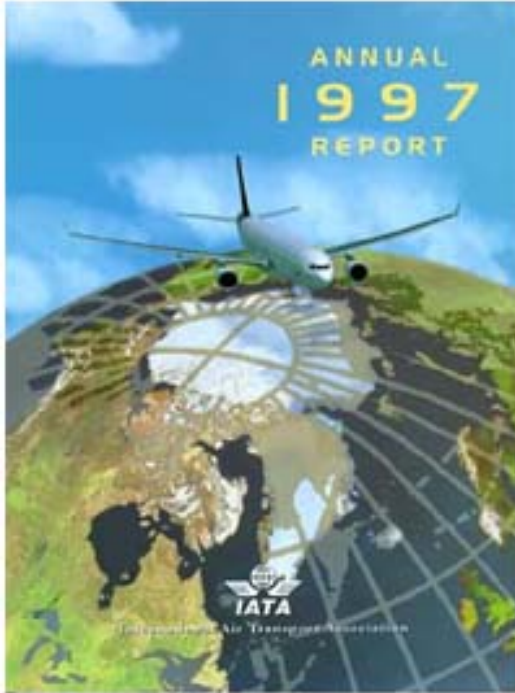




ANNUAL REPORT 1997



BOARD OF GOVERNORS

HIGHLIGHTS

FINANCIAL & TRAFFIC RESULTS & FORECASTS

INDUSTRY VIABILITY & RECOGNITION

SAFETY & SECURITY

INDUSTRY SUPPORT

STANDARDS & PROCEDURES

PRODUCTS & SERVICES

IATA MEMBERSHIP

TABLES

<u>Board of Governors</u>	<u>Highlights</u>	<u>Financial & Traffic Results & Forecasts</u>	<u>Industry Viability & Recognition</u>	<u>Safety & Security</u>
<u>Industry Support</u>	<u>Standards & Procedures</u>	<u>Products & Services</u>	<u>IATA Membership</u>	<u>Tables</u>



ANNUAL REPORT 1997

HIGHLIGHTS

**FINANCIAL & TRAFFIC
RESULTS & FORECASTS**

**INDUSTRY VIABILITY
& RECOGNITION**

SAFETY & SECURITY

INDUSTRY SUPPORT

**STANDARDS
& PROCEDURES**

PRODUCTS & SERVICES

IATA MEMBERSHIP

TABLES

BOARD OF GOVERNORS

(as at 7 September 1997)



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1996-97

Dr. Choong Kong Cheong



President of the 1997 Annual General
Meeting

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**Board of
Governors**

Highlights

Financial & Traffic
Results & Forecasts

Industry Viability &
Recognition

Safety & Security

Industry Support

Standards &
Procedures

Products & Services

IATA Membership

Tables

Index

Top



 BOARD OF GOVERNORS

 FINANCIAL & TRAFFIC
RESULTS & FORECASTS

 INDUSTRY VIABILITY
& RECOGNITION

 SAFETY & SECURITY

 INDUSTRY SUPPORT

 STANDARDS
& PROCEDURES

 PRODUCTS & SERVICES

 IATA MEMBERSHIP

 TABLES

HIGHLIGHTS

THE INDUSTRY - AND IATA

The record profitability of 1995 was not sustained in 1996. A net result of USD 3 billion on international scheduled services was achieved against the background of the highest ever passenger load factor *and* a fall in net interest charges. But, critically, yields declined six times as fast as unit costs - causing a decisive rise in the break-even load factor.



USD 3 billion represented just over 2 percent of operating revenues. The airlines will have needed to do much better than that, during 1997, in order to complete their recovery from the losses of 1990-93. In theory, the prospects for this are good; traffic growth remains buoyant, driven by fundamentally favourable economic conditions; record load factors are being achieved; indications are that unit costs continue to fall. Once again, the crucial

question is the ability of the industry to take advantage of good traffic growth in order to improve average yields.

The desire of air carriers to achieve a global marketing reach - something which inherently has always been fostered through IATA interlining - continues to find more explicit expression in the form of airline alliances. Now, the action on this front is less frenetic - and seems to imply a re-evaluation of the costs and benefits involved - we see a strengthening of some alliances, a weeding-out of others, and a general determination to make alliances more productive.

In parallel with their efforts to extend the *reach* of their products, airlines are also looking closely at the *products* themselves. Most carriers have re-defined and improved their business class service during the past few years. Now, during improved economic conditions, there is evidence that new first-class products are finding favour - particularly on the longest hauls. We look for future evidence that such investment pays off.

During the past year IATA has refined its policies, aimed at achieving its most important strategic objective - to halve the aircraft hull loss-rate by the year 2005. The "buddy" system of larger or more mature airlines imparting their safety culture to newer or smaller airlines is but one new policy element.

A "FANS" air navigation route will soon be operational between Singapore and the Turkish border - and IATA is working closely with states to implement other key routes, to reduce flight times and carry more payload. IATA is also proud of its efforts in securing reduced vertical separation

minima on the North Atlantic - thus increasing airspace capacity and reducing fuel use. In another move, IATA successfully challenged proposed London noise rules which, if implemented, would have prevented many of its Members' operations at Heathrow.

Record volumes are being handled by IATA's Clearing House, industry Settlement Systems and the Currency Clearance Service. The new IATA Intercarrier Agreements on passenger liability gained widespread acceptance. A new interest group - Cargo 2000 - will re-engineer conventional air cargo business processes. IATA's Credit Card Settlement Plan is now operational. A new IATA Learning Centre has opened in Beijing and a joint training initiative with AACO has started in Amman.

All these initiatives - aimed at saving lives, increasing the supply and quality of aviation infrastructure, resisting unilateral threats to the integrity of the world air network, at saving money, improving standards of service and levels of skill - are in line with the continued needs of both *our* Members and *their* customers.

THE SECRETARIAT

I welcome the following carriers* who have joined since the last annual report: AVIATECA S.A., Aerosweet Airlines, Air Moldova International, Air Koryo, China Northwest Airlines, AEROSUR S.A., Aero Asia International (PVT) Ltd., Samara Airlines, Cargolux Airlines International S.A., Bellview Airlines Ltd., TAM Transportes Aéreos Regionais S.A., Pacific Airways Corp., Hapag Lloyd Flug GmbH, Azerbaijan Airlines, Compagnie Africaine d'Aviation, Gujarat Airways Ltd., Brasil Central Linha Aérea Regional S/A, Zimbabwe Express Airlines, Pan American World Airways, Inc., Belavia - Belarussian Airlines.

Our Netherlands-based subsidiaries APT, IAP and TACT are now providing rapid, worldwide, passenger and cargo tariff information. This is part of the transformation of Tariff Coordination into a Tariff Affairs and Conferences service.



In order to complete the comprehensive re-structuring of IATA, the modernised Articles of Association will be reviewed by this year's AGM and new rules and regulations of the Board of Governors - its Sub-Committees and the Standing Committees - will be put in place.

In the meantime, Relationship Management is strengthening the governance process,

providing leadership for multi-disciplinary industry projects and improving two-way communication with Members. The increased sensitisation of employees to Members' needs, typified by Relationship Management, and the search for synergies in the way we meet those needs, is being reinforced by the "Successful Together" workshops - attended by everyone in the Secretariat.

