



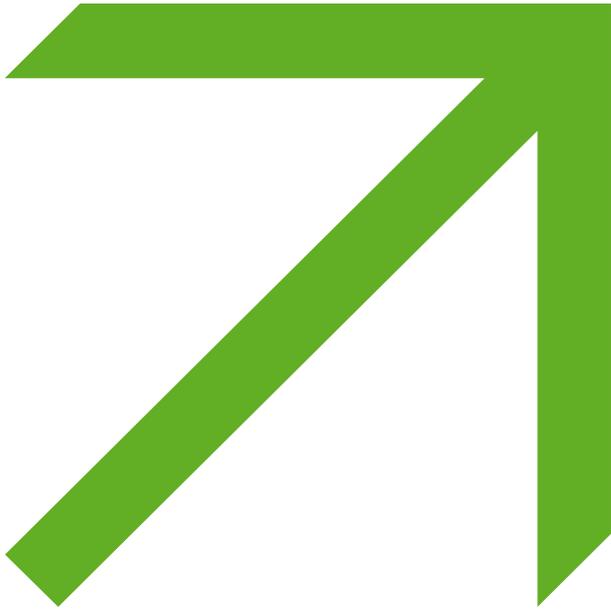
INTERNATIONAL AIR TRANSPORT ASSOCIATION



ANNUAL REPORT 2007



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Giovanni Bisignani
Director General & CEO

International Air Transport Association
Annual Report 2007
63rd Annual General Meeting
Vancouver, June 2007

 Promoting sustainable forest management.

This paper is certified by FSC (Forest Stewardship Council) and PEFC (Programme for the endorsement of Forest Certification schemes).

IATA has become
more relevant to
its members;
and is a strong
and respected
voice on behalf
of our industry.

But while airline
fortunes may have
improved, many
challenges remain.

IATA Board of Governors

as at 1 May 2007

Khalid Abdullah Almolhem
SAUDI ARABIAN AIRLINES

Gerard Arpey
AMERICAN AIRLINES

David Bronczek
FEDEX EXPRESS

Philip Chen
CATHAY PACIFIC

Chew Choon Seng – Chairman
SINGAPORE AIRLINES

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Samer A. Majali
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Valery M. Okulov
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TAP PORTUGAL

Toshiyuki Shinmachi
JAPAN AIRLINES

Jean-Cyril Spinetta
AIR FRANCE

Douglas Steenland
NORTHWEST AIRLINES

Vasudevan Thulasidas
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Glenn F. Tilton
UNITED AIRLINES

Leo M. van Wijk
KLM ROYAL DUTCH AIRLINES

Girma Wake
ETHIOPIAN AIRLINES

Willie Walsh
BRITISH AIRWAYS



Chew Choon Seng
Chairman of the
IATA Board of
Governors



**The biggest leadership
challenge is environment.**

After six challenging years and US\$42 billion in losses, airlines came within US\$500 million of breaking even in 2006. And we expect a profit in 2007 in the range of 1% of total revenues.

The industry is still a long way from sustainable profitability. But efficiency efforts are clearly paying off, with airlines able to deliver a profit even when oil remains in the US\$60 to US\$70 per barrel of Brent price range.

Strong economies saw international passenger demand grow 5.9%. Airlines took delivery of 920 new aircraft to meet this demand, but the total capacity increase was limited to 5%. Consequently, average load factors reached a record 76% for the full year, and average yields increased 1%—after seven years of steady decline.

International cargo growth, at 4.6%, was below the historical trend of 5 to 6%. Price sensitivity combined with shorter sea freight shipping times affected airfreight demand. This weakening is a significant change from previous years, when cargo markets were more robust than passenger markets.

Developments in four areas in 2006 should be highlighted:

Safety and security are the top priorities.

Our safest year ever was 2006. Globally, there was one accident for every 1.5 million flights—a 14% improvement over 2005. IATA members, benefiting from our six-point safety plan, did notably better—one accident for every 2 million flights. A further improvement of 25% is targeted by 2008.

The IATA Operational Safety Audit (IOSA) was made a condition of IATA membership at the 2006 AGM, defining IATA as a quality association. Over 150 airlines are on the IOSA registry. 97.5% of IATA members committed to undergo an audit by end-2007.

In contrast, security remains an uncoordinated and costly mess. The industry is more secure than in 2001. But our passengers are being hassled. A different approach is needed. The foiled London terror plot in August 2006 resulted in harmonised measures for liquids and gels that are a step in the right direction. But the list of measures still needing harmonisation is far too long.

IATA's Simplifying the Business programme is on target to deliver US\$6.5 billion in cost savings while making shipping and travel more convenient.

By the end of 2006, 74% of tickets issued in the IATA settlement system were e-tickets. This figure grew to 79% by March 2007 and the target of 100% e-ticketing by the end of 2007 is both firm and achievable. Additionally, 45 airlines are capable of issuing IATA-standard bar-coded boarding passes (BCBP) and 57 airports are operating common-use self-service (CUSS) kiosks. And the business case for radio frequency identification (RFID) applications in aviation is strengthening. It is clear that the travel experience is changing.

Moreover, IATA e-freight took shape in 2006. Pilot projects are running in five key locations to bring the benefits of paper-free processes to the cargo world.

IATA's drive for cost-efficient infrastructure saved over US\$1.9 billion in 2006.

But the positive impact of this was undone by cost increases totalling US\$2.6 billion. Of those increases, almost US\$2 billion came from airports alone. Europe recognised the need for regulation to avoid abuse of monopoly positions in a draft directive on airport charges. And we continue to work closely with the authorities to incorporate cost-efficiency targets to make the directive effective.

The biggest leadership challenge for our industry is the environment.

Airlines are responding with action. In 2006, the IATA fuel campaign yielded up to 15 million tonnes of CO₂ savings with shorter routes, more-efficient operations, and best practices in fuel management. The Intergovernmental Panel on Climate Change (IPCC) agrees with this course of action, citing technology and efficiency as the cornerstones to further improving air transport's environmental performance.

Aviation's environmental track record is strong. Fuel efficiency has improved 70% in the last four decades, limiting airline carbon emissions to 2% of the global total. Going forward, the billions of dollars being invested by airlines in new aircraft will improve the fuel efficiency of the global fleet 25% by 2020.

To tell the industry's story more effectively, IATA has launched, with the Air Transport Action Group, a communications campaign to help debunk the myths and highlight airlines' many positive actions.

But that is not enough. The debate on climate change is at the top of the political agenda. Like all industries, air transport is being challenged to reduce its environmental footprint.

We can only meet this challenge if governments are on board, replacing rhetoric with results. Our politicians think green and see cash. Instead of action to improve the environment, we get taxes that fill government coffers and distract people from the real issues. This must stop. Top of the agenda is for governments to find the political will to deliver 12 million tonnes of CO₂ savings with a Single European Sky. And that is only the beginning of a long list for government action.

I am confident of our future. Airlines can change quickly when leadership is committed. The results on safety and simplifying the business are the best examples. In 2007, we move from managing crises to building a future of profitable growth based on the core principles of safety, security, efficiency, and environmental responsibility.



Giovanni Bisignani
Director General & CEO



01

The State of the Industry

EFFICIENT GROWTH IN 2006

Productivity gains and prudent capacity management helped airlines more efficiently harness growing consumer demand in 2006. Over 2.1 billion passengers departed on scheduled journeys in 2006. However, following two years of strong demand, which grew on average almost 10% annually, growth in passenger numbers slowed, returning to its 20-year trend of 4% per annum in 2006.

International travel, driven by liberalisation and globalisation, remains the fastest-growing market. In 2006, international passenger kilometres increased around 6%, compared with less than 4% growth in domestic passenger kilometres. Some two-thirds of air passenger journeys were made in domestic markets in 2006. When measured in revenue passenger kilometres (RPK), however, international travel accounts for 60% of passenger operations and a similar percentage of airline revenues.

No-frills, point-to-point airlines boosted their share of seats within Europe to 30% in 2006. This is three times their share six years ago and matches their share of the US market. New entrants in deregulated Latin American and Asian markets have a smaller share but are expanding rapidly.

However, no-frills carriers represent just 12% of passenger kilometres on all services arriving and departing EU airports and a similar percentage globally. The network airlines remain responsible for the vast majority of air travel and industry revenues.

The total airline network continues to expand. In 2006, more than 500 airport pairs were added worldwide, a rise of 2.7% compared with a 1.9% increase in frequencies. Driving these developments are further market liberalisation and the availability of more fuel efficient and longer-range aircraft that are better able to serve thinner routes.

Growth of air passenger numbers

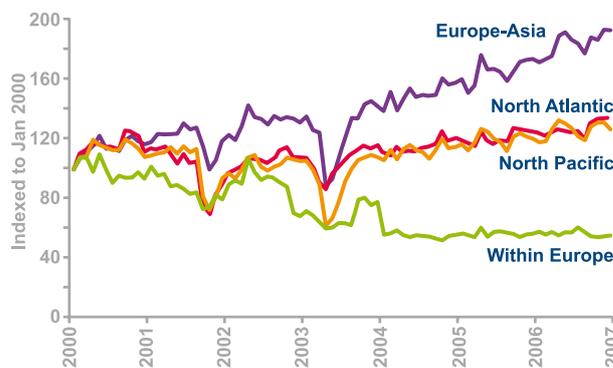


RAPID GROWTH IN KEY LONG-HAUL MARKETS FOR BUSINESS TRAVEL

The past six years have seen a 50% rise in the number of passengers travelling on economy tickets, whereas travel on premium tickets is at about the same level seen in 2000. In 2006, international premium traffic grew 4.3%, much less than the 7.4% growth in economy traffic. The disparity is due to a shift away from premium travel on mature intra-Europe markets disguising double-digit growth in emerging key business travel markets in Asia and the Middle East.

Premium travel within Europe continued to decline —0.2% in 2006— in the face of maturing markets and competition from high-speed rail and lower-cost air services. In sharp contrast, globalisation and liberalisation contributed to demand growth in premium traffic of 11% in Europe to Asia, of 10% in Europe to the Middle East, and of 17% in the Middle East to Asia premium travel markets. These markets were important not just for generating profitable business for network airlines during the year but also as channels for economic development.

Key premium traffic numbers

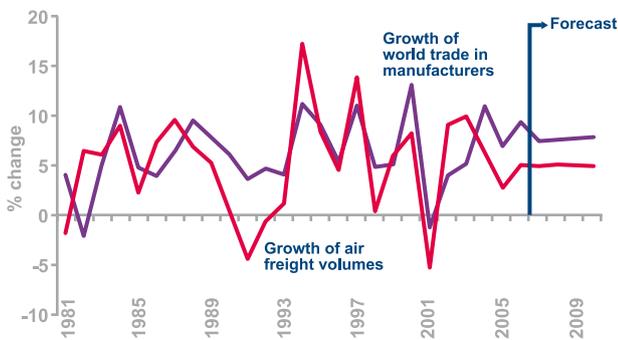


AIR FREIGHT UNDER COMPETITIVE PRESSURES

For the second consecutive year, air freight demand growth was disappointingly slow. It grew at a rate of 4.6% in 2006, following 3.2% in 2005. Integrators benefited from fast-growing express services, but combination carriers found the air freight business grew much less than world trade in manufactured goods. High fuel costs combined with faster and more-competitive sea container shipping options reduced the share of air freight in rapidly growing world trade flows.

Slower economic growth held back demand in the more-mature markets of the United States, Europe, and Japan. The fastest-growing markets for air freight are in Asia, except Japan, and continue to be driven not just by market liberalisation and the outsourcing of production. They also thrive on the region's vibrant economies, such as China's, which expanded in excess of 10% in 2006.

Growth of air freight volumes and world trade



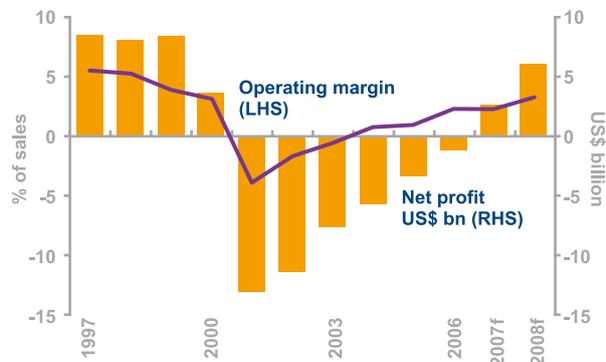
Source: WTO and IATA freight forecasts 2006–2010

PROFITABILITY GAINS

Airline profitability improved in 2006. Bankruptcy restructuring costs of almost US\$10 billion in the United States led to estimated global losses of US\$500 million at the post-tax, net profit level¹. But at 0.1% of revenue, that is pretty close to break-even. Moreover, at the operating level the industry generated US\$13 billion of profits. This was more than double the operating profits generated in 2005, though at just over 3% of revenues this is still very low.

