 58% over 2003. Additionally, the IATF, with the support of IATA, conducted the second in a series of regional training needs surveys of eastern European airlines.

TECHNICAL PUBLICATIONS: INDUSTRY STANDARDS

Airport Handling Manual

The IATA *Airport Handling Manual (AHM)* serves as a field reference. The publication covers recommended industry standards and procedures: air-side safety; load control; baggage, cargo and mail handling; aircraft movement control; aircraft loading; and departure control systems. It also includes functional requirements for ground support equipment, an extensive listing of aircraft doors and ground servicing points by aircraft type and the 2004 IATA Standard Ground Handling Agreement.

Live Animals Regulations

Developed jointly by airlines, IATA's *Live Animals Regulations (LAR)* support IATA's long-term commitment to civil aviation safety requirements. They also consider animal welfare, scientific progress and the needs of the commercial trade community. They are enforced by the European Union and the United States Fish and Wildlife Services and are recognised by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and by the World Organisation for Animal Health (OIE). The regulations are updated yearly and are published in English, French and Spanish.

ULD Technical Manual

Published for airlines, handling companies, freight forwarders and industry suppliers, the *ULD Technical Manual* outlines all industry Unit Load Device standard specifications, with easy-to-understand illustrations, and provides equipment handling guidelines and best practices. The manual has a helpful ISO/SAE/IATA standards correspondence table with cross references to national and international certification standards. It also includes up-to-date lists of ULD and related equipment manufacturers, specialised service providers and leasing companies that are IATA-registered suppliers.

IATA Worldwide

Airlines face a rapidly changing world, they must cooperate in order to offer a seamless service of the highest possible standard to passengers and cargo shippers. Much of that cooperation is expressed through IATA, whose mission is to "represent, lead and serve the airline industry".

IATA's global reach extends to 150 nations through our 101 offices in 79 countries. IATA has restructured these offices to respond better to industry challenges and serve member carriers.

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as at 30 April 2005

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Aer Lingus
Aero Asia
Aero California
Aero Zambia
Aeroflot
Aerolíneas Argentinas
Aeromexico
Aeromexpress
Aeropostal Alas de Venezuela
Aerosvit Airlines
Afriqiyah Airways
Air Algérie
Air Astana
Air Austral
Air Baltic
Air Berlin
Air Bosna
Air Botswana
Air Canada
Air China
Air Contractors (UK)
Air Europa
Air France
Air Gabon
Air Guinea
Air Jamaica
Air Koryo
Air Luxor
Air Macau
Air Madagascar
Air Malawi
Air Malta
Air Marshall Islands
Air Mauritius
Air Moldova
Air Namibia
Air New Zealand
Air Niugini
Air Nostrum
Air Pacific
Air Sahara
Air Sénégal International
Air Seychelles
Air Tahiti Nui
Air Tanzania
Air Ukraine
Air Vanuatu
Air Zimbabwe
Aircalin
Air - India
Alaska Airlines
Albanian Airlines
Alitalia
All Nippon Airways
Aloha Airlines
Alpi Eagles
America West Airlines
American Airlines
Angola Airlines
Ariana Afghan Airlines
Arkia Israeli Airlines
Armavia
Armenian International Airways
Asiana
Atlas Air
Atlasjet International Airways
Austrian
AVIANCA
AVIATECA
Azerbaijan Airlines
Bangkok Airways
Belavia - Belarusian Airlines
Bellview Airlines
Biman - Biman Bangladesh
Binter Canarias
Blue Panorama
Blue1
bmi
British Airways
BWIA West Indies Airways
C.A.L. Cargo Airlines
Cameroon Airlines
Cargojet Airways
Cargolux
Carpatair
Cathay Pacific
CCM Airlines
China Airlines
China Cargo Airlines
China Eastern Airlines
China Northwest Airlines
China Southern Airlines
China Yunnan Airlines
Cirrus Airlines
CityJet
Comair
Continental Airlines
Continental Micronesia
COPA Airlines
Corsair
Croatia Airlines
Cubana
Cyprus Airways
Czech Airlines
dba Luftfahrtgesellschaft
Delta Air Lines
Denim Air
DHL Air Ltd.
DHL International E.C.
Dragonair
Egyptair
El Al
Emirates
Estonian Air
Ethiopian Airlines
Etihad Airways
European Air Express EAE
European Air Transport
Eurowings
EVA Air
Falcon Air
Federal Express
Finnair
flybe.British European
Garuda
GB Airways
Ghana Airways
Gulf Air
Hahn Air
Hainan Airlines
Hapag Lloyd
Helios Airways
Hellas Jet
Hemus Air
IBERIA
Icelandair
Indian Airlines
Interair - Inter Air
Iran Air
Iran Aseman Airlines
Iraqi Airways
Israir
JALways
Japan Airlines

Jat Airways
Jet Airways
Kenya Airways
Kish Air
Kitty Hawk
KLM
Korean Air
Kuwait Airways
LAB
LACSA
Laker Airways (Bahamas)
LAM
Lan Airlines
Lan Chile Cargo
Lan Perú
Lan Ecuador
Lauda Air
Lauda Air S.p.A.
Libyan Arab Airlines
Líneas Aéreas Azteca
Lithuanian Airlines
LOT Polish Airlines
LTU
Lufthansa
Lufthansa Cargo
Luxair
Maersk Air
Mahan Air
Malaysia Airlines
MALEV
Malmö Aviation
MAT - Macedonian Airlines
MEA - Middle East Airlines
Meridiana
Mexicana
MIAT - Mongolian
Montenegro Airlines
Nationwide Airlines
Nippon Cargo Airlines
Northwest Airlines
Olympic Airlines
Oman Air
PAL - Philippine Airlines
Palestinian Airlines
PGA - Portugália Airlines
Phuket Air
PIA - Pakistan Intl. Airlines
PLUNA
Polynesian Airlines
Pulkovo Aviation Enterprise
Qantas
Qatar Airways
Regional Air
Royal Air Maroc
Royal Brunei
Royal Jordanian
Royal Swazi
Rwandair Express
SA Airlink
SAA - South African Airways
Samara Airlines
SAS - Scandinavian Airlines System
SAS Braathens
Saudi Arabian Airlines
Shandong Airlines
Shanghai Airlines
Singapore Airlines
Singapore Airlines Cargo
Siberia Airlines
Sierra National Airlines
Silkair
Skyways
SN Brussels Airlines
Solomon Airlines
Spanair
SriLankan
Sudan Airways
Surinam Airways
SWISS
Syrianair
TMA Trans Mediterranean Airways
TACA
TAL
TAM
TAM Linhas Aéreas
TAP Portugal
TAROM S.A.
Thai Airways
THY - Turkish Air Lines
TNT Airways
Transaero
TransAsia Airways
Tunis Air
Turkmenistan Airlines
Ukraine International Airlines
United Airlines
UPS Airlines
US Airways
VARIG
Varig Log
VASP
Virgin Atlantic
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