Pierre J. Jeannot

(Signature)

[Board of Governors](#)

Highlights

[Financial & Traffic
Results & Forecasts](#)

[Industry Viability &
Recognition](#)

[Safety & Security](#)

[Industry Support](#)

[Standards &
Procedures](#)

[Products & Services](#)

[IATA Membership](#)

[Tables](#)

[Index](#)

[Top](#)



BOARD OF GOVERNORS

HIGHLIGHTS

INDUSTRY VIABILITY
& RECOGNITION

SAFETY & SECURITY

INDUSTRY SUPPORT

STANDARDS
& PROCEDURES

PRODUCTS & SERVICES

IATA MEMBERSHIP

TABLES

FINANCIAL & TRAFFIC
RESULTS & FORECASTS

FINANCIAL RESULTS 1996

A third successive year of net profits in 1996 saw the airlines, nevertheless, still short of recovering the losses of 1990-93. As a



percentage of revenue, profitability, at around 2 percent on international scheduled services and at the corporate level, remained thin. To an increasing extent, airlines' gross revenue is decided by the working of a competitive market. Therefore, future profitability will depend upon moderation in adding capacity and success in controlling unit costs.

International Scheduled Results

The record net profit of 1995 was not repeated in 1996. The overall load factor rose by 0.2 points, to 63.6 percent; the passenger load factor was the highest ever, at 69.4 percent; net interest charges fell. However, with average overall yield declining more than six times as fast as unit cost, the crucial break-even load factor, after interest charges, increased by nearly a full percentage point.

Corporate Results

A marked improvement at the operating level in 1995 and 1996 was not carried through to the net result. These figures include large domestic and non-transport elements and may be subject to changes in accounting procedures.

IATA International Scheduled Services 1992-96

USD Billions	1996	1995	1994	1993	1992
Operating Revenues	137.6	128.8	115.4	107.7	103.5
Operating Expenses	131.6	119.9	110.3	108.1	104.5
Result before Interest	6.0	8.9	5.1	-0.4	-1.0

Net Interest Payable	3.0	3.7	3.5	3.7	3.8
Result after Interest	3.0	5.2	1.6	-4.1	-4.8

Source: IATA Aviation Information & Research

Note: Data based on IATA Membership as of 31 December of relevant year

IATA Airlines' Corporate Financial Results 1992-96					
USD Billions	1996	1995	1994	1993	1992
Operating Revenues	266.0	253.1	231.0	216.9	200.6
Operating Expenses	253.2	239.8	222.8	214.7	201.2
Operating Result	12.8	13.3	8.2	2.2	-0.6
Percentage of Revenues	4.8	5.3	3.5	1.0	-0.3
Net Result	5.1	4.0	1.1	-3.8	-8.1
Percentage of Revenues	1.9	1.6	0.4	-1.7	-4.0

Source: IATA Aviation Information & Research

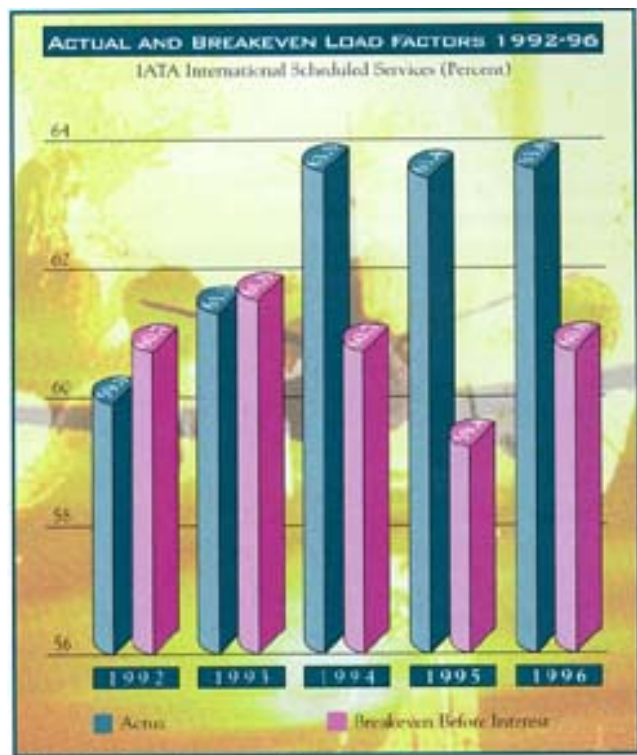
Note: Data based on IATA Membership as of 31 December of relevant year

TRAFFIC RESULTS 1996

Passenger Traffic - Strong International Growth

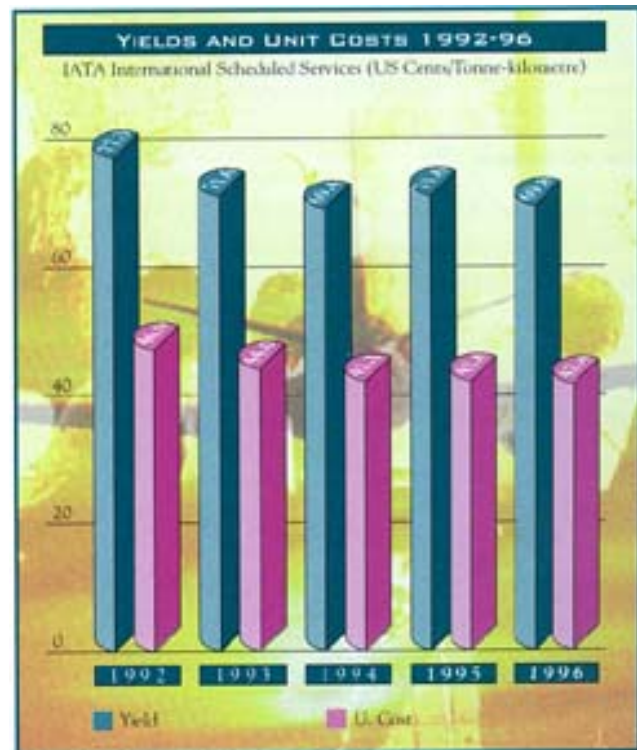
IATA airlines carried almost 1,185 million passengers in 1996 on their scheduled services - more than 380 million on international services and more than 804 million on domestic. Growth of passenger numbers on international scheduled services was 8.4 percent, but on

domestic services only 4.4 percent. Total charter passenger traffic decreased - with the relatively small domestic market contracting by 10 percent.



Freight Traffic - All-Cargo Aircraft Continue Gains

Overall freight tonnage grew by 4.6 percent in 1996 to nearly 24 million. Growth on domestic services was only 2.2 percent, but international freight grew by 6.7 percent. All-cargo aircraft carried nearly 57 percent of the 10.7 million domestic freight tonnes, but only 38 percent of the 13.3 million international freight tonnes. However, the proportion of freight carried on all-cargo aircraft grew, on both domestic and international



routes, during the year.

IATA Members' Air Transport Operations 1996						
	International +/- Change		Domestic +/- Change		International and Domestic combined +/- Change	
	1996	over 1995	1996	over 1995	1996	over 1995
Scheduled Services						
Passengers Carried (thousands)	380,443	8.4%	804,317	4.4%	1,184,760	5.6%
Freight Tonnes Carried (thousands)	13,287	6.7%	10,701	2.2%	23,988	4.6%
Passenger-Kilometres Flown (millions)	1,311,797	9.3%	891,322	5.0%	2,203,119	7.5%
Available Seat-Kilometres (millions)	1,890,439	8.2%	1,317,800	1.8%	3,208,239	5.4%
Passenger Load Factor (%)	69.4	0.7pt	67.6	2.0pt	68.7	1.3pt
Tonne-Kilometres Performed (millions)						
Passenger (incl. baggage)	121,569	9.6%	78,970	5.3%	200,539	7.9%
Freight (incl. express)	73,254	6.5%	16,141	2.0%	89,395	5.6%
Mail	2,432	7.1%	2,996	1.7%	5,428	4.0%
Total Tonne-Kilometres (millions)	197,255	8.4%	98,106	4.6%	295,361	7.1%
Available Tonne Kilometres (millions)	310,133	8.0%	176,643	2.6%	486,776	5.9%
Weight Load Factor (%) (All-Cargo Flights included above)	63.6	0.3pt	55.5	1.1pt	60.7	0.7pt
Charter Services						
Passenger-Kilometres Flown (millions)	77,093	-	6,190	-9.9%	83,283	-0.6%
Tonne-Kilometres Performed (millions)	7,656	0.5%	791	-16.0%	8,447	-1.1%
Available Tonne-Kilometres (millions)	11,863	-3.0%	1,458	-15.4%	13,321	-4.4%
All Services						
Passenger-Kilometres Flown (millions)	1,388,890	8.7%	897,512	4.9%	2,286,402	7.2%
Tonne-Kilometres Performed (millions)	204,911	8.1%	98,897	4.4%	303,808	6.9%
Available Tonne-Kilometres (millions)	321,996	7.5%	178,101	2.4%	500,097	5.6%