Nearly all of the US\$42 billion in losses accumulated in the past six years have been generated in the US market. Airlines in most regions outside the US suffered net losses in 2001, following the events of 9/11, but have since seen modest profits. In 2006, the US industry returned to profitability, excluding the cost of bankruptcy restructuring. Network airlines in Europe also improved their bottom lines, largely due to their profitable long-haul services for business travellers. Fierce competition put pressure on profitability in Asia, where the largest absolute profit in the industry has been generated since 2000.

Global net profit and operating margin



¹Note: may differ from ICAO figures due to different method of accounting for restructuring costs.

REVENUE GROWTH SLOWING

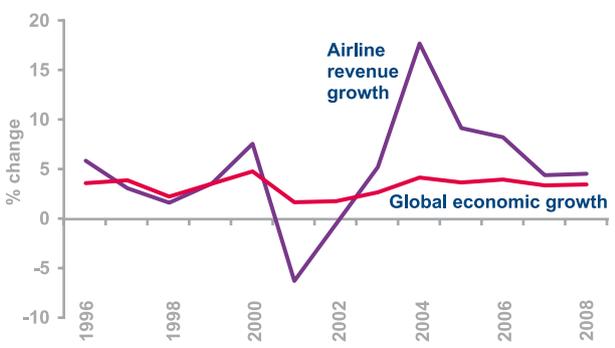
Along with efficiency gains, revenue growth also drove profitability and accounted for some of the regional differences in financial performance. Traffic volumes slowed in 2006, but revenue grew 8.7% as yields rose 3.7% and as load factors increased sharply. This reflected the buoyancy of economic growth and the careful control of capacity by airlines at a time when the deliveries of new aircraft were accelerating.

CAREFUL CAPACITY MANAGEMENT IMPROVES LOAD FACTORS

Deliveries in 2006 of 920 aircraft represented an increase of more than 5% to the global fleet but only a 5% increase in passenger seat capacity because airlines have been replacing many older, less fuel efficient aircraft with smaller planes. Since combined international and domestic passenger traffic grew over 5%, this careful capacity management boosted passenger load factors more than one percentage point, to 76%. Record aircraft orders in 2005 and 2006, totalling almost 4,000 aircraft, will see fleet capacity continue to expand. Over 5,000 aircraft are expected to enter service in the next 10 years.

Restructuring capacity in the United States as part of the Chapter 11 bankruptcy process led to a 2.5% capacity decrease in the US domestic market in 2006 and to a rise in load factors to 80%, up from 72% in 2000. This boosted unit revenues and was a key reason for the substantial improvement in the financial performance of US airlines. Some of this US capacity has been moved to international markets. Even so, capacity growth in international markets was restrained, allowing a 1% improvement in 2006 international load factors, to 76%.

Airline revenue and global economic growth



Passenger load factors on international and domestic markets worldwide

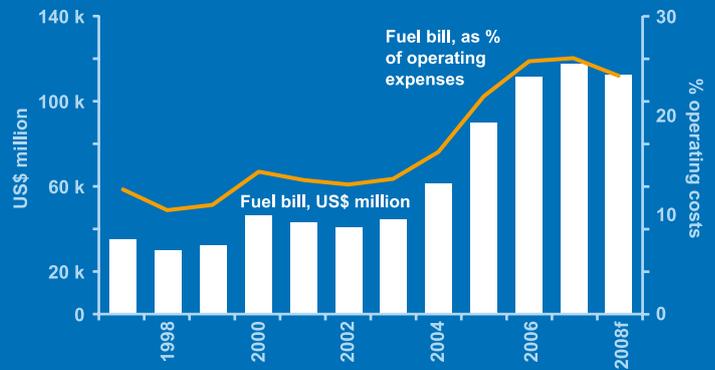


THE HIGH COST OF JET FUEL ABSORBS MUCH REVENUE GROWTH

The US\$10 rise in the average price of jet fuel, to US\$82 a barrel in 2006, added over US\$21 billion to the annual fuel bill, taking it above US\$111 billion, or 26% of operating costs.

Airlines responded to high fuel costs with substantial productivity gains in the use of fuel, aircraft, and staff. IATA's fuel campaign focuses on reducing fuel burn through operational and route improvements. Crew unit costs have been cut 30% by US network airlines and 20% in Europe since 2001. The application of e-commerce technologies has slashed distribution unit costs 30% in the past five years. Airlines continue to be increasingly efficient in their use of labour and aircraft, but the price of both has started to rise in real terms. This will make further reductions in non-fuel unit costs more challenging.

Airline fuel bill



BALANCE SHEETS REMAIN FRAGILE

Losses exceeding US\$42 billion over the past six years have resulted in a large rise in indebtedness, particularly for US airlines. Balance sheets remain vulnerable to the type of market shocks that have hit the industry in recent years. Globally, airline debt has risen to almost US\$200 billion, which is around three times the equity in the industry, a ratio almost double that in 2000. There is simply no cash to cushion the industry from possible future shocks.

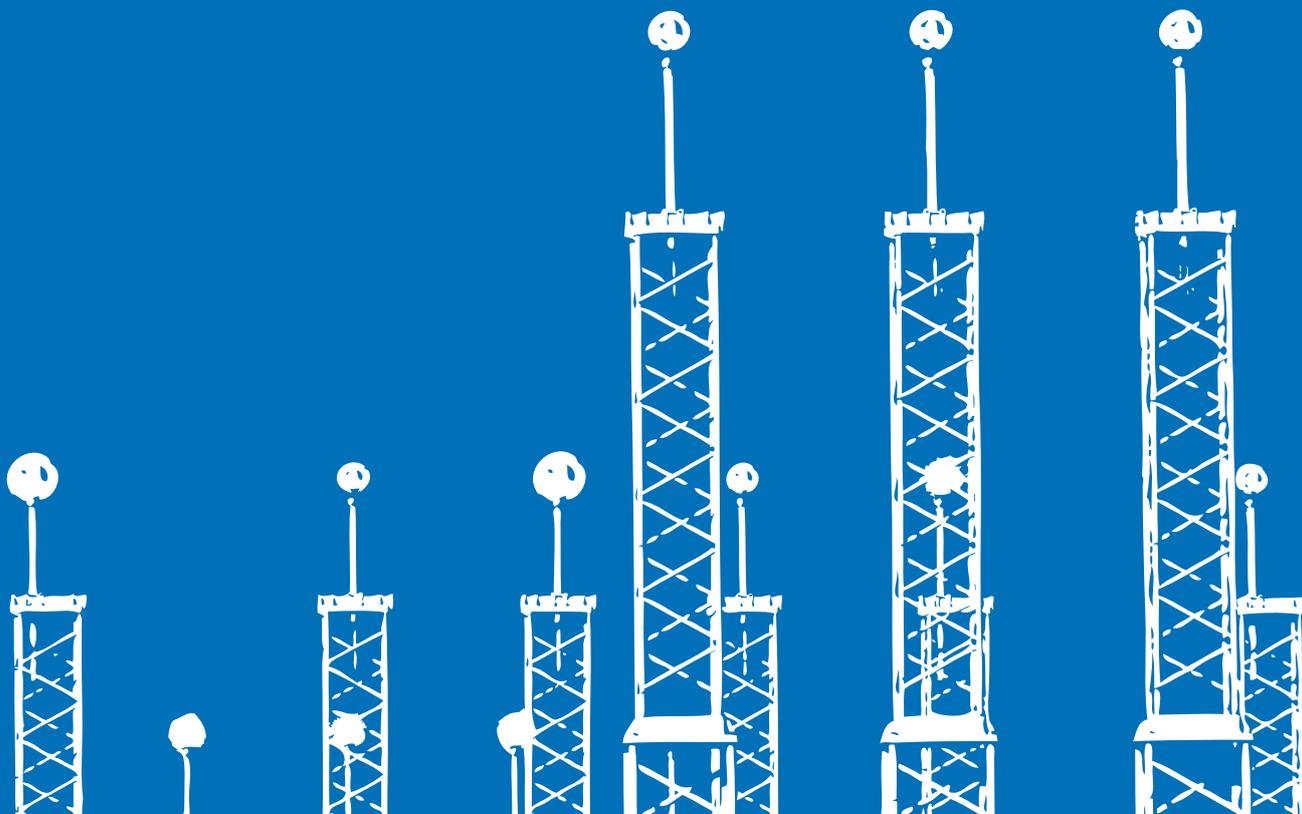
THE OUTLOOK IS POSITIVE BUT RISKS REMAIN

Airlines have benefited from the fact that the world's leading economies have not experienced a major recession in recent years. Although the economic cycle is overdue for a downturn, most forecasts predict a continuing benign economic environment over the next few years.

Leading economies have successfully weathered the sharp rise in energy prices without a substantial rise in inflation. So central banks are not expected to have to raise interest rates dramatically, which reduces one of the main risks of recession. However, other risks do remain.

The pressures to further improve profitability and cash flow will remain intense throughout 2007. IATA is nevertheless forecasting that this will be the first year since 2000 that the industry posts a net profit.

Returns on invested capital are still far below the 7% to 8% that investors expect. Airlines and their suppliers must continue to take costs out of their businesses. And regulators must make further progress towards full liberalisation to allow airlines to operate with the commercial freedoms other businesses take for granted.





02

Simplifying the Business

The IATA flagship Simplifying the Business (StB) programme improves efficiency, enhances passenger convenience, and is well on the way to saving the industry US\$6.5 billion annually.

The five technology-based projects are e-ticketing (ET); IATA e-freight; bar-coded boarding passes (BCBP); common-use self-service (CUSS) check-in; and radio frequency identification (RFID) for aviation.

The emphasis is on e-ticketing, where we aim for 100% implementation by year-end 2007. The 2006 target of 70% electronic ticketing was met in October 2006, and at year-end e-ticketing was at 74% in IATA billing and settlement plans (BSP). By the end of March 2007, 210 airlines were issuing e-tickets under IATA BSPs, representing 95% of volume in BSP. Altogether 72 airlines were issuing more than 90% of their BSP tickets as e-tickets.

E-TICKETING

BENEFITS:

IATA's 2006 Corporate Air Travel Survey found that 88% of passengers prefer electronic tickets to paper tickets. The reasons included passengers not needing to bring tickets when they check-in, receiving e-ticket confirmation by e-mail, and accessing e-tickets anywhere and at anytime. E-tickets also eliminate the potential for lost tickets. Beyond improving customer service and enabling other self-service passenger conveniences, 100% e-ticketing will save the industry at least US\$3 billion per year. And there is an environmental benefit: full e-ticketing will save some 50,000 mature trees annually —around five square kilometres of forest.

APPROACH:

During 2006, IATA deployed all 150 members of its StB team to help airlines implement ET. IATA has also launched a number of initiatives to speed the implementation of ET and Interline ET (IET) agreements. IATA's General Business Requirement Generator is a service that automates the lengthy process of mapping business requirements. Since its launch last year, more than 65 airlines and leading service providers have used the system. IATA has also facilitated requests for setting up IET agreements through its on-line IET Matchmaker service. As of April 2007, 146 airlines had used the system to request 3,500 agreements that resulted in 850 successful matches. For airlines needing additional support, IATA broadened the scope of its ET "Buddy" programme, which provides expert consultation free of charge, to include IET agreements.

IATA has worked closely with authorities in countries where legal stipulations barred the use of electronic ticketing. In February 2007, legal obstacles in Russia were removed. Airlines in all countries can now issue electronic tickets.

Beyond the year-end 2007 deadline for industry-wide e-ticketing, IATA is ensuring that all BSPs are able to offer both a virtual as well as a paper-based multi-purpose document (MPD). A MPD can be issued by travel agents for journeys not eligible for electronic ticketing. A passenger holding a MPD must exchange it for a paper ticket to be issued by the airline.

Although standards are in place for ticketing all types of journeys, some airlines and their system providers have been slow to programme standards for infant travel, irregular operations, blocked space code-share, and passive bookings. IATA is helping airlines overcome these obstacles with ongoing guidance from ET experts and with a series of six workshops held regionally in the first half of 2007.

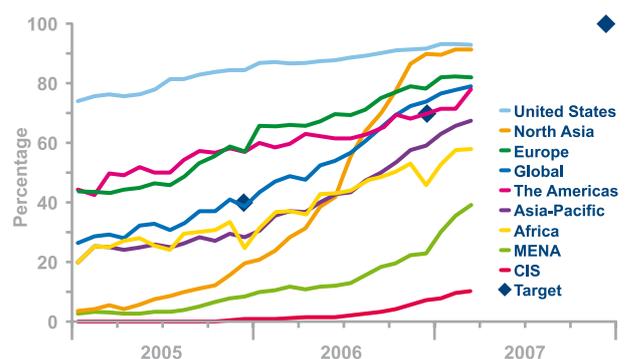
TARGET:

On 31 December 2007, IATA will stop distributing paper tickets through its BSPs.