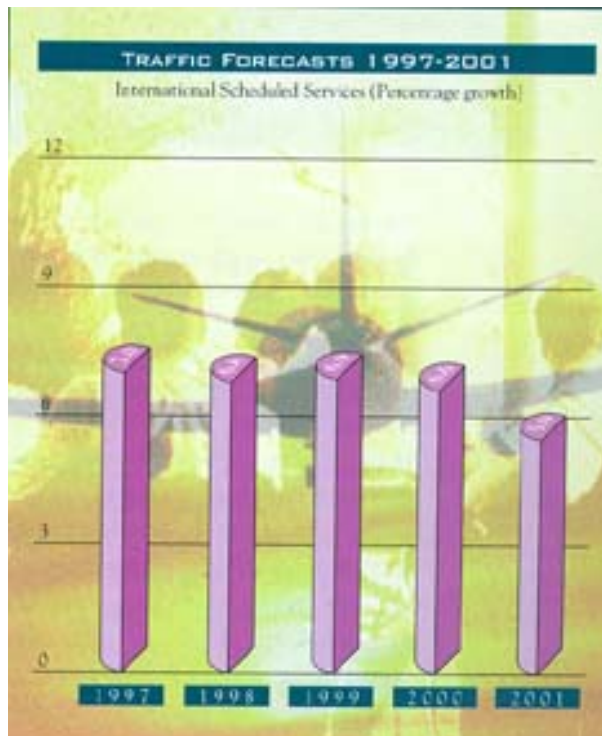
All annual percentage changes have been adjusted to eliminate the misleading effects of IATA Membership changes during the period under review. Figures exclude Aeroflot.

INTERNATIONAL PASSENGER TRAFFIC FORECASTS 1997-2001

World average forecast passenger growth for the period - at 6.5 percent per annum - is slightly lower than the five-year forecast made last year. The current forecast uses the most comprehensive range of sources available, including both IATA and non-IATA airlines. If the data is applied to the 1996 ICAO total of international scheduled passengers appearing in IATA's "World Air Transport Statistics" (WATS), the number of passengers is expected to grow from 409 million in 1996 to 559 million in 2001.

Highest average annual passenger growth rates are expected on routes involving Asia - at 7.4 percent per annum, followed by the South Pacific at 7.3 percent, Latin America and Africa at 6.6 percent, Europe 6.2 percent, North America 6.1 percent and the Middle East 5.1 percent.

Overall, very little annual variation from the average growth rate is expected; the highest growth rate during the period, 7.0 percent, is forecast to occur during the current year.



Board of Governors	Highlights	Financial & Traffic Results & Forecasts	Industry Viability & Recognition	Safety & Security
Industry Support	Standards & Procedures	Products & Services	IATA Membership	Tables

[Index](#) [Top](#)



BOARD OF GOVERNORS

HIGHLIGHTS

FINANCIAL & TRAFFIC
RESULTS & FORECASTS

SAFETY & SECURITY

INDUSTRY SUPPORT

STANDARDS
& PROCEDURES

PRODUCTS & SERVICES

IATA MEMBERSHIP

TABLES

INDUSTRY VIABILITY
& RECOGNITION

As the senior trade association of the world's airlines, one of IATA's primary goals is to seek appropriate recognition of air transport's contribution to peaceful wealth generation - and to help keep the industry financially viable.

IATA's efforts in four fields - taxation, user charges, fuel and currency - have an immediate and discernible effect on the airlines' "bottom line."



TAXATION

Governments continue to impose new taxes on airlines because they are seen as an easy target and - in recent years - as "rich". The industry faces new threats of environmental and value-added taxes, both of which are often discriminatory and can distort competition. IATA opposes such taxes and reaffirms the principles set

forth in the Chicago Convention, ICAO Resolutions, and in bilateral agreements.

Among the more significant taxes opposed by IATA are the following:

- **California property tax on possessory interests:** a property tax, which some county assessors seek to apply to airport runways, based on landing fees.
- **India state jet fuel sales taxes:** targeted for elimination through federal efforts, these taxes increased international airlines' fuel costs by as much as 30 percent.
- **Thailand VAT:** IATA advocates zero-rating for all foreign airlines.
- **UK tax on ancillary income:** ongoing efforts to tax the income of foreign air carriers from activities such as third-party handling, which are deemed to be outside the scope of income tax treaties.

IATA secured renewed exemption from a 15 percent ticket tax in the Democratic Republic of Congo (formerly Zaire) - which will produce industry savings of USD 20 million per year. Action in Argentina produced an agreement that permits airlines to reclaim VAT paid on crew hotel rooms and meal expenditures - thus saving USD 2 million per year.

IATA - with the Air Transport Association of America - successfully opposed a number of Texas state tax proposals that would have hurt the

industry, and attempts by Colorado to levy property taxes on aircraft of non-US airlines. IATA also worked with the Air Transport Association of Canada on the orderly transition, from Canada's air transportation tax regime, to the implementation of air navigation fees.

USER CHARGES

IATA Member airlines paid USD 6.5 billion in airport landing and related charges and USD 5.2 billion in air navigation charges for their scheduled international operations in 1996. In absolute terms, *each* of these costs were USD 300 million higher than in 1995. Together, they represented 8.9 percent of the industry's worldwide international operating costs, but for many airlines they can be between 15 and 25 percent.

In 1996 IATA, with Members' user charges experts, took part in 150 missions and meetings with 80 airport/ATC Authorities and Civil Aviation Authorities world-wide. They also represented the airlines' interests at ICAO, ECAC, ACI and other organisations. Airline costs saved or avoided were USD 100 million for the year 1996 itself and

USD 635 million for subsequent years.

Major efforts were dedicated to:

- EUROCONTROL - where the proposed 1998 cost-base was some USD 4.5 billion. IATA pressed for the introduction of a more equitable charging system, increased transparency of the European Air Traffic Control Harmonisation and Integration Programme (EATCHIP) and provided input for the new Convention and principles for establishing the cost base and unit rates.
- UK - where substantial savings at the BAA airports were achieved.
- Hong Kong - where intense consultations on charges for the new airport at Chek Lap Kok were held.
- Japan - where IATA is pressing for a reduction of landing charges, which are the highest in the world.
- Canada - where talks on charges levels took place with Nav Canada, the new "not-for-profit" corporation that has taken over responsibility for air traffic services.
- Eastern Europe/Central Asia - where many states continue with an air navigation infrastructure modernisation which is "supplier-driven" rather than "user-driven".

Airport and air navigation entities are often low-risk monopolistic providers of essential services, many of which are not subject to effective regulation. Unlike the airlines, they are not under pressure to reduce their unit costs and improve productivity.



IATA's 52nd. AGM passed a Resolution calling for a world-wide campaign on User Charges. The Director General has sent personal letters to Ministers of Transport and Finance, Civil Aviation Authorities and organisations responsible for the provision of airport and ATC services in 64 States, requesting that they control their costs, improve their productivity and offer better value for money to the airlines'.

The airlines' concerns have also been expressed in IATA press releases, articles in specialised magazines and in speeches delivered by IATA senior staff.

The Secretariat continues timely publication of the "IATA Airport and En Route Aviation Charges Manual" - the *only* authoritative compilation of up-to-date information available on airport and air navigation charges world-wide.



FUEL TRADE

IATA has successfully opposed various fuel taxes and fuel related charges, arguing for lower prices and increased competition in supply at specific locations. As a result, at least USD 42 million in fuel costs was avoided in 1996.

Efforts to reduce unjustified fuel related charges continue around the world.

Recent fuel trade meetings have focused attention on Eastern Europe and South America including the impact of the privatisation of airports on fuel supply and cost. A major effort is underway to standardise aviation fuel characteristics and specifications world-wide.

CURRENCY

At the end of 1996, some USD 377 million of airline funds were blocked in various countries - down USD 15 million from the end of 1995.

IATA established a multidisciplinary task force to study the effects of European Monetary Union on airline costs and revenues. Input from Members, travel partners, CRSs and clearing banks has been sought. An action plan is being prepared and a quarterly EMU Information Bulletin and a dedicated web page on IATA's internet site will be used to inform the industry.



Board of Governors	Highlights	Financial & Traffic Results & Forecasts	Industry Viability & Recognition	Safety & Security
Industry Support	Standards & Procedures	Products & Services	IATA Membership	Tables

[Index](#) [Top](#)



BOARD OF GOVERNORS

HIGHLIGHTS

FINANCIAL & TRAFFIC
RESULTS & FORECASTSINDUSTRY VIABILITY
& RECOGNITION

INDUSTRY SUPPORT

STANDARDS
& PROCEDURES

PRODUCTS & SERVICES

IATA MEMBERSHIP

TABLES

SAFETY & SECURITY

IATA's most important strategic objective is to reduce the aircraft hull loss-rate by 50 percent, by the year 2005. Greater security also features high on its agenda. Safety and security are at the same time a *shared* responsibility. The mutual support of Member airlines is thus a vital way of raising the overall safety and security of our industry.



SAFETY

At the end of 1996 there were 11,711 western-built jet aircraft in commercial service. They were operated by 650 airlines, flew 18 million sectors, 30 million hours and experienced 19 operational total losses during the year. The loss rate was thus 1.06 per million sectors and 0.63 per million hours. Comparable figures for 1995 were: 17

operational total losses; 0.99 per million sectors and 0.65 per million hours.

Although 1996 was not significantly worse than 1995 in terms of *hull* losses, it was a very bad year for fatalities. The 12 fatal accidents in 1996 involved 1,189 passenger and 97 crew deaths, compared to 383 passenger and 39 crew in 1995.

At the end of 1996 there were 5,221 western-built turboprop aircraft in commercial service. These aircraft were operated by 851 airlines and flew a total of 5,135 aircraft years. During 1996, there were 23 operational total losses - including 13 fatal accidents, with 19 crew and 111 passenger deaths. The 1996 loss rate of 4.5 per 1,000 aircraft years was lower than the ten year average of 6.1 and lower than the 5.4 figure for 1995. The total loss rate for turboprop aircraft, unlike that for jet aircraft, appears to have improved over the last 10 years.

A major tool in improving safety is the analysis of digital flight recorder data. In 1996 the IATA Safety Committee reviewed large amounts of data, covering almost every western-built aircraft, in a wide spread of long-haul and short-haul operations. The data showed that many events were common to the reporting airlines and operational improvements have resulted.

These include: correcting excessive pitch rates on take-off for 737 aircraft; reduction in the frequency of rushed approaches; changes by Air Traffic Control at certain airports, to prevent approaches being conducted above

the glide-path; and the resurfacing of a runway following evidence of surface-induced loads on takeoff.

Improvement in flight safety in Latin America and the Caribbean continues to be a high regional priority for IATA and its member airlines operating in the region. Intensive work is being conducted on: Controlled Flight Into Terrain, operational procedures, ATC incidents, and airline flight safety function organization.

SECURITY

In 1996 the number of acts of unlawful interference against civil aviation were slightly higher than in 1995 but, for the second consecutive year, there was a more than fifty percent reduction over the years 1993 and 1994.

	1996	1995	1994	1993
Events	21	17	42	49

In 1996, hijackings and attempted hijackings totaled fifteen, seven international and eight domestic. In ten of the cases the perpetrators used real weapons. The most tragic incident, which resulted in the deaths of 125 passengers and crew, was the 23 November hijacking of an Ethiopian Airlines aircraft on a flight from Addis Ababa to Abidjan.

IATA maintained close security liaison with ICAO, the European Civil Aviation Security Conference, Airports Council International and INTERPOL.

IATA's Security Committee are working on: the comprehensive screening of passengers' checked baggage, the requirements for automated profiling systems and the implementation of 'one stop' security. For 'one stop' security, agreements for the mutual recognition of security measures have been approved by the European Civil Aviation Conference. IATA and its Member airlines will be working closely with governments to facilitate implementation.



IATA continued to conduct security surveys of international airports under its Intensified Aviation Security Program. Three aviation security courses were conducted in Geneva, Miami and Singapore.

A successful AVSEC WORLD Symposium and Exhibition was held in Sydney in December 1996 with over 500 attendees from airlines, governments,

airports and law enforcement agencies. The 1997 event was held in Cairo, 7-9 October in association with the Airports Council International and co-hosted by Egyptair

[Industry Support](#)

[Standards &
Procedures](#)

[Products & Services](#)

[IATA Membership](#)

[Tables](#)

[Index](#)

[Top](#)



BOARD OF GOVERNORS

HIGHLIGHTS

FINANCIAL & TRAFFIC
RESULTS & FORECASTSINDUSTRY VIABILITY
& RECOGNITION

SAFETY & SECURITY

STANDARDS
& PROCEDURES

PRODUCTS & SERVICES

IATA MEMBERSHIP

TABLES

INDUSTRY SUPPORT

The key issues of air transport infrastructure, the environment, dialogue with consumers, changes in government regulation and the legal framework of aviation, and communication with Members and third parties, all continued to engage the Secretariat during 1996.



INFRASTRUCTURE

In order to aid the continued growth of our industry, the best use of available capacity, both in the air and on the ground, is one of IATA's prime objectives. As one example of this - during the coming year, new airports will be opened in Hong Kong, Kuala Lumpur and Oslo. IATA has achieved positive and necessary design change at

all three.

IATA continues to take a leading industry role in enhanced air traffic management strategies that benefit from currently available systems, and future technological advances. Proper management of the *transition* remains critical to airline economics. Deficiencies are brought to the attention of the states concerned, to international organisations and air traffic service providers.

IATA exerts pressure for quick remedial action and for user-agreed future systems to be implemented. The overall aim is to increase the safety, capacity and efficiency of both airspace and airports on a global basis, at a price the industry can afford. Protection of the communication frequency spectrum remains a high industry priority, as it is essential to CNS/ATM implementation.

Africa: Air safety and infrastructure are the major preoccupations for the region. Attention is focused on Johannesburg – Europe routes, where the rapid growth in traffic has highlighted serious implementation deficiencies.

Agreement has been reached with ASECNA and target dates have been established for major upgrades to fixed and mobile communications in N'djamena and Brazzaville FIRs. These are expected to be completed by the end of 1997. Studies have been completed for introduction of radar in 1998. Action has also been agreed on staffing levels and on training issues.

The introduction of VSAT telecommunication systems improves fixed

communication links throughout the region. The SADC States of Southern Africa are implementing a sub-regional satellite communications system based on VSAT Technology. This will have significant impact on aeronautical telecommunications throughout the area. IATA is providing both technical and financial support.

The SADC initiative typifies a trend toward regional cooperation between African states, which IATA encourages. The transition to CNS/ATM systems will dictate the need for further pooling of resources and expertise between states.