STATUS:

ET penetration globally rose from 41% to 74% in IATA BSPs in 2006. As a result, 10 million fewer paper tickets are issued each month than in 2006. In March 2007, the ET penetration rate was 79% and 1,100 interline ET agreements had been established out of the 2,500 interline agreements airlines estimate they will complete by year-end. With the deadline for full ET implementation approaching, the biggest challenge is to convert interline agreements to interline ET agreements.

ET issued by airlines of each region



IATA E-FREIGHT

BENEFITS:

Air cargo is the heart of the global economy. A full 35% of the value of goods traded internationally is shipped by air. With revenues exceeding US\$55 billion, or 12% of overall industry income, air cargo is an integral part of an airline industry that is changing fast. Simplifying air cargo processes and freeing them of paper will improve service, cut shipment times 25%, improve the visibility of shipments, speed up processing through customs, and save an estimated US\$1.2 billion annually.

APPROACH:

IATA has laid a solid foundation for simplification with effective industry participation from the entire air cargo supply chain. Standards, processes, and documents have been developed, and IATA has signed up five locations that have the right business, technical, and legal environments to operate e-freight pilot projects: Canada, Hong Kong SAR, the United Kingdom, the Netherlands, and Singapore. In each location, the customs organisations and key cargo carriers (Air Canada, Cathay Pacific, British Airways, KLM, and Singapore Airlines, respectively) and freight forwarders have signed up to demonstrate the benefits and to develop standards for other countries to follow.

Currently, 70% of electronic data passed between freight forwarders and airlines is not accurate or is missing. IATA's Message Improvement Programme (MIP) is underway to improve the accuracy and reach of electronic data for the airwaybill and house manifest. IATA will coordinate efforts with Cargo 2000 to develop common industry processes and standards for e-freight and MIP.

IATA is also cultivating wider industry engagement by supporting e-freight initiatives in Korea, Chinese Taipei, Sweden, Mauritius, New Zealand, the United States, Switzerland, Australia, and Dubai. These initiatives will drive the second wave for paper-free cargo by 2010.

TARGETS:

The aim is to implement e-freight where feasible by the end of 2010. Towards this goal, IATA seeks to enlist the participation of 30 airlines and 10 freight forwarders in MIP by year-end 2007.

STATUS:

At the end of March 2007, 20 airlines and 8 forwarders had signed on to MIP.

Fewer queues, less waiting...more speed.



BAR-CODED BOARDING PASSES

BENEFITS:

BCBP complements e-ticketing by allowing passengers to bypass airport queues. Instead, passengers can check-in and print their boarding passes on-line at home or at the office. Passengers can travel with just one boarding document, even for multi-segment itineraries. Customer acceptance is growing fast. The 2006 IATA Corporate Air Travel Survey found that 80% of passengers prefer home-printed boarding passes to checking-in at a traditional airport desk. BCBP will cut costs while raising service levels. They replace expensive magnetic-stripe boarding passes. This translates into projected savings of US\$3.58 per passenger with baggage and US\$5.34 per passenger without baggage. In total, annual industry savings of US\$500 million are possible.

APPROACH:

IATA has developed an industry standard for two-dimensional (2-D) bar codes and is aggressively promoting its adoption through workshops, implementation guides, and consultations.

Global airline BCBP capability



TARGET:

In June 2006, the IATA Board of Governors set a deadline for 100% use of BCBP by 2010. It also set an interim target of year-end 2008 for all airlines to be able to issue BCBP to speed up the transition. By the end of 2007, the goal is to have 80 airlines issuing IATA-standard BCBP.

STATUS:

As of the end of April 2007, there were 45 BCBP-capable airlines. The BCBP standard was revised in October 2006 to meet the directive from the Board of Governors for a single format enabling multi-segment boarding passes. We plan to publish the revised standard in June 2007.

COMMON-USE SELF-SERVICE

BENEFITS:

When given the choice, passengers prefer to take control of their travel experience. CUSS allows passengers to check-in at their leisure, cut check-in time, and make decisions on the spot.

IATA's 2006 Corporate Air Travel Survey revealed that 70% of travellers have used CUSS or an automated check-in procedure and that 93% approved of the machines. The ability to check-in faster and at any time was among the most highly rated advantages. Airlines benefit from economies of scale by sharing terminals and through the cost-effective deployment of self-service devices at small airports.

CUSS saves an average of US\$2.50 per check-in and has the potential to save the industry US\$1 billion.

APPROACH:

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

TARGET:

IATA plans to accelerate the implementation of CUSS technology and has the goal of reaching 70 CUSS airports at the end of 2007.

STATUS:

As of April 2007, 57 airports were operating CUSS, eclipsing the 2006 target of 35, and many others were in the process of CUSS implementation. Airport authorities are showing their commitment to CUSS. In 2006, IATA signed memoranda of understanding with Kenya's Airport Authority, the Jordan Civil Aviation Authority, and the Kunming Wujiaaba Airport in China, among others, to promote CUSS.

Global CUSS implementations



RADIO FREQUENCY IDENTIFICATION

BENEFITS:

RFID will significantly improve customer service by reducing the number of mishandled bags and associated delays. Over two billion pieces of luggage pass through the global network each year. Each mishandled bag costs US\$90, so reducing the number of mishandled bags through RFID could save the industry US\$760 million annually and reduce passenger inconvenience.

APPROACH:

IATA has developed a standard for RFID baggage tags. In 2006, IATA participated in five RFID trials that led to the development of a positive business case for RFID use.

TARGET:

IATA will work to prove the business case and technology through RFID pilots and to develop an implementation plan during 2007. IATA will also investigate new applications for RFID, including catering and duty-free, cargo container tracking, and parts and aircraft operation.

STATUS:

The business case is complete, and airlines are evaluating it. IATA continues to work with airlines and airports to complete an industry-wide rollout plan for the use of RFID for baggage. This involves identifying common issues related to baggage mishandling and pinpointing those locations where implementing RFID will have the greatest impact.





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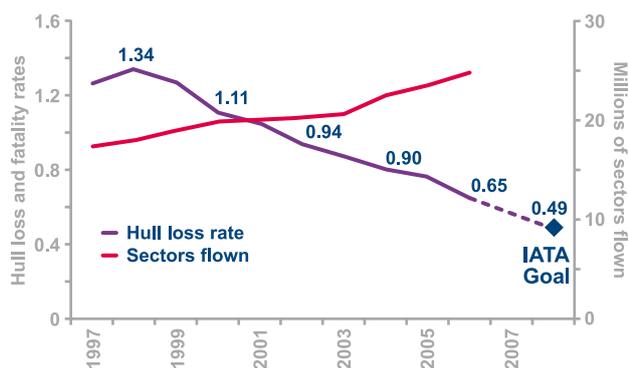
Safety: Our #1 Priority

This year was the safest ever in the history of commercial aviation.

The industry accident rate of 0.65 Western-built jet hull losses per million flights represented the eighth consecutive year of improvement and met the industry's 2006 target. IATA member airlines surpassed the industry average with an accident rate of 0.48.

As a result of the effectiveness of IATA's programmes and airlines' commitment, there has been a 49% improvement in the accident rate over the past 10 years.

Western-built jet traffic hull loss rates 1997–2006



Some 60% of the accidents that did occur in 2006 involved jet aircraft, with the remainder being turboprop aircraft. IATA analyses the causes so that the industry can learn lessons from accidents. Operator deficiencies played a part in 26% of the accidents in 2006. These include poor standards of safety management, inadequate training, and deficient standards and checking.

Human factors, including flight crew errors, played a role in 25% of the year's accidents. And factors in the operating environment, such as inadequate infrastructure and airport-related issues, likewise contributed to 25% of accidents.

Tragically, 855 people lost their lives in aircraft accidents during 2006. This is the constant reminder that we must do more to make the safest mode of mass transport even safer.

IATA has established a goal to reduce the industry-wide accident rate a further 25% by the end of 2008, to 0.49 Western-built jet hull losses per million flights. IATA's Six-Point Safety Programme will help the industry achieve this goal.

The six points are as follows:

- Safety auditing
- Integrated airline management system
- Infrastructure safety
- Cargo safety
- Safety data management and analysis
- Flying operations

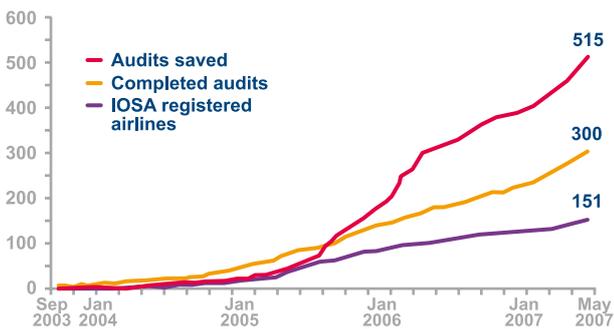


OPERATIONAL SAFETY AUDITS

The IATA Operational Safety Audit (IOSA) is an internationally recognised audit that assesses the operational management and control systems of an airline. Available to all airlines, it is quickly becoming the globally accepted standard for airline operational safety management. It has also become a condition of IATA membership, with three important target dates. Any member not audited by the end of 2007 and not on the IOSA Registry by the end of 2008 will lose its membership. Meanwhile, 97.5% of IATA's membership met the first deadline, for committing to an audit, by the end of 2006. The six airlines that failed to meet the deadline had their memberships revoked.

IOSA delivers cost savings and efficiency gains. With IOSA, airlines no longer have to staff external audits and can share information through the IOSA Audit Report. Each report that is requested means one extra audit avoided. With over 500 IOSA Audit Report requests completed, industry savings add up to US\$30 million since IOSA's introduction in 2003.

IOSA programme status as of 11 May 2007



IOSA, moreover, is a tool for governments to enhance their safety oversight programmes. A growing number of regulatory authorities are using IOSA to complement their oversight functions, since its standards are harmonised with International Civil Aviation Organisation (ICAO) annexes and industry-best practices. Regulatory authorities obtain valuable information from IOSA audit reports to evaluate local or foreign airlines wishing to fly within their jurisdictions.

Some states are already using IOSA data, and others, including Egypt, Madagascar, Chile, and countries of the Arab Civil Aviation Commission, have mandated IOSA for their domestic airlines and for airlines flying into their jurisdictions. Canada, Switzerland, and Australia are using IOSA data in consideration of issuing Foreign Air Operator certificates. And France has announced that it will use IOSA as a safety element of its Label Horizon programme to communicate airline quality to consumers.

PARTNERSHIP FOR SAFETY

In less than two years, the Partnership for Safety (PfS) programme has kept its promise to help IATA members meet IOSA standards in nations where help is needed most. Over 100 airlines and 500 airline professionals—initially in Africa and more recently in Latin America, the Middle East, and Russia—have received free assistance in the form of awareness seminars, gap analyses, and personalised guidance from experts. By the end of 2006, 17 awareness seminars had been held. Eight took place in Africa and were attended by 200 professionals from 45 airlines and by 201 personnel from civil aviation authorities. The year also saw 33 gap analyses completed. These involved 26 African airlines and 9 Latin American airlines. Six awareness seminars and 42 gap analyses are planned for 2007. Pratt & Whitney and the Boeing Company have provided valuable support in follow-on training and gap audits.

IATA SAFETY AUDIT FOR GROUND OPERATORS

Ground damage costs the airline industry roughly US\$4 billion every year. In 2006, IATA began work on developing the IATA Safety Audit for Ground Operations (ISAGO) to tackle the problem. Like IOSA, the programme will improve safety and reduce the number of audits for ground handlers. Through ISAGO, ground-handling companies will need to adhere to a formal process by which operational risks and safety are managed. ISAGO will establish a worldwide benchmark and standard for all activities relating to all ground operations, including ground handling, passenger and baggage services, and fuelling.

Project and standard development is ongoing, and initial trial audits are expected at the beginning of 2008. ISAGO will be available to ground-handling companies worldwide.

2>

INTEGRATED AIRLINE MANAGEMENT SYSTEM

Safety must be coordinated throughout an airline's business processes. IATA has consequently developed the integrated airline management system (integrated AMS), which coordinates the functions of safety management systems (SMS) throughout an airline. It helps airlines implement policies, processes, and procedures to ensure a comprehensive and proactive approach to safety. It also incorporates elements of safety, security, quality, risk and supplier management systems that establish a safety culture with clearly defined safety accountabilities.

Early in 2007, IATA launched the integrated AMS interactive reference tool. This tool complements and enhances the implementation of the Safety management systems required to meet ICAO requirements by 1 January 2009.