Disruptions to air traffic services due to strikes and civil disturbances have occurred in many FIRs. IATA's effort has been directed to improvement of AIS action by the states and improved coordination between the states, ICAO and the users. Contingency plans have been established for the ASECNA area, similar to the successful Somalia model.

Asia/Pacific: The success of IATA and ATAG in obtaining an APEC Ministers of Transport conference in Washington, D.C. in June 1995 has been reinforced by a second Ministers' meeting in Victoria, Canada - addressed by IATA this year. The subsequent ministerial statement highlighted the issues of key importance to IATA, including aviation safety, CNS/ATM, competitive air services, infrastructure development and increased private sector participation in the work of APEC's Transportation Working Group.

IATA has provided substantial support to two major projects involving the redesign of the entire air route network over the South China Sea and over the Bay of Bengal. Other work includes improvements to the routes used by flights between Asia and Europe over China, India, Pakistan and Iran. IATA has worked closely and satisfactorily with China, Mongolia and Papua New Guinea to resolve deficiencies in the ATS infrastructure.

An increasing number of states actively support IATA's "User-Driven Plan" for CNS/ATM implementation. They are expediting their plans to purchase ground systems to support operations by aircraft with FANS-1/A airborne equipment. It is hoped that by the end of 1997 some 13 air traffic control centres in the region will be operational.

In addition to continuing operations in the South Pacific, regular operational use of FANS routes over the Russian Far East will become a routine feature of operations between North America and the Orient. A FANS route will soon be operational between Singapore and the Turkish border. IATA is working closely with the states to implement other key routes - to reduce flight times and carry more payload.



The Asia/Pacific region invested more in airports during the past ten years, than any other region of the world, including a substantial number of major *new* airports. Many have design capacities in excess of 45 million

passengers per year. IATA continues to work with the authorities through Airport Consultative Committees to match facilities with airlines' operational needs in a cost-effective manner. Airport "Capacity Enhancement Task Forces" for Bangkok, Hong Kong and Tokyo are working with the authorities to increase capacity to match both existing and future traffic demand.

Europe: IATA has worked closely with the EU, ECAC and EUROCONTROL to achieve a new and more efficient organizational structure for European ATM. The revised EUROCONTROL Convention, signed by the 27 member states in June, is not as far-reaching as IATA had hoped, but is still a substantial step in the right direction.



Majority voting will make the decision-making process stronger and more efficient. The EUROCONTROL Agency has been given greater authority to develop and integrate the ATM system throughout Europe. With airspace design conducted on a Europe-wide basis and a new system of performance review introduced, more efficient use of available capacity should be achieved, with

better value for money for all European airspace users.

European air traffic continues to grow at between 6 to 7 percent per year, placing heavy pressure on airspace and airport capacity. But delays are increasing at a lower rate - which shows that capacity is being increased, albeit not fast enough to keep up with demand. IATA continues to press states to increase airspace capacity, but has also been asking airports to use the APATSI mature ATC procedures, to increase their airport movement rates. Airport deficiencies - in both capacity and procedures - are causing an increasing share of all European ATC delays.

A combined Europe-Asia/Pacific group has proposed a more efficient route network across Siberia - based on a minimum time analysis between 10 European airports and Japan. This work is being used as the basis for discussions with the Federal Aviation Authority of Russia and the state ATM Corporation, to find ways of modernising the Russian ATM system and introduce a set of cost-effective FANS routes.

Latin/America & the Caribbean: Early introduction of GPS (GNSS) routes has been the primary focus and excellent progress has been achieved. The establishment of a "test-bed" in the Caribbean has now yielded concrete proof of benefits. Through use of more than 20 test routes, nearly 5 percent in fuel/time savings have been achieved by airlines participating in the tests. Development of GPS non-precision approaches - on an evaluation basis - is also progressing at 12 locations in the Caribbean.

Steps are also being taken to apply RVSM concepts at selected areas in the region, including the South Atlantic routes. To help regional airlines with implementation of GPS in their fleets, IATA introduced a GPS Operations course, providing a practical guide to the justification,

selection, certification and implementation of GPS systems.

To focus attention on the fast-growing Latin America and Caribbean region, the '97 Global Navcom Conference convened in Cancun Mexico, taking as its theme "Delivering the Benefits of CNS/ATM". Users, service providers and manufacturers jointly explored the challenges of wider implementation. More than 300 delegates underscored the importance of IATA's continuing role in global CNS/ATM development. Priority issues include cost/benefit analysis, finance of major expenditure programmes, harmonization of competing technologies, and availability of a globally acceptable navigation system. Global Navcom '98 will convene in Berlin next October.

Middle East: CNS/ATM implementation is progressing steadily, with both the Islamic Republic of Iran and the Kingdom of Saudi Arabia having announced firm commitments for implementing FANS-1/A ground support systems. Implementation in other States is being pursued through the ICAO Regional Planning process. Capacity in the Tehran FIR has been substantially increased by a re-organisation of the Air Traffic Management system, thereby easing traffic flows between Europe and South-East Asia.

North Atlantic/North America: The reduction of the vertical separation minima (RVSM) from 2,000 feet to 1,000 feet, on flight levels above 29,000 feet in the North Atlantic Region, was achieved on schedule on 27 March 1997. The result, following a major and successful IATA effort, was an immediate increase in airspace capacity and a greater availability of fuel-efficient routes. This *first* implementation of RVSM operations has paved the way for subsequent applications in more congested continental airspaces, where the potential benefits to civil aviation will be vastly greater.

ENVIRONMENT

Initiatives taken at a local level by some authorities are sometimes in conflict with the harmonisation of international regulations, resulting in actual or potential distortions of competition. This formed the background to the UK Noise Limits case. Much of IATA's environmental effort during the past year went into assembling and coordinating expert witnesses, as a main contribution to the successful outcome of the case (see also under "**Legal**").

A noise cap for Charles de Gaulle Airport in Paris, and emissions charging systems at Zurich and Geneva Airports are being proposed. IATA is urgently considering responses to these and other local airport initiatives - since they hinder airlines' ability to make investments in new technology which are a major contribution to environmental improvement everywhere. This view - and the need for continual dialogue - was strongly expressed by IATA at the ECAC/EU meeting in Stockholm in March 1997.

Both ECAC and the EU have initiated tighter regulation. Through the introduction of a non-addition rule for hush-kitted aircraft, these regional bodies are attempting to reconcile demand growth with the improvement of environmental conditions.

In September 1996, the Intergovernmental Panel on Climate Change agreed to prepare a special report on "Aviation and the Global Atmosphere." IATA is helping to draft the report because of the need for greater understanding of its Members' substantial investments in aircraft with the highest technological and environmental standards.

ICAO's Committee on Aviation Environmental Protection is to reconsider its recommendation to reduce the ICAO NO_x standard by 16 percent - and will report to the Council in April next year. IATA is examining the possible scenarios - and has started discussion on an integrated environmental management approach.

CONSUMER ISSUES

The Airline Consumer Forum has concentrated on airline liability, conditions of carriage, safety, unruly passengers and passenger information, during the past year. Its views are especially useful at a time of extensive government regulatory activity on consumer protection. The Forum has commented on IATA's recommended practice relating to conditions of carriage.

The Forum called for better statistics on the unruly passenger issue. It was agreed that there is also a need for adequate legislation and clear advice to passengers that such incidents will not be tolerated. Information to passengers remains a continuing concern, with some divergence of views between airline and consumer representatives, but a clear understanding by each party as to the other's point of view.

In a separate development, an action plan is being given effect by the Passenger services Conference to improve the transparency of information to passengers travelling on Code Share flights - with changes in CRS/reservations and ticketing information, endorsement procedures and timetable standards.

REGULATORY MONITORING

The main issues at present are: airline privatisation; alliances; marketing and distribution developments; and international aviation agreements.

Airline privatisation is essentially complete in Latin America and becoming more complete in Western Europe. However, in some parts of the world there is a conflict between liberalisation policies and privatisation, despite the widely held view that the two are complementary parts of government withdrawal from economic regulation.

Some governments still believe that it is possible to allow a free market for the *users* of air transport, whilst denying the *managers* of state-owned airlines the same operational freedom as enjoyed by the managers of privately-owned airlines. The result of that belief is a continual need for subsidy to many state carriers. This represents a waste of resources, and unfair competition to privately-owned airlines. In addition, some governments continue to limit the managerial freedom of airlines which they would like to privatise - and this inhibits new private investment in the companies.

Finally, there can still be limitations on foreign investment in carriers because of national ownership laws, and because of the control provisions of bilateral agreements.

Alliance is a term covering a multitude of arrangements between companies. But the movement towards globalisation in the airline industry is reflected in the development of four strategic alliances which have an increasingly dominant role in world aviation markets. They are: KLM and

Northwest; Delta, Swissair, Sabena and Austrian; the "Star Alliance" of United, Lufthansa, SAS, Air Canada and Thai International (soon to be joined by Varig); and the proposed alliance between American Airlines and British Airways (with Qantas, TAT, Air Liberté and Deutsche BA).

These four agreements have two essential elements in common. First, they require US anti-trust immunity to achieve their objectives. Second, they are under scrutiny by the European Commission to determine whether they infringe the competition rules of the Treaty of Rome.

Each of the alliances involves the marketing of a worldwide joint system through code-sharing, with coordinated routes, schedules and pricing. Each provides for joint participation in frequent flyer programmes and for sharing sales, reservations and support services. They differ only to the extent that individual airline identities are preserved.

Computer Reservations Systems (CRS) show continuing divestiture of direct ownership by individual airlines. This restricts the ability of airlines to exploit the CRS solely for their own competitive advantage - thus removing the main rationale for governmental regulation of CRSs.

Despite these changes, governments continue to show considerable interest in CRS issues. In June 1997, ICAO adopted an updated version of its CRS Code of Conduct which attempts to harmonise the various national and regional regulatory systems. The European Commission, US Department of Transportation *and* the Australian authorities have been reviewing their CRS regulations during the past year.

In July 1997, the EC issued its proposed amendments to the present Code of Conduct. Changes would extend the scope of the code to travel agents, allow rail operators to show services in an integrated display, and provide rules on charging policy and security measures.

International aviation agreements have been dominated recently by the United States "open skies" policy. The US concluded 60 air service bilaterals in 1996, a number of them adding to the roster of "open skies" agreements, particularly in Asia and Latin America. The new administration is continuing this policy, with the new Secretary of Transportation, Rodney E. Slater, giving the subject pride of place in his first major speech in June 1997.



The main problems for US international aviation policy are with Japan and the United Kingdom. Recently, there have been more optimistic comments about US-Japan negotiations, but US-UK talks are bogged down in the face of US demands for greater access to London-Heathrow for its airlines. The US authorities have made it clear that they will not grant anti-trust immunity to the proposed alliance between American Airlines and British Airways without a full "open skies" agreement between the two countries.

In June 1996, the European Union Council of Ministers gave the Commission a mandate to begin negotiations with the United States with the objective of creating a "Common Aviation Area". A first phase of exploratory discussions covering such issues as airline ownership, competition rules and code-sharing late last year produced no substantial progress. The United States does not want to negotiate on a piece-meal basis, while the Commission currently has no mandate to negotiate "hard rights".

The European Commission is now negotiating air transport agreements with ten Eastern and Central European countries. This is seen by some as an important step towards granting the Commission full "external competence" to act in aviation matters on behalf of all countries of the European Union.

Elsewhere, Australia and New Zealand agreed to create a single aviation market. A group of Caribbean states has concluded a multilateral agreement on operations within the region, liberalising third and fourth freedom services.

Africa: there is slow progress towards privatisation of airlines in the region, accompanied by proposals to "corporatise" certain key airports in Sub-Saharan Africa. The airlines are concerned that this will be used as an excuse to increase user charges.

Asia/Pacific: the Japanese Ministry of Transport issued a new policy statement in March 1997 which extensively liberalises domestic aviation. The main points of the policy are simplified entry/exit rules, abolition of capacity controls, liberalisation of tariff rules and a clear definition of essential service routes. Several new entrants have announced their intention to start operations in 1998, but there are major barriers in the form of slot availability and local rules on personnel recruitment and training.

The return of Hong Kong to China this year may have one apparently unrelated but important consequence: the authorisation of direct services between Taiwan, China and China. At present, such traffic goes through Hong Kong and any new agreement will undoubtedly authorise direct services to major Chinese cities.

In India, the previous administration had announced a new aviation policy in January 1997 which effectively eliminated the possibility of investment in Indian carriers by foreign airlines. Merger and privatisation of Air-India and Indian Airlines remains an important issue, but the government's decision to retain 51 percent and restrictions on management freedom of action may deter investors.

Europe: the last element of the "Third Package" of aviation liberalisation in the EU became effective on 1 April 1997 finalising the single market in terms of routes, capacity and tariff controls. It is too early to judge the results. However, an important barrier to new market entrants remains the restricted supply of aviation infrastructure.

The EU Commission has decided that no further state aid will be authorised, following the completion of the Third Package, save in "exceptional circumstances, unforeseeable and external to the company." Meanwhile, despite completion of the EU liberalisation programme, the Commission continues to introduce new regulatory initiatives which stand in stark contrast to the market-driven philosophy of the third package.

Latin America: privatisation of airports in Argentina, Colombia and Mexico is giving rise to concerns about increases in user charges, which would most heavily impact on the region's carriers. IATA is reminding the authorities on the need to respect ICAO principles relating to user charges - and to ensure that they are cost related.

Safety oversight is a concern. Only seven Latin American states, out of 24, meet the US qualifications for Category 1 and some nations have been rated Category 2 which does not allow them to expand their operations to the USA. Seven states are rated as Category 3 and are *unable* to operate flights to and from the USA.

The Mercosur group of six countries have agreed to allow free access to each other's cities in each country, that are not covered in the existing bilaterals. This is increasing point-to-point services between secondary cities.

Middle East: Egypt has liberalised civil aviation, abolishing the monopoly granted to the national flag carrier and relaxing economic regulation. It has also embarked on an ambitious programme of airport construction with several new sites being constructed by the private sector on a "build, operate and transfer - BOT" basis.

Jordan is preparing the national flag carrier for at least partial sell-off, while the Israelis are preparing to privatise El Al. Although not formally part of the ICAO fraternity, the Palestinian authorities have launched a flag carrier.



North America: reform of the FAA was delayed during 1996, following the ValuJet and TWA accidents - but has resurfaced during the discussions leading up to the finalisation of the US budget. The Administration is committed to the "user pays" principle, originally proposed by the Baliles Commission in 1993.

The US decision to institute fees for commercial flights using US-controlled airspace but not landing in the country has hit Canada particularly heavily - and it has strongly protested. IATA has launched an Interest Group to pursue a judiciary process to attempt to have the situation reviewed. The principle is not at issue - but there was no adequate consultation with users before the introduction of the charge. IATA has advised carriers to pay overflight bills "under protest" pending the outcome of its legal challenge.



In addition, there has been a drastic increase in excise taxes levied on international passengers flying into and out of the USA. The USD 6 *departure* tax has been doubled to USD 12 and an *arrivals* tax of USD 12 is being levied for travel after 1 October 1997.

Canada started levying overflight charges last year but *did* consult closely with users and initially has limited the recovery rate to

50 percent. Following the US and Canadian actions, Japan is the only state which does not currently levy overflight charges - but it has announced plans to do so in 1999.