3>

INFRASTRUCTURE SAFETY

Airport design, airspace, and air traffic management (ATM) systems all have an affect on safety. ATM played a role in 12% of accidents in 2006 and airport infrastructure was a factor in 16% of the year's accidents. Runway safety related issues caused several serious incidents in 2006, including the only fatal passenger accident in North America. Human error, an increase in traffic, and miscommunication contributed to most of the runway incursion or runway misidentification incidents. Although mid-air collisions are rare (one in 2006), they are the most serious of accidents, resulting in significant loss of life. The accuracy of satellite-based navigation systems means that aircraft should always be flying at the appropriate altitude. Factors such as level busts and air traffic control (ATC) and pilot communication issues must be mitigated.

IATA is working with air navigation service providers (ANSPs), airports, and regulators to address runway safety and the threat of airborne collisions. Through the sharing of safety information, the aviation community will be better able to identify the potential for accidents and serious incidents before they occur. This proactive approach, which is fully aligned with SMS, is dependent upon the integrated analyses of safety reports and timely action to address identified safety concerns.

Safety must be part of an airline's culture—from the CEO down.

4>

CARGO SAFETY

Almost a quarter (23%) of accidents in 2006 involved dedicated cargo operations, even though cargo operations accounted for only 4% of total flights. Of the cargo accidents in 2006, 61% involved non-member airlines. Inadequate safety management played a role in almost half (44%) of those accidents. Poor standards and checking played a role in almost a third (31%) of cargo accidents. These statistics highlight the need to implement IOSA and SMS among non-IATA cargo operators.

IATA's response to cargo safety includes the development of IOSA for dedicated cargo operations and seminars on safety issues. Provisions specific to cargo operations were also introduced into the Global Aviation Safety Roadmap. This is a strategic action plan for the future of aviation safety developed by key industry players, including IATA, and accepted by ICAO.

IATA will continue to promote IOSA to non-member airlines and to support cargo operators in developing countries through its Partnership for Safety programme. The integrated airline management system concept will also be extended to cargo operators.

5>

SAFETY DATA MANAGEMENT & ANALYSIS

The ability to spot indications of emerging safety risks plays an important role in improving safety. IATA uses a variety of data sources to do this, including confidential reporting systems; flight data analysis; and STEADES, a global repository of occurrence reports coming directly from air crews. With over 55 airlines submitting data, STEADES contains over 500,000 records.

IATA provides STEADES free of charge to organisations that regularly contribute data. It is also developing and implementing an initiative for safety data management called Safety Net and advancing its Flight Data Analysis Service to medium and small airlines worldwide.

Airlines must make the IOSA deadline...

6 >

FLYING OPERATIONS

IATA's flying operations programme covers safety issues relating to flight operations, ground and cabin operations, maintenance, dispatch, and emergency response planning (ERP).

In 2006, the IATA Integrated Threat Analysis Task Force conducted an analysis of approach and landing accidents and incidents that occurred between 2003 and 2005 to identify ways to improve the go-around decision-making process. The study of some 600 reports found that 20% of incidents and 60% of accidents involved flight crew manual handling issues. And airport infrastructure related issues were a contributing factor in 5% of incidents and in 15% of accidents. Using the report as a basis, IATA is working with the industry to develop specific destabilised-approach training profiles.

In 2007, IATA will continue this initiative, emphasising approach and landing accident reduction. Specifically, the focus will be on developing and implementing operational risk analysis methods and tools to help reduce and mitigate runway incursion and level bust threats.

...or they are out of IATA.



CONTRIBUTING FACTORS

During 2006, 43% of accidents occurred during operations in adverse weather. Fully 38% of accidents involved flight crew communication issues, either between pilots or between pilots and air traffic controllers. And 33% of accidents involved flight crew training issues.

04 Security

Security parallels safety as an industry top priority. The approach to security, though, is fragmented worldwide, resulting in a costly mess. Although security improved in 2006, passengers continue to endure long queues and confusing rules. And airlines shoulder an annual bill of US\$5.6 billion in security costs that should be borne by governments.



In August 2006, the foiled UK terror plot clearly demonstrated the significant progress that has been made on aviation security since 2001. Intelligence worked, and the threat was avoided. The incident served as a wake-up call for greater government cooperation, airport contingency planning, and the harmonisation of security measures.

HARMONISATION OF SECURITY MEASURES

Following the foiled UK terror plot, IATA pressed ICAO, the European Commission (EC), and the governments of the United States and Canada to harmonise security measures. Significant progress has been made, including agreement on quantity limits for liquids, aerosols, and gels (LAGs) and for the number and size of carry-on bags. IATA is working with ICAO on a global standard for duty-free LAGs to allow seamless transit through screening checkpoints. IATA is also working to harmonise such outstanding issues as crew and staff screening and generally increasing throughput.

During 2006, IATA also pressed the US Transportation Security Administration (TSA), the EC, and ICAO on issues related to passenger facilitation, baggage security, advanced consultation with airlines, crew data, and cargo security.

SIMPLIFYING PASSENGER TRAVEL

IATA has established the Simplifying Passenger Travel Interest Group (SPTIG) to aggressively identify and implement changes needed to improve aviation and airport security while increasing passenger convenience. Global trials are taking place to test the use of biometric and other information exchange technologies in the facilitation process. These technologies will speed the flow of passengers through border control (customs and immigration) and will enhance security. Improved passenger processing, based on the ideal process flow developed by SPTIG, will reduce the hassle factor that deters some people from flying.

AIRPORT PASSENGER THROUGHPUT

IATA has been instrumental in increasing throughput up to 50% at key airports in the United States and in countries of Latin America and the Caribbean. Its efforts in Los Angeles Airport, for example, reduced passenger wait times there for security screening 68%. The improvement was the result of the installation of a communication system to speed staff movement to peak demand areas, the use of vans to more quickly transfer screeners, and the redesign of checkpoints.

Over the course of 2007, IATA will continue to address passenger movement issues at individual airports and intends to improve passenger throughput at least 5% at 10 international airports. To gain a better understanding of where problems lie, IATA will establish a baseline for security and immigration processing times.



ACCESS TO PASSENGER NAME RECORD DATA

The US-EU agreement on passenger data lapsed in September 2006. For weeks, airlines were in legal limbo. IATA worked with both parties in the search for a solution, and eventually a new interim agreement was reached. The agreement expires in July 2007, however, and IATA is working with the US Department of Homeland Security and the EC to ensure that the industry does not face the same situation again.

IATA is also working to ensure that airlines do not absorb costs related to extra data requests, system modifications, and new procedures for collecting data that may arise from any new agreement. Anti-terrorism security is national security, and governments must take responsibility for associated costs.

ADVANCE PASSENGER INFORMATION

Governments are increasingly demanding information about passengers in advance of flying, but there is no single advance passenger information (API) application.

To encourage a greater adoption of the standard agreed to in 2003, IATA, the World Customs Organization (WCO), and some national governments have recommended additional elements that respond to government needs. These will be incorporated into a 2007 version of the UN-EDIFACT Passenger Manifest (Paxlst) message structure.

Additionally, IATA has urged ICAO and the WCO to establish formal guidelines for interactive API systems.

IATA has three objectives in 2007:

- > First, ensure that governments seeking to implement legacy API systems align them with existing best practice guidelines to facilitate harmonisation and to reduce cost and complexity.
- > Second, continue to press governments to develop standards for interactive API.
- > Third, maintain pressure on governments to migrate existing legacy API systems to interactive API applications that are harmonised and interoperable.

SECURITY MANAGEMENT SYSTEMS

Security, like safety, must be integrated fully into all parts of the business. The implementation of security management systems (SEMS) is a requirement for all IATA member airlines, as its core elements have been included in IOSA.

SEMS are based on the highly successful safety management system (SMS) model. SEMS guidance material is a key component of the IATA integrated airline management systems tool. IATA is providing newly revised guidance material, training courses, a new-look security manual, and direct assistance to support airlines' implementation of SEMS.

IATA is also working to ensure that countries endorse performance-based regulations and regulatory systems that facilitate the implementation of SEMS.

Canada is implementing SEMS, and New Zealand has already implemented SEMS. The US and other nations are looking at SEMS variations. IATA, meanwhile, is assisting with the development of SEMS guidance material for regulators by means of the ICAO Aviation Security (AVSEC) Panel.



“If safety is our greatest example of the positive impact of global standards, security is the poster child for failure.”

Giovanni Bisignani

Speech to the Seattle Trade Development Alliance, March 2007

CARGO RE-SCREENING

The EC proposal to re-screen 100% of trans-shipment cargo originating outside the EU has been shelved. The industry is working with the EC to develop a more-practical alternative. In the meantime, the US Final Rule on Air Cargo Security recognises that the EC's cargo-screening programmes meet US cargo-screening requirements. Consequently, the TSA does not require cargo from the EU to be re-screened upon entry to the United States.

IATA continues to fight a US congressional bill proposing the 100% screening of cargo on passenger flights in 2010. Full screening does not take into account risk and focuses only on the end of the supply chain. Shippers must also be responsible for their obligation to secure the supply chain. The bill is not yet law, and IATA is making the industry views known in Washington, DC, along with a number of US cargo and business organisations.

Additionally, IATA and the International Federation of Freight Forwarders Associations (FIATA) have formed the Global Air Cargo Security Industry Task Force. The task force's purpose is to develop and voice industry positions that protect the integrity of supply chain security while ensuring that cargo gets to its destination in a timely manner. The task force will also improve the flow of information on security issues between industry associations and regions worldwide.





Governments have
a responsibility to
put aside parochial
approaches to policy
in order to anticipate
and lead change.

If the US and the EU
cannot keep pace,
then we must look to
our growing markets
to take the lead.



AIRCRAFT HAVE
RIGHT - OF - WAY.



05

Regulatory & Public Policy

Airlines are often plagued by regulation that isn't necessary, is poorly conceived, and is badly executed. Governments must be held accountable by both the industry and its consumers.

Air transport needs a new set of rules.

Airlines are the US\$450 billion heart of a global value chain that supports US\$2.9 trillion in economic activity and 29 million jobs.

The message is simple: Air transport is an important industry that is critical to the global economy.

Regulators have an important role to play in ensuring that aviation continues to contribute to the world's social and economic development. Governments have a role to play in the areas of safety and security and in regulating monopoly service providers.

In all other areas, governments should allow the industry to run like any other business and let the market decide what's best for the industry and its customers.



THE OPEN SKY EFFECT

If governments liberalised 320 restrictive bilateral air service agreements, it would increase traffic 60%, create 24 million jobs, and add US\$490 billion to global GDP.

Source: InterVISTAS Study on the Economic Impact of Air Liberalisation 2006

DRIVING LIBERALISATION

Air transport is governed by a 60-year-old system of bilateral air services agreements that limit access to markets and constrain consolidation.

Governments determine markets instead of permitting passenger demand to do so, and airlines are not allowed the basic commercial freedoms that other businesses enjoy.

Greater liberalisation would improve industry profitability and bring significant social and economic benefits. In 2006, liberalisation between India and the United Kingdom resulted in weekly flights doubling to 200. All airlines in that market are sharing the benefits of the new opportunities. And consumers are benefitting from increased competition and heightened choice.

After almost five years of negotiations, a US-EU agreement on open skies serves as a first but important step forward for liberalisation in a market that represents two-thirds of airline traffic worldwide.

Although the agreement falls short in a number of areas, the establishment of a joint committee to monitor progress on second-stage discussions for further liberalisation and harmonisation is a welcome development.

Going forward, the US-EU accord can make a significant impact by eliminating archaic ownership rules.

PASSENGER RIGHTS

Competition has traditionally driven airline service levels. However, a growing number of governments are interfering with proscriptive regulations that are more micromanagement than consumer protection. In Europe, EC Regulation 261, which led to the application of new rules for denied boarding, long delays, and cancellations, has generated a maelstrom of consumer confusion and resulted in higher airline costs.

More recently, publicity surrounding the Valentine's Day blizzards in the United States that forced the cancellation of 1,100 flights, affecting 100,000 passengers, has led to knee-jerk discussions of a passenger bill of rights in the US Congress.

Governments should let market forces apply rather than legislating for events outside airlines' control. If governments are really committed to reducing delays, they should address the 12% inefficiency in ATM that exists globally.

PASSENGERS WITH REDUCED MOBILITY

In 2006, the EU regulation on persons with reduced mobility (PRM) was approved. Its provisions come into effect in July 2007. IATA and its members are fully committed to removing barriers to access to travel for passengers with disabilities and support sensible measures to achieve this. However, we have expressed concerns about increased costs resulting from the requirement for service providers to work in cooperation with the airlines in setting costs and service levels.

In the US, the Department of Transportation (DOT) will fold three Notices of Proposed Rule Making (NPRMs) on PRM into one rule. IATA is working with the DOT and ECAC to ensure that the final rule does not conflict with the EU regulation.

AIR TRANSPORT AND COMMUNICABLE DISEASES

Public health authorities around the world have been addressing growing concerns about a possible pandemic arising from the avian influenza virus. Communicable diseases, particularly those with the potential of becoming global pandemics, have important implications for airlines and their customers. A primary goal of IATA in any such event is to ensure a timely flow of accurate information to its members, the travelling public, and the industry as a whole.

In 2006, IATA established an emergency response team and has produced a template emergency response plan and checklist aligned with the World Health Organisation's (WHO) Pandemic Plan for use by air carriers in the event of a public health emergency. The plan includes a series of guidelines and best practices for airline staff. IATA has posted this plan, along with a wide array of related information, on its website.

IATA has also developed and tested contingency plans to facilitate business continuity in the event of a public health emergency. In this way, the association hopes to minimise the impact of an emergency on its member carriers and their businesses.

Customers are best served by healthy competition.



...MER SERVICE



CONSOLIDATION NEEDED

Air transport is fragmented. IATA represents some 250 airlines, the majority of an industry with over two billion customers and a turnover of US\$450 billion a year. The auto industry features 48 manufacturers for a US\$2.6 trillion industry. Sustainable profitability needs consolidation domestically and across borders.



06

Environment

With the environment rising rapidly up political and public agendas, the air transport industry is very much in the spotlight. Traffic growth also means increasing emissions. By 2050, the industry's 2% share of global carbon emissions is forecast by the UN's Intergovernmental Panel on Climate Change to rise to 3%.

The industry takes its environmental responsibilities seriously. It is aware of the need to have a combination of technical and political solutions in place to limit its emissions, especially carbon (CO₂) emissions. Airlines are working to better their performance in all areas.

Fuel efficiency, for example, improved 20% in the past decade. IATA airlines are aiming to become 25% more fuel efficient by 2020. The latest generation of aircraft—the A380, and B787—are targeting fuel efficiencies below three litres per 100 passenger kilometres. This is comparable to a hybrid car.

IATA is collaborating with the International Civil Aviation Organization (ICAO) to develop global solutions on emissions trading and is exploring technological solutions and the potential for alternative fuels. The association is also negotiating with authorities to reduce flying times through more effective air traffic control and by shortening routes.

Truly effective solutions require joint action.

Governments must put their full weight behind essential infrastructure improvements that could provide significant environmental benefits.



OUR 2020 VISION MEANS WE'RE NOT SHORT-SIGHTED

Air travel will be 25% more fuel efficient by 2020. This will help limit the 2% of CO₂ attributed to air transport.

Besides investing in new, more fuel-efficient aircraft, we're also working hard to shorten routes and improve air traffic control.

Climate change is a reality. And we are doing our utmost to make air travel an even greener form of transport.

IATA environment advertisement "2020 vision", 2007

INDUSTRY STRATEGY

In December 2006, the IATA Board of Governors reconfirmed its commitment to an industry-wide strategy to address climate change. This 4-point strategy focuses on technology, infrastructure enhancements, opposition to fuel taxes, and a preference for emissions trading instead of taxes.

1> TECHNOLOGY AND ALTERNATIVE FUELS

Developments in engine and airframe technology are critical to addressing aviation's impact on climate change. IATA urges manufacturers, researchers, and governments to speed up technological progress and to seek improvements beyond their current goals.

Alternative fuels should be progressively introduced as a supplement to kerosene. IATA has set a target for 10% of fuel to come from synthetic or biofuel sources within 10 years. It has established a group of experts, including airlines, manufacturers, and fuel suppliers, to consider the feasibility and environmental benefits of alternatives. Three possible synthetic fuels have been identified, derived from coal, natural gas, and biomass. Biomass offers the best emissions reductions, but there are still complications related to its usage, including the huge amount of land that is required to produce it.

2> INFRASTRUCTURE AND OPERATIONAL ENHANCEMENTS

Eliminating one minute of flying time reduces CO₂ emissions by approximately 160 kilos. Infrastructure improvements, such as shortening routes, could provide fuel efficiency benefits of up to 12%.

Action by governments, airports, and air navigation service providers is needed to provide the essential infrastructure improvements. For example, there are 34 providers of air navigation services in Europe, which causes delays. The reorganisation of the airspace into an efficient Single European Sky could reduce CO₂ emissions by 12 million tonnes annually.

3> OPPOSITION TO FUEL TAXES AND EMISSIONS CHARGES

Taxes and charges do nothing to improve the environment. They, in fact, take funds away from airlines, making it more difficult for them to invest in newer, cleaner technology.

4> EMISSIONS TRADING PREFERRED OVER TAXES AND CHARGES

Under emissions trading schemes, a cap on total CO₂ emissions is set for a given period. Emissions allowances, which can be traded, are distributed among participants in the scheme. Any emissions trading scheme involving aviation must be properly designed, through ICAO, to minimise competitive distortions. Airlines should have open access to trading markets as part of any open scheme that may be adopted.



Global issues need global solutions...



FUEL FACTS

A US\$1 per barrel increase in fuel prices adds US\$1.4 billion to industry costs yearly.

An aircraft burns one tonne of fuel every 20 minutes in the air or during 60 minutes of taxiing.

Every minute of flight uses 60 litres of fuel and results in 160 kg of CO₂ emissions.

FUEL EFFICIENCY

One way to limit CO₂ emissions is to improve fuel efficiency. Over the past 40 years, our industry has improved fuel efficiency per revenue tonne kilometre (RTK) 70%. In 2000, IATA member airlines set a goal to improve fuel efficiency 10% per RTK by 2010. This goal was achieved in 2006, four years ahead of schedule. Our current goal is to achieve 25% improvement in fuel efficiency by 2020.

However, the same governments that levy environmental taxes are responsible for a 12% inefficiency in global air traffic management that costs US\$13.5 billion and unnecessarily wastes up to 73 million tonnes of CO₂ annually.

IATA's fuel campaign tackles emissions and rising fuel costs by focusing on reducing fuel burn in a three-pronged approach: operational improvements, route improvements, and the Save One Minute campaign.

Together, these initiatives resulted in US\$1.8 billion in cost savings and eliminated up to 15 million tonnes of CO₂ in 2006.

SAVE ONE MINUTE

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

In 2006, the Save One Minute campaign yielded US\$150 million in savings, largely driven by the implementation of Reduced Vertical Separation Minima (RVSM) in various areas of the world.

OPERATIONAL IMPROVEMENTS

IATA's Go Teams are at the heart of efforts to help airlines become more environmentally efficient. In 2006, Go Teams worked with 42 airlines to identify and implement fuel conservation initiatives that provided US\$1 billion worth of savings. Each team consists of experts in the areas of flight operations, flight planning and ATC, and maintenance and engineering. Consulting IATA's Guidance Material and Best Practices for Fuel and Environmental Management, the teams identified quick solutions and opportunities, including weight savings; reserve fuel planning; aircraft structure alignment (slats, flaps, doors); engine water wash; and aircraft flight management capability optimisation.

IATA Go Teams will perform over 50 gap analyses in 2007, with potential savings of more than US\$700 million for IATA members.

ROUTE OPTIMISATION

IATA's efforts in 2006 led to more than 350 route improvements in Africa, the Americas, Asia, and Europe. This equated to industry savings of US\$662 million and 6 million tonnes of CO₂ emissions. Most notable was the introduction of IATA-1 in April 2006. IATA-1 is a breakthrough for Chinese airspace. The new route helps accommodate projected traffic growth and saves 30 minutes on each round trip between Europe and China. Over the course of a year, IATA-1 will eliminate 2,860 hours of flight time, 27,000 tonnes of fuel consumption, 84,800 tonnes of CO₂ emissions, and US\$30 million in fuel costs.

Another new route, between Cairo and Tripoli (pictured), cuts 16 minutes off flight time and saves US\$2.5 million per year and 7,000 tonnes of CO₂ emissions.

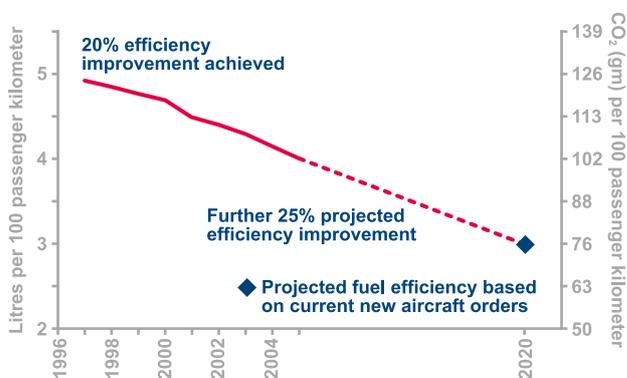
User-preferred routes for North Atlantic flights cut from 4 minutes to 7 minutes of flight time for some 180 flights per day, saving over US\$27 million and 200 tonnes of CO₂ emissions per year. In 2007, 240 more routes have been identified where fuel benefits can be achieved.

The spotlight is also on cost and efficiency in terminal operations. IATA has identified 80 airports where arrival, departure, and approach procedures can be improved using Required Area Navigation (RNAV) or Required Navigation Performance (RNP).

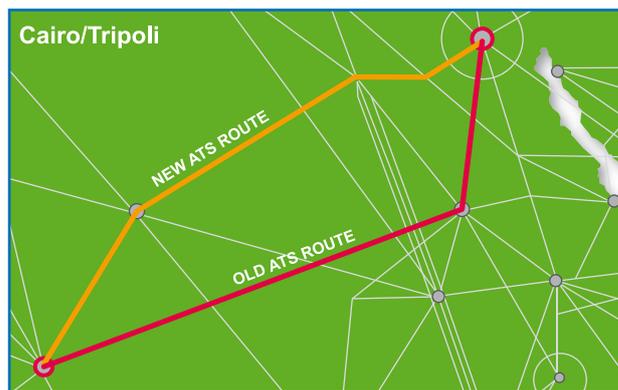
RNAV and RNP allow user-preferred routings and trajectories. The introduction of RNAV and RNP provides significant benefits in safety and efficiency and for the environment.

The implementation of RNP at Quito Airport in Ecuador in September 2006, for example, is resulting in improved safety levels, annual fuel savings of over US\$5 million, and the elimination of 21,000 tonnes of CO₂.

Driving fuel use down



Source: IATA WATS 2006



Time saved: 16 minutes

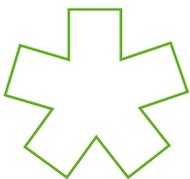
Annual savings: US\$2.5 million

EMISSIONS TRADING

Another way to limit CO₂ is through emissions trading. This is one of a package of measures that, if properly designed, can play an important role in tackling aviation's impact on climate change along with investment in technology and more-efficient infrastructure. But any scheme must follow the draft guidelines produced by ICAO's Committee on Aviation Environmental Protection (CAEP/7).

These guidelines provide a globally harmonised structure for a worldwide problem. They have been approved by the ICAO Council and are awaiting endorsement from the ICAO Assembly in September 2007. The key issue of geographical scope still has to be resolved.

In December 2006, the European Commission published a proposal to include air transport in its existing Emissions Trading Scheme (ETS). This would include flights within the EU from 2011 and all flights to and from the EU starting in 2012. Including non-EU airlines in the EU's ETS is controversial. Some countries have made public their opposition and intend to take this matter to ICAO and to take legal action if the proposal is adopted in its current form.



“Every minute of flying-time that we can save, reduces fuel consumption by an average of 60 litres and CO₂ emissions by 160 kilogrammes.

Governments are quick to make air travel more expensive with new taxes in the name of the environment. But they are slow to improve the infrastructure.

It's about time governments realised what a difference a minute can make.”

Giovanni Bisignani
Press release— Every Minute Counts —February 2007

RAISING ENVIRONMENTAL AWARENESS

In April 2006, IATA co-organised the second Aviation & Environment Summit and Exhibition. The event brought together more than 300 aviation leaders from over 40 countries, who reaffirmed their commitment to collectively address noise and emissions from air transport. A third summit will take place on 22-23 April 2008.

For five years, IATA has provided training courses on air transportation and the environment. Three such courses will take place in 2007, in Sudan, Poland, and Geneva.

CROSS-INDUSTRY CAMPAIGN ON AVIATION AND THE ENVIRONMENT

Air transport has a great story to tell about its environmental responsibility. And it is more important than ever to communicate our achievements and goals and to rebut unfair criticism and inaccurate comments.