LEGAL AND CORPORATE SECRETARY SUPPORT

Warsaw Convention Liability System

1997 saw the culmination of over three years' concentrated effort - with the widespread acceptance of the new IATA Intercarrier Agreements on Passenger Liability, waiving all liability limits for international passengers with respect to claims to recoverable compensatory damages.

At the time of writing 90 carriers, representing over 85 percent of the world's international air traffic, have signed the Intercarrier Agreement on Passenger Liability ("IIA") and 55 carriers have signed the 1996 IATA Agreement on Measures to Implement the IATA Intercarrier Agreement ("MIA"), which sets out specific action to waive the limits. This is a significant achievement. The two inter-carrier agreements have redefined the legal basis of the relationship between airlines and their passengers, pending action by ICAO to bring into force amendments to the Warsaw Convention.

There are a numbers of other issues still to be addressed, including the impact of new forms of electronic ticketing and ensuring global implementation of the new regime by carriers around the world. The Legal Advisory Group is working on these.

London Noise Litigation

In late 1996 IATA sought a judicial review of the decision of the UK Minister for Aviation and Shipping to impose a new departure noise regime at the three London airports - Heathrow, Gatwick and Stansted - from 1 January 1997. This regime encompassed both new noise limits (increased stringency) and revised monitoring arrangements (improved efficiency).

IATA obtained leave in the High Court to apply for judicial review, and a stay on the introduction of these limits, pending determination of the case. A decision to relocate new and existing noise monitors, although unaffected by IATA's first proceeding, was subsequently the subject of a further challenge by IATA when, at a later date, the new monitor positions were announced.

On 16 April 1997, the High Court of England and Wales quashed both decisions in a consent order - agreed between IATA and the UK Secretary of State for Transport - thereby returning the noise limits and their enforcement to the *status quo* existing before the Minister's decision. An integral part of the Court's order is an undertaking by the Secretary of State to consider and consult on the noise limits and on the monitor locations. Certain matters on which the Secretary of State must consult are included in the Order. The Order also provides for an interim enforcement regime to remain in effect until a new rule is implemented following consultations with IATA.

High Value Mobile Assets Convention and Aircraft Protocol

Co-operation between IATA and the Aviation Working Group - a group of major global aircraft and engine manufacturers and financiers - has advanced the eventual adoption and implementation of new international instruments to facilitate financing and leasing of aircraft and engines. The proposed instruments will consist of an "umbrella" convention applicable to various high value mobile equipment and an implementing protocol setting out more specific international rules relating to aircraft and engine transactions.

Under these agreements, a new international central registry to establish priority would be set up for aircraft and aircraft engines, to be electronically searchable on a 24-hour basis. IATA anticipates operating a prototype registry in advance of the adoption of the instruments in order to address relevant technological issues. Upon entry into force of the convention/protocol, IATA would be able to immediately launch the international central registry to serve the interests of the entire air transport industry. It is expected that the instruments will be submitted to a diplomatic conference in the 1998-1999 time frame.

Legal Symposium 97

Refer to: <http://www.iata.org/events/>

In February, IATA held its first Legal Symposium in Miami, attracting airline lawyers and other professionals from around the world. The issues of implementation of the IIA/MIA liability regime, airline distribution and strategic alliances dominated the two-day meeting.

A session of the IATA Legal Advisory Group initiated an extensive review of the airline industry's general conditions of carriage, as well as certain ticket notice requirements, and endorsed the work done in relation to the definition of "tickets" in electronic ticketing, necessary to comply with the Warsaw Convention.

LAG Working Groups

The Legal Advisory Group endorsed the formation of two legal working groups, one to examine issues of importance to the Cargo industry, and the second to review and revise the Conditions of Carriage for passengers.

The work plan for the Cargo group includes: a review of the Conditions of Carriage for Cargo; preparing a commentary on the ICAO Draft Convention; review of the amendments to Cargo Services Conference Resolutions to implement Montreal Protocol No. 4; and review of the divergent liability regimes for multimodal transport.

CORPORATE COMMUNICATIONS

Refer to: <http://www.iata.org/pr/>

IATA has developed an airline manual for crisis communications - and has organized briefings and seminars on the subject, with the support of airframe and engine manufacturers and insurers.

Board of Governors	Highlights	Financial & Traffic Results & Forecasts	Industry Viability & Recognition	Safety & Security
Industry Support	Standards & Procedures	Products & Services	IATA Membership	Tables

[Index](#)

[Top](#)



BOARD OF GOVERNORS

HIGHLIGHTS

FINANCIAL & TRAFFIC
RESULTS & FORECASTSINDUSTRY VIABILITY
& RECOGNITION

SAFETY & SECURITY

INDUSTRY SUPPORT

PRODUCTS & SERVICES

IATA MEMBERSHIP

TABLES

STANDARDS & PROCEDURES

When the modern IATA was created in 1945, the development of standards and procedures for the international airline industry - to support interlining and enhance customer service - was one of its principal aims.



That involvement - continually modified and updated - remains as strong as ever.

PASSENGER &
AIRPORT SERVICES

Through IATA action, a significant number of airline **two-character designators have been recovered** from carriers not needing these scarce codes - thus deferring the need for the world's airlines, CRSs and others to implement a three-letter coding system and avoiding significant costs to IATA Members. In 1997, action has been agreed to differentiate between the three-numeric codes of cargo and passenger users. This will alleviate the depletion of passenger accounting codes and extend indefinitely the life of airline prefixes in the cargo area.

Development of **Electronic Ticketing** standards for interlining continued during the past year and is of major interest to participants in emerging global alliances. Electronic ticketing significantly reduces the costs of ticket issuance and ticket data capture. It is also expected to provide new customer service opportunities for our passengers and opportunities for product distribution in electronic commerce for airlines. Development of standards for the **Smart Card** (providing positive customer identification on a micro-chip) are part of this process.

Guidelines have been developed to govern the activities of **Electronic Reservation Services Providers (ERSPs)** - enabling carriers to identify airline reservations made through the Internet or other on-line services. IATA has recognised these new players in the distribution system by providing them with unique identification numbers.

Standards for **Point of Sale** have been improved to more accurately identify the origin of requests for airline seats - including provision of ERSP numbers.

IATA completed a **study for the EU on the status of Intelligent**

Ticketing, indicating the likely direction of airline and intermodal ticketing, focused on Western Europe.

Another new product in 1997 - the **Ticket Tax Box Service** - provides a single industry source for information on taxes, fees and charges that should be collected at time of ticketing.

As a contribution to **Fraud Prevention**, enhancements to the industry ticket blacklist - **Tickets Service** - continue, particularly to adapt it to electronic ticketing; 147 airlines currently list data, 77 use the computer enquiry function and 29 have integrated the data base within their own computer main-frame.

New **radio frequency baggage tag standards** have been developed for automated sorting and tracing of passenger baggage, together with new baggage messages based on the licence plate concept. These will reduce the number of mishandled bags, the time required between connecting flights - and, therefore, airline costs.

IATA has produced a **Message Implementation Guide** for the UN/EDIFACT Travel, Tourism and Leisure group - the first time it has produced a technical publication for non-IATA users.

The liability clause in the 1998 version of the IATA **Standard Ground Handling Agreement** (SGHA) has been revised, and now stipulates that the handling company shall indemnify the carrier for any physical loss of, or damage to, the carrier's aircraft. This change will reduce the costs to airlines - which in the past have had to absorb such expenses, due to the "hold harmless" clause in the previous agreement.

Many Members are outsourcing their ground handling activities to third parties. The **IATA Ground Handling Council** - with nearly 370 members - provides the only forum where these third parties can meet IATA Members to ensure that safe, economic and practical ground handling standards are provided to Members.