IATA has joined a cross-industry initiative, under the leadership of the Air Transport Action Group (ATAG), to develop an industry-wide environmental communications campaign. The initiative includes manufacturers, ANSPs, airports, and other sectors of the industry.



er planes mean

ly clean. That's because a sleek aircraft slips through the air
we wash our planes so often.

fuel-efficient aircraft and pushing for shorter routes and
to limit the 2% of carbon emissions attributed to

thing




by Airbus, The Boeing Company, Pratt & Whitney and Rolls-Royce.



**Our 2020 vision means
we're not short-sighted**

An fleet will be 35% more fuel-efficient by 2020. This will help limit the 2% of CO₂
emissions attributed to air transport.

Besides investing in new, more fuel-efficient aircraft, we're also working hard to shorten routes
and improve air traffic control.

Climate change is a reality. And we are doing our utmost to make air travel an even
greener form of transport.

Flying's a wonderful thing




This advertisement is supported by Airbus, The Boeing Company, Pratt & Whitney and Rolls-Royce.



**To cut carbon emis
we followed the cr**

Cross an Atlantic for this ability to fly between two points
But arrival often takes us stop-over because of restrictions on a
Saving by shortening routes, we've already cut CO₂ emissions
It's a good start, but there are many more routes we still need
This alone won't solve the problem of global warming. But it
measures that airlines are taking to limit the 2% of carbon

Flying's a wonderful thing

This advertisement is supported by Airbus, The Boeing Company, Pratt & Whitney and Rolls-Royce.

GETTING THE MESSAGE OUT

IATA has developed a series of seven print advertisements that can be used in in-flight magazines. The aim of the campaign is to demonstrate that aviation takes its environmental responsibilities seriously and is taking practical measures to limit its 2% share of global CO₂ emissions. These steps include investing in new, more fuel efficient aircraft and pushing for shorter routes and improved air traffic control.

IATA has also produced a short video that is designed to make people feel good about flying and focuses on what flying does to bring people and cultures together under the slogan "Flying's a Wonderful Thing."

Since the start of the campaign in March 2007, more than 20 airlines are using the print advertisements and over 10 are using the video.



07 Cost-efficiency

Efficiency is a matter of survival for the aviation industry. Airlines have continued to reduce costs and increase efficiency, but these efforts have been undermined by inappropriate and unjustified cost increases by infrastructure providers.



Worldwide, airlines and their passengers pay US\$43.5 billion a year to airports and ANSPs, 11% of annual revenues. Airlines have managed to reduce non-fuel operating costs 13% over the past six years, but airport aeronautical revenues per passenger and the unit cost of air navigation rose 27% and 9.4%, respectively, during the same period.

The trend for spiralling costs continued in 2006. Although IATA's Cost Campaign saved the industry US\$2.12 billion, these savings were overwhelmed by US\$7.6 billion in government taxation increases and ANSP and airport price hikes.

Airlines continue to pay a heavy price for poorly structured privatisations, over investment, and the ongoing abuse by airports and air navigation service providers. In too many cases, airports can exploit their monopoly power to obtain unjustified excess profits. For example, earnings before interest and taxation (EBIT), as a percentage of revenues, were an extremely high 66% for Auckland airport (AIAL) and 57% for Sydney airport in fiscal year 2006.

These excessive profits are far above the typical 4% to 5% EBIT returns for carriers in the region. They are also well in excess of the EBIT returns for successful firms in other industries, such as Microsoft (41%); Exxon Mobil (36%); and General Electric (27%).

TAXES

Air transport is all too often the first place to which governments turn when they need to generate funds for social initiatives.

IATA achieved US\$184 million in tax savings last year. However, these were wiped out by a US\$4.98 billion rise in levies, largely driven by the UK Air Passenger Duty (US\$2.042 billion); Indian passenger and ticket taxes (US\$1.286 billion); and the French Solidarity or Chirac Tax (US\$1.103 billion).

In 2006, the French government introduced a solidarity tax on airline tickets to generate funds for UNITAID, an international drug procurement programme to fight such diseases as HIV/AIDS.

IATA has lobbied extensively against this initiative, arguing that air transport should not be singled out as a cash cow. So far only Benin, Chile, Gabon, Ivory Coast, Mauritius, and Niger have followed France. Chile plans to withdraw its tax on airline tickets and will instead be contributing to UNITAID from its general state budget.

Another emerging trend is for taxes that supposedly benefit the environment. Examples include the doubling of the UK Air Passenger Duty (APD) and the Dutch government's proposed environment tax on air transport.

In truth, as with any other tax, proceeds will go to the treasury and will not necessarily be earmarked for environmental purposes.



HIGH COST AIRPORTS

The world's 3 most expensive airports are Toronto, New Jersey-EWR, and Athens. And 15 of the 25 most expensive airports in the world are in Europe.

Source: TRL Airport Charges Index, 2006.

AIRPORTS

IATA's work with airports saved US\$863 million in 2006. Singapore's Changi airport contributed US\$185 million with an assistance package for airlines that will ensure a 15% reduction in landing fees and additional discounts aimed at growing airline traffic at Changi over the next three years.

In North America, Vancouver airport set an excellent example by removing the differentiation between domestic and international landing fees, reducing them for international jets to 26% from 47%. Vancouver was also able to reduce costs to airlines and passengers thanks to a cut in Canadian Crown Rent.

Despite this progress, overall airport costs rose US\$1.7 billion in 2006. The majority—US\$1.4 billion—came from just three operators: Aéroports de Paris, BAA/Ferrovial, and Airports of Thailand.

IATA filed legal action against Aéroports de Paris (ADP) in 2006 when that operator announced a massive increase in charges—approved by the French government—of 5% per year for the next five years. The legal action will continue in 2007, as ADP has further increased its 2007 charges without providing additional transparency or improving cost-efficiency.

IATA has also supported an application to the competition commission for an inquiry into BAA. BAA is out of control, with poor service levels and operating costs increasing at a rate of 30% a year. And the regulator is ineffective. London Heathrow costs will rise 50% from 2003 to 2008. Additionally, the regulator's initial proposals for the 2008—2013 period will increase charges a further 50%.

IATA opposes Airports of Thailand's increase to its aeronautical charges with the opening of the new Bangkok airport at Suvarnabhumi in September 2006. The passenger charge increased 40% in February 2007 despite the fact that the airport is still not fully functional.



ARGENTINA

In Argentina, airport operator AA2000 renegotiated its concession contract for its 32 airports. This would have resulted in a lack of independent regulation and high airport charges. With the mediation of the Argentine Congress, IATA and AA2000 agreed to more-favourable conditions. The new agreement should lead to a formalised user consultation process, reduced airport charges, and a consequent stimulation of traffic growth.

SAVINGS AND COST REDUCTIONS: ANSP

There are still many issues to resolve, but ANSPs and their association, CANSO, have best understood the industry call for efficiency. IATA achieved US\$931 million in savings with ANSPs in 2006, compared with US\$640 in cost increases.

Austria's Austro Control set a strong example for other providers in the EUROCONTROL system when it developed a new industry partnership agreement with IATA that details operational and charges performance commitments over the next five years.

The agreement will provide IATA, and the main users of the airspace, with full transparency of Austro Control's business plans and the ability to influence changes from the earliest stages. All parties have the opportunity to define additional cost-efficiency improvement opportunities before October 2007.

At the other end of the spectrum is AENA, which has doubled the costs for air navigation service provision in Spain in the past five years because of poor productivity and cost-effectiveness.

Change in unit costs per passenger 2001-2006



REGULATION OF MONOPOLY SERVICE PROVIDERS IS REQUIRED

Governments must protect the interests of airlines and passengers against monopoly abuse by introducing a robust and independent regulator.

In early 2007, an EU airport charges draft directive was published. It incorporates ICAO policies on charges and the establishment of an independent national regulator. It is a step in the right direction but falls short in cost-reduction and cost-efficiency targets to reduce airport charges. IATA will continue to work with the Association of European Airlines (AEA) and other organisations and with the European Commission, the European Parliament, and European national governments in the coming months.

Industry savings 2006

Airport Charges

Cost reduction	US\$392 million
Cost avoidance	US\$471 million
Total for airport charges	US\$863 million

ATC Charges

Cost reduction	US\$434 million
Cost avoidance	US\$497 million
Total for ATC charges	US\$931 million

Fuel charges

Cost reduction	US\$111 million
Cost avoidance	US\$29 million
Total for fuel charges	US\$140 million

WORKING TOGETHER TO IMPROVE COST-EFFICIENCY

IATA strives for transparency and consultation in achieving long-term pricing and business agreements. The association has developed written materials that forcefully put forward the industry's case supported by studies, facts, figures, and analysis.

These materials include papers, such as the well-respected IATA Economics Briefing series on key issues, including airline network benefits, value chain profitability, airline cost performance, and economic regulation.

In addition, IATA has produced a comprehensive *External Cost Campaign* brochure and a set of position papers to increase awareness of the industry's approach to aviation charges. It outlines key IATA activities and explains why they are important for the entire air transport industry.





08

**Industry Financial
& Shared Services**

IATA CLEARING HOUSE

The IATA Clearing House (ICH) had a groundbreaking 2006 that saw IATA's clearance and settlement cycles reduced from 40 days to 28 days while lowering the risk generated by bankruptcies and defaults.

By May 2007, we will achieve weekly settlement—a historic achievement. Fundamental changes were made to the governing regulations to protect the membership and to provide a foundation for future changes.

Many internal processes were upgraded and automated. Financial controls were extended to reflect best practice and to comply with common regulatory needs. The financial settlement processes were upgraded and automated through the use of a new banking partner, ABN-AMRO.

Operationally, the ICH upgraded and tested its Disaster Recovery and Business Continuity plans and implemented a new parallel data facility in Singapore that backs up its core systems in Montreal.

These upgrades are part of the preparation for the next phase in the cycle of acceleration, which will see the ICH move to weekly settlements in 2007, during which the value of claims is likely to exceed the record US\$39.6 billion handled in 2006.

FIRST & FINAL INTERLINE BILLING TAKES A BIG STEP FORWARD

In 2006, in an important development, the SkyTeam Alliance converted to First & Final for all intra-alliance billing and settlement. This has increased speed and automation not just within the alliance but with many other airlines as well.

Currently, 24 member airlines around the world, accounting for almost 60% of all interline transactions, use the service.

First & Final simplifies interline accounting by settling transactions in a single pass, without the cycle of rejections, re-billings, and adjustments that accompany traditional interline billing. The First & Final service is provided by the Airline Tariff Publishing Company (ATPCO), IATA, and the Airlines Reporting Corporation (ARC) and supported by Kale Consultants.

First & Final will also form a key part of the future strategy for interline settlement because of its suitability for accelerated IATA Clearing House claims and settlement and its ability to act as a foundation for a future fully integrated billing and settlement process.

This is being assessed in 2007 as part of the continuing simplification strategy.

IATA'S ATC AND AIRPORT ENHANCEMENT AND FINANCING SERVICES

Enhancement and financing (E&F) services enable airports and air navigation service providers (ANSP) to lower the costs and improve the efficiency of the invoicing and collection of user charges through IATA's financial systems.

E&F also helps ANSP to secure cost-effective financing for investment in civil aviation infrastructure. At the end of 2006, 33 ANSP and 49 airports had employed E&F services to process over US\$500 million during the year.

IATA CURRENCY CLEARANCE SERVICE

With an additional 44 airlines joining the IATA Currency and Clearance Service (ICCS) to implement centralised cash management, active membership rose to 170 airlines in 2006. ICCS managed and cleared a record US\$22 billion on behalf of its 170 airline users in 79 countries.

ICCS has become a preferred solution for airline treasuries seeking a tool that will help them centrally manage their global cash funds and efficiently repatriate their foreign sales proceeds.

IATA'S CURRENCY COORDINATION ACTIVITIES

IATA helps airlines repatriate their overseas sales funds. The industry's total amount of blocked or delayed funds rose 25% over the 2005 figure, to US\$215 million at year-end 2006. Significant improvements in the repatriation of funds were achieved in China, Pakistan, Iran, Algeria, Guinea, Mauritania, Morocco, and Zimbabwe.

In certain countries, including Bangladesh, Nigeria, Venezuela, Syria, Libya, and Ethiopia, delays in fund-repatriation because of local regulations increased the number of airlines reporting issues at the end of 2006. IATA is managing action plans for these countries.



Gross sales in IATA's BSP were US\$187 billion in 2006, up 9.5% over 2005.

In May 2007, we will achieve weekly settlement - a historic achievement.

PASSENGER INTELLIGENCE SERVICES

Passenger Intelligence Services (PaxIS) provides the most accurate passenger flow data in the industry, making it a powerful and essential market intelligence tool for air travel analysis. The data is taken directly from airline tickets issued by 400 airlines in 150 countries, with detailed information on date and the location of purchase. The data is ideal for everything from network planning and optimisation to fleet planning, revenue management, sales and marketing, travel agency monitoring, and business and product development.

At present, 10 airlines are taking advantage of this new service.

CARD SERVICES

IATA CardClear global card processing and CardAXS credit card settlement offer a central settlement of global credit card sales. Worldwide, credit card sales account for 30%, or US\$50 billion, of airlines' sales through IATA agents. IATA CardClear is firmly established as a key service for 95 member airlines.

Linked directly to CardClear, CardAXS provides multi-currency settlement to airlines for global Visa and MasterCard sales. Airline card volumes are also growing rapidly through on-line sales channels, and IATA will be providing greater assistance to members in controlling risk and reducing costs in this area.

IATA INVOICEWORKS

IATA InvoiceWorks, launched in 2004, provides an Internet-based electronic invoicing service for the air transport industry to cut costs and drive efficiency in sending, receiving, and processing invoices. Over 270 airlines and more than 5,500 industry suppliers are already linked and enjoying the financial benefits of electronic invoicing through IATA InvoiceWorks. Electronic invoicing can cut costs up to 75%.



IATA CATERING QUALITY ASSURANCE PROGRAMME

Caterers face numerous audits conducted by different auditing bodies with diverse assessment criteria. IATA Catering Quality Assurance (ICQA) simplifies the process, raises the bar on food-quality management, and cuts costs by reducing the number of audits conducted each year.

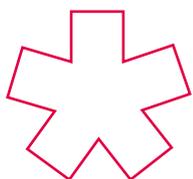
ICQA is the industry's only pooled catering quality assurance programme. It uses one set of global standards and guidelines. Audits are conducted by a third party using a proven and harmonised auditing methodology. IATA figures show that ICQA can reduce an airline's spending on catering audits more than 50%.

This adds up to a potential US\$8.3 million in industry savings. In its first year, the programme is being taken advantage of by Aeroflot, Air Canada, All Nippon Airways, British Airways, Japan Airlines, KLM, Northwest Airlines and Singapore Airlines.

DE-ICING/ANTI-ICING QUALITY CONTROL POOL

The De-icing/Anti-icing Quality Control Pool (DAQCP) helps airlines meet civil aviation authority requirements, share workloads, and eliminate 75% to 85% of the costs related to the auditing of companies providing de-icing and anti-icing services and checks at airports with winter operations.

The DAQCP airlines audited 600 companies at more than 160 airports during 2005-2006 winter operations. Audit results are shared among more than 50 airlines. DAQCP is being integrated into IATA and developed into a global shared-services programme.



“IATA shared services respond to the industry's common vision by driving savings in non-competitive areas of the business.”

Giovanni Bisignani

IATA FUEL QUALITY POOL

Aviation regulatory authorities require airlines to monitor the compliance of fuel services and the supply, storage, and distribution of fuel at airports to international safety standards. The IATA Fuel Quality Pool (IFQP) is a cooperative effort involving member airlines that have recognised the benefits of using standardised procedures and checklists for fuel audits, airport inspections, and reports. This combination raises safety levels while reducing related expenses as much as 85%.

Over 50 airlines are participating in the IFQP.

CREW ACCOMMODATION

To improve efficiency and reduce associated costs, a Crew Accommodation Procurement Service (CAPS) was launched in partnership with Accommodations Plus International. The service extends beyond sourcing to include post-contract management and technological solutions to manage crew complaints (CrewCare); business travel accommodations (HotelExpress); and full integration between airline and crew accommodation provider systems (ACES).

This partnership enables airlines to simplify procurement processes while achieving significant cost reductions.

IATA FLIGHT DATA ANALYSIS SERVICE

The web-based Flight Data Analysis (FDA) Service brings together a comprehensive suite of tools and expertise to systematically collect and unlock the value of data from an aircraft's flight data recorder (FDR). The data is routinely analysed to identify areas of risk and opportunities for improved efficiency. This service can reduce delays up to 10% and saves airlines from having to recruit internal flight data expertise and from purchasing associated systems.

The value of the FDA is further enhanced by IATA's unique ability to share lessons learned across the airline community, thereby increasing global industry safety levels.

IATA Flight Data Analysis Service comprises 15 airlines and since its launch in May 2005 has processed almost 100,000 flights.

FUEL CONSULTING

Typically, IATA fuel consulting assessments can identify immediate cost-saving opportunities in the range of 4% to 10% of an airline's annual fuel budget. IATA experts provide detailed joint analyses of airline procedures and practices, including a comprehensive report with recommendations and a potential savings calculation for each action.

In 2006, 42 IATA Go Team visits to airlines saved US\$1 billion.

CARGO

Air cargo is a US\$55 billion business that is being held back by outdated processes, insufficient technology, and stringent security measures that vary from country to country.

In 2006, IATA Cargo made progress in addressing industry needs with its renewed agenda for the industry. That agenda consists of IATA e-freight; Cargo 2000; Cargo Accounts Settlement Systems (CASS); and safety, security, and industry standards.

ULD STANDARDS

In 2006, IATA's Board of Governors approved an industry approach to unit load device (ULD) management and tasked IATA to investigate the simplification of ULD standards, the use of RFID for ULD track and trace, and improved planning tools for assessing demand for new ULDs.

CARGO NETWORK SERVICES

Cargo Network Services (CNS) was founded as an independent, self-funded US corporation owned by IATA and established in the spirit of cooperation between airlines and forwarders.

Today, CNS has 96 airline participants and 1,230 forwarders across more than 2,600 branch offices. It also has over 2,400 commercial accounts.

In 2006, the CNS e-billing application processed over 2.6 million transactions, valued at US\$3.3 billion. Together with Citibank, CNS is developing a modification so that a US domestic e-billing module can be introduced to the market at the end of 2007.

In November 2006, both Boards approved a new strategic direction for CNS. This direction calls for the engagement of CNS in key global cargo agenda items, such as security, e-freight and MIP, and Cargo 2000 for the U.S. market. Furthermore, it asks that CNS reduce user fees and fund industry projects wherever possible.

PASSENGER SERVICES

PASSENGER AGENCY PROGRAMME

The IATA Passenger Agency Programme continues to evolve to meet strategic industry initiatives to remove paper from the travel process. Moving to a paperless environment presents an opportunity to review travel agent business practices concerning the appointment of sales locations, the handling of neutral traffic documents, and the processing of sales made through airline websites.

TARIFF CONFERENCES—IATA FLEXFARES

With the ending of the block exemption for tariff agreements in the EU at the close of 2006, IATA launched FlexFares, a product that keeps the consumer benefits of interlining while addressing the concerns of the EU Directorate on General Competition. FlexFares are produced by a mechanism that automatically calculates interlineable fares based on average carrier fares in affected markets. An interlining premium is added to account for the added flexibility these interline fares offer. FlexFares were made available for sale in intra-EU markets for travel commencing on or after 1 March 2007.

IATA is exploring the implementation of FlexFares in other parts of the world in 2007 where block exemptions are expiring. The regions include the markets between the United States and the European Union (June 2007); Australia and the European Union (June 2007); and Australia and the United States (October 2007).

**Efficiency is a necessary obsession
for our industry.**

IATA SETTLEMENT SYSTEMS

BILLING AND SETTLEMENT PLANS

IATA's BSP acts as an interface between travel agents and airlines, providing an efficient and cost-effective system that simplifies the selling, reporting, and remitting procedures of IATA-accredited passenger sales agents. By the end of 2006, there were 80 BSPs in operation covering more than 122 countries and territories, including new operations in Pakistan, the Russian Federation, Ukraine, and the western Balkans.

Gross sales totalled US\$187 billion, up 9.5% over 2005. And IATA BSP processed 397 million transactions, an increase of 10.3% over 2005. IATA handled record volumes while reducing the unit rates airlines are paying—17% in 2006 and 31% in 2007. And bad debt declined sharply in 2006 to 0.017% of sales (see table below).

Bankruptcies and defaults 2001-2006

Year	Agents	Sales US\$ bn	Bad debt US\$ m	Bad debt % sales
2001	55,770	120	56	.046
2002	58,000	126	45	.035
2003	58,900	131	42	.031
2004	59,500	158	55	.035
2005	60,400	171	62	.036
2006	60,557	187	31	.017

CARGO ACCOUNTS SETTLEMENT SYSTEMS

The growing Cargo Accounts Settlement Systems (CASS) network set a series of records during 2006. Over 16 million airwaybills were processed, with a 99.9% completion rate and a combined settlement value of more than US\$20 billion.

The CASS network expansion programme added a record 12 countries during the year, including Malta, Bolivia, Guatemala, El Salvador, Jordan, UAE, Kuwait, Oman, Qatar, Bahrain, Malaysia, and New Caledonia. There are 47 CASS offices serving over 300 airlines in 58 countries, including the United States.

During 2007, over 20 countries will be targeted for CASS business case feasibility studies. The objective is to operate CASS in more than 70 countries by the end of 2007.

TRANSFORMING SETTLEMENT SERVICES

Offering excellent customer service to airlines and agents by leveraging automation and self-service solutions is the main goal behind IATA Settlement Services (ISS) Transformation Phase 2 (T2). IATA is streamlining processes and consolidating operations into regional service centres.

This new service approach will improve transparency and make it easier for airlines and agents to access personalised information, raise a request, track ticket orders, and access billing information. Additionally, it will allow IATA to adapt rapidly to market changes and to offer new solutions at marginal costs.

The IATA European Service Centre in Madrid opened in December 2005. It services airlines and agents from Belgium, France, Ireland, the United Kingdom, Luxembourg, the Netherlands, Portugal, Spain, and Switzerland.



IATA handled record volumes while reducing the unit rates airlines are paying—17% in 2006 and 31% in 2007.



09

Aviation Solutions

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

CONSULTING

Making use of industry-wide data and our supply chain perspective, IATA Consulting provides members and clients with strategic, operational, and technical support. In 2006, IATA assisted over 90 customers in more than 60 countries, including with the provision of infrastructure development support and advice on fuel efficiency. Two examples come from Oman and Mozambique:

Review of Audit for Oman Air

IATA Consulting conducted a review and audit at Oman Air's Flight Operations Division. This included an analysis of structural and non-structural issues that need to be addressed and a review of the key senior positions. IATA Consulting developed an action plan to ensure that the division adopts industry-best standards and practices.

Enhancement of the safety oversight capacity—Mozambique

IATA Consulting assisted Mozambique in the enhancement of its safety oversight capacity. This World Bank funded project is designed to develop a civil aviation organisation with the structure, resources, and means to exercise its safety oversight responsibilities in accordance with ICAO standards.

TRAINING AND DEVELOPMENT

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

In 2006, the ITDI served over 32,000 participants. Some 250 IATA trainers taught more than 300 classroom and company courses in four languages at five global training centres. IATA also offered distance learning at over 200 locations worldwide.

PUBLICATIONS

IATA produces more than 250 publications that cover a variety of topics, from industry regulations, such as the *Dangerous Goods Regulations Manual (DGR)*, the official manual for shipping dangerous goods by air, to specific air travel requirements, captured in the *Travel Information Manual (TIM)*.

Many of these publications are available in electronic format and are continuously being enhanced. In 2006, IATA launched several publications: the *International Aircraft Financing Book*, which provides legal, taxation, and insurance insight relating to acquiring and financing aircraft; the "Airline Baggage Identification Chart",

which is designed for use with passengers to identify missing baggage; the *Cargo Claims Handling & Loss Prevention Handbook*, which provides airlines and freight forwarders with a single source for cargo claims processing specifications; and TACT schedules, which provides information on air cargo rates, rules, and regulations.

IATA's electronic on-line store (www.iataonline.com) remains the window into our entire publications portfolio.

CONFERENCES AND EVENTS

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

IATA conferences drive innovation in the air transport industry. In 2006, IATA held 16 events attended by 5,900 participants from the industry and governments. New events, such as Cargo in Emerging Markets and Loyalty Management, were introduced in 2006.

STRATEGIC PARTNERSHIPS

The IATA Strategic Partnerships programme has for 17 years facilitated the interaction of air transport industry suppliers and service providers with IATA and its member airlines in the development of industry solutions.

This cooperation has been essential in defining leading solutions that are shaping the future of the industry, including such IATA programmes as Simplifying the Business. Over 290 companies are contributing their expertise, products and services, and financial resources to ensure a healthy future for the industry.

BUSINESS INTELLIGENCE

IATA provides its members with timely market intelligence, customised analysis, and individually tailored reports to meet their unique statistical requirements for monitoring global trends, identifying marketing opportunities, and benchmarking.

To do so, IATA draws on 30 years of data to deliver global passenger and cargo solutions from Passenger Intelligence Services (PaxIS), a market intelligence tool for air travel analysis that derives passenger flow data from issued airline tickets, and from CargoIS, the industry's source of cargo market intelligence. In 2006, IATA expanded the PaxIS service to include new tools and data sets and launched Infare Knowledge, which offers insight on web fares.