CARGO SERVICES

Refer to: <http://www.iata.org/cargo/>

A new IATA Interest Group - **Cargo 2000** - with a membership drawn from both airlines and freight forwarders, was formed. This group intends to implement specific Electronic Data Interchange and bar coding standards by the end of 1997, and to re-engineer conventional air cargo business processes - resulting in reduced costs and improved customer service.

Amendments were proposed, to Resolutions relating to Montreal Protocol No. 4 (see "**Legal**").

Recommended procedures for carrier and forwarder interface with **US Customs** were published. It is anticipated that these will be developed further, in conjunction with the World Customs Organisation, into a standard reference document applicable to customs administrations world wide.

A representative sample survey of IATA cargo agents was made - on the distribution system of the future - in co-operation with the Air Freight Institute of **FIATA**. The results will supplement the views of IATA Members, who make *their* distribution requirements known through the Cargo Agency Conferences.

SCHEDULING

Refer to: <http://www.iata.org/sked/>

The 100th Schedule Coordination Conference in Singapore in June was attended by 250 scheduled and charter airlines - a clear indication of its importance in resolving slot allocation problems at congested airports.



In Europe, differences in opinion between DG IV (Competition) and DG VII (Transport), on the effectiveness of proposed revisions to the EU Commission's regulations governing slot allocations, have led to a temporary stalemate - with a new regulation likely in 1998. IATA continues to liaise with IACA, ACI-Europe, the AEA, the ERA and the European Airport Coordinators Group,

in order to ensure a common industry position.

IATA has worked to resolve airport capacity problems at Dublin, Amsterdam, Milan and Rome - and national slot co-ordination problems in Italy and Spain.

FACILITATION

The past year saw an expansion of co-operative agreements between various states and airlines, under which financial liabilities for carriers carrying improperly documented travellers can be reduced, and developments in automated passenger clearance processes, which have been introduced in a number of states - thus easing the growing problem of increasing traffic through the more congested airports.

A commercially-based program - being developed by IBM - began field testing during May 1997, in Bermuda. Australia introduced its Electronic Travel Authority (ETA) program in September 1996, under which the normal visa-issuing process is replaced by electronic data exchange between the travel agency or airline system and immigration offices in Canberra. The US, in cooperation with US Airways, started testing an automated system in May 1997, designed to collect arrival and departure information through use of computer-generated and encoded I-94 forms.



One very adverse development took place during the past year. In April, the US Immigration and Naturalisation Service announced it would start inspecting air-side transit passengers, in response to new legislation. IATA joined the ATA, ACI and various US state delegations in successfully delaying the inspection. We look for appropriate support in Congress to

have the legislation repealed.

Board of Governors	Highlights	Financial & Traffic Results & Forecasts	Industry Viability & Recognition	Safety & Security
Industry Support	Standards & Procedures	Products & Services	IATA Membership	Tables

[Index](#) [Top](#)



BOARD OF GOVERNORS

HIGHLIGHTS

FINANCIAL & TRAFFIC
RESULTS & FORECASTSINDUSTRY VIABILITY
& RECOGNITION

SAFETY & SECURITY

INDUSTRY SUPPORT

STANDARDS
& PROCEDURES

IATA MEMBERSHIP

TABLES

PRODUCTS & SERVICES

Refer to: <http://www.iata.org/pns/ps/>

IATA continually refines its existing Products & Services - and develops new ones, in order to provide the industry with high quality and value for money.

AUTOMATION & FINANCIAL SERVICES

IATA Clearing House : Once again, the value of transactions submitted for clearance reached an all time record. The 1996 total of **USD 27,955 million** was an increase of 8 percent over 1995. Twenty-two new Clearing House Members and three new Subsidiary Ledger Participants were added in 1996. Total membership of 269 by the end of the year represented a new record participation in clearance.



IATA Currency Clearance Service (ICSS): enabling airlines to implement a seamless, airline-specific system for centralised cash management, repatriate surplus funds quickly at low cost and obtain the best market interest and exchange rates, ICCS cleared **USD 6.7 billion** in multiple currencies in 1996 - a growth of 20 percent over 1995. By the end of 1996, ICCS was operational in 33 countries

with 34 airlines participating.

The clearing frequency was increased, to further accelerate repatriation of funds to the member airlines. Results of the 1996 service quality survey showed that ICCS had achieved a users' satisfaction rating of 99 percent.

The IATA Credit Card Settlement Plan (CCSP): is a global credit card billing system for the centralised invoicing and electronic transmission of airlines' world-wide credit card sales. Airlines consolidate their multi-currency credit card transactions from world-wide BSPs through CCSP, which delivers them electronically to their chosen credit card acquirers. Airlines receive settlement in their chosen currencies, or may elect for settlement through the ICCS. Comprehensive reconciliation reports are generated.

The system has been piloted and is now operating in Italy. Implementation in other countries is in progress and the full system will become available during 1997.

Revenue Accounting: electronic ticketing implies significant changes for airlines' revenue accounting systems. A paperless environment will test the capacity of airlines' systems to control payable billings and to detect potential duplicate billings. Procedures necessary to accommodate **interline settlement of electronic tickets** have been developed and included in the **1997 edition of the Revenue Accounting Manual**.

The Interline Data Exchange Centre (IDEC): IDEC continues to expand, with over 70 airlines participating and a further 12 developing their systems in *preparation* for joining.

Accounting Policy Task Force (APTF): The APTF continues to develop Guidelines. Two were released in 1997- "Accounting for Maintenance Costs" and "Accounting for Leases of Aircraft Fleet Assets". The APTF programme for 1998 includes the development of guidelines covering "Intangible Assets" and "Segment Reporting".

Insurance: a new **Risk and Insurance Managers Panel (RIMP)** provides independent and objective advice on risk management and insurance markets, and expertise - particularly on the liability aspects - in the planning stages of both new and updated projects. It will also advise on the commercial insurance programmes operated by IATA.

ATC Billing & Collection (ATC B&C): this agency obtains payment, from airlines and other operators, of air navigation charges billed on behalf of states - and sends the money to the authority providing the service. Without it, some states would not be able to operate their air navigation systems. With the improved cash flow brought by the agency, states are able to invest in critical upgrades of deficient systems - and the agency has helped states secure financing for ATC equipment and spares, and paying financial obligations. The agency is **helping 22 ATC authorities**; discussions with several other states are under way.

PARTNERSHIP PROGRAMMES

Refer to: <http://www.iata.org/pns/pp/>

IATA Partnership Programmes are open to all suppliers to the airline industry. The three types are Industry Associate, Registered Supplier and Travel Partner; they work with airlines to develop standards and specifications which improve efficiency and reduce costs. Membership during 1997 rose to 173, participating in 10 service areas. They include airframe builders, CRSs, financial institutions and communications providers.

Through the IATA **Travel Partners Programme**, IATA continues to work with railways and ferry companies to develop future intermodal transport standards. In 1997 IATA will publish the second edition of the **Travel Partners Standards Manual** - which outlines ticketing and other passenger services standards that will open the door to airline/surface operator co-operation. IATA has also published a new multi-modal interline agreement to assist in this future co-operative commercial relationship between transport modes.

INFLIGHT SERVICES

Refer to: <http://www.iata.org/iismc/>

The **IATA Inflight Services Management Council (IISMC)** improves inflight service and reduces costs - through exchange of management techniques and information, including benchmarking surveys, conferences and seminars. The Council includes non-IATA airlines and key suppliers of products and services. A key concept is the direct relationship between satisfactory service



and repeat business. The **IATA Inflight Services Electronic Catalogue** allows airlines to broaden their search for inflight suppliers as well as to discover new and innovative products on a real-time basis with minimum investment in time and communications costs for the airline.

TARIFF AFFAIRS AND CONFERENCES (TA&C)

Major initiatives took place during the year - in line with the conversion of