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

10 IATA Membership

as at 3 May 2007

Adria Airways	Air Tahiti Nui	Cargolux	Federal Express
Aegean Airlines	Air Tanzania	Carpatair	Finnair
Aer Lingus	Air Vanuatu	Caspian Airlines	flybe.British European
Aeroflot	Air Zimbabwe	Cathay Pacific	Garuda
Aerolíneas Argentinas	Aircalin	CCM Airlines	GB Airways
Aeromexico	Alaska Airlines	China Airlines	Gulf Air
Aerpostal Alas de Venezuela C.A.	Albanian Airlines	China Cargo Airlines	Hahn Air
Aerosvit Airlines	Alitalia	China Eastern	Hainan Airlines
Afriqiyah Airways	All Nippon Airways	China Southern	Hapag Lloyd
Air Algérie	Aloha Airlines	Cimber Air	Hellas Jet
Air Astana	Alpi Eagles	Cirrus Airlines	Hemus Air
Air Austral	America West Airlines	CityJet	IBERIA
Air Baltic	American Airlines	Comair	Icelandair
Air Berlin	Angola Airlines	Continental Airlines	Indian Airlines
Air Botswana	Ariana Afghan Airlines	Continental Micronesia	Inter Air
Air Canada	Arkia Israeli Airlines	COPA Airlines	Iran Air
Air China Limited	Armavia	Corsair	Iran Aseman Airlines
Air Contractors (UK)	Asiana	Croatia Airlines	Iraqi Airways
Air Europa	Atlas Air	Cubana	Israil
Air France	Atlasjet Airlines	Cyprus Airways	JALways
Air India	Austrian	Czech Airlines	Japan Airlines
Air Jamaica	AVIANCA	dba Luftfahrtgesellschaft	Jat Airways
Air Koryo	Azerbaijan Airlines	Delta Air Lines	Jet Airways
Air Macau	B & H Airlines	Denim Air	Jordan Aviation Airlines
Air Madagascar	Bangkok Airways	DHL Air Ltd.	Kenya Airways
Air Malawi	Belavia—Belarusian Airlines	DHL International E.C.	Kish Air
Air Malta	Bellview Airlines	Dragonair	Kitty Hawk
Air Mauritius	Biman	Egyptair	KLM
Air Moldova	Binter Canarias	El Al	Korean Air
Air Namibia	Blue Panorama	Emirates	Kuwait Airways
Air New Zealand	Blue 1	Estonian Air	LAB
Air Niugini	Blue Wings	Ethiopian Airlines	LACSA
Air Nostrum	bmi	Etihad Airways	LAM
Air Pacific	British Airways	European Air Express EAE	Lan Airlines
Air Sahara	Brussels Airlines	European Air Transport	Lan Chile Cargo
Air Sénégal International	C.A.L. Cargo Airlines	Eurowings	Lan Perú
Air Seychelles	Cameroon Airlines	EVA Air	Lan Ecuador
	Cargojet Airways	Far Eastern Air Transport	Lauda Air

Libyan Arab Airlines
 Lithuanian Airlines
 LOT Polish Airlines
 LTU
 Lufthansa
 Lufthansa Cargo
 Luxair
 Mahan Air
 Malaysia Airlines
 MALEV
 Malmö Aviation
 MAT—Macedonian Airlines
 MEA—Middle East Airlines
 Meridiana
 Méxicana
 MIAT—Mongolian
 Montenegro Airlines
 Nationwide Airlines
 Nippon Cargo Airlines
 Northwest Airlines
 Olympic Airlines
 Oman Air
 PAL—Philippine Airlines
 Palestinian Airlines
 PGA—Portugália Airlines
 PIA—Pakistan International
 Airlines
 PLUNA
 Precision Air
 Qantas
 Qatar Airways

Rossiya—Russian Airlines
 Royal Air Maroc
 Royal Brunei
 Royal Jordanian
 Rwandair Express
 SA Airlink
 SAA—South African Airways
 SAS
 SAS Braathens
 Saudi Arabian Airlines
 Shandong Airlines
 Shanghai Airlines
 SIA
 SIA Cargo
 Siberia Airlines
 Sichuan Airlines
 Silkair
 Skyways
 Solomon Airlines
 Spanair
 SriLankan
 Sudan Airways
 Surinam Airways
 SWISS
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 TACA

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 TAP Portugal
 TAROM S.A.
 Thai Airways
 Turkish Airlines
 TNT Airways
 Transaero
 TransAsia Airways
 Tunis Air
 Ukraine International Airlines
 United Airlines
 UPS Airlines
 US Airways
 Vietnam Airlines
 Virgin Atlantic
 Virgin Nigeria
 Vladivostok Air JSC
 Volga—Dnepr Airlines
 Wideroe
 Xiamen Airlines
 Yemenia

ASSOCIATE MEMBERS

Air One
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 Austral
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 Lufthansa CityLine
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11 IATA Worldwide



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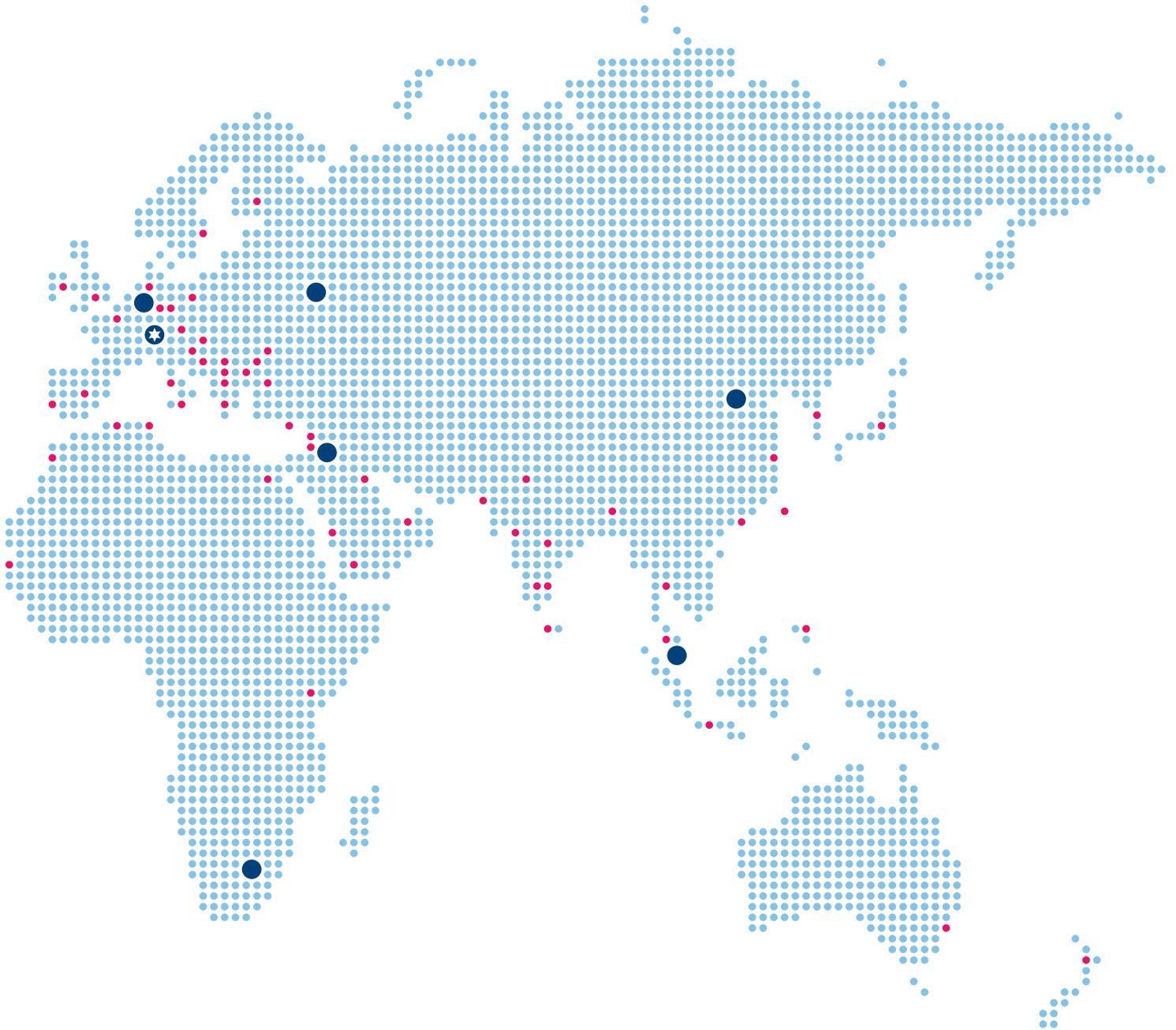
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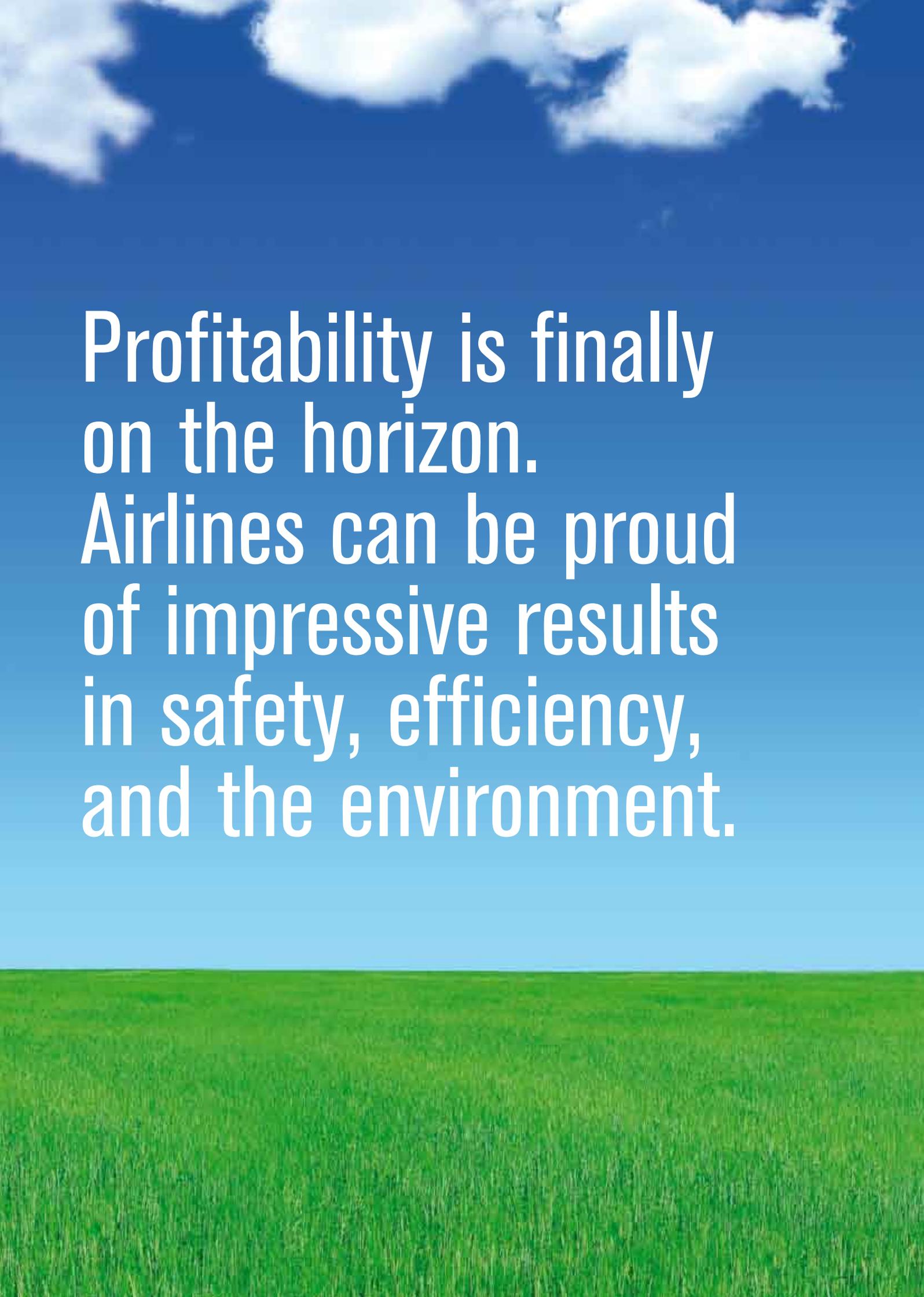
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KEY

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Profitability is finally
on the horizon.
Airlines can be proud
of impressive results
in safety, efficiency,
and the environment.



But profits still don't
cover the cost of
capital. Air transport
must continue its
agenda for change.

Giovanni Bisignani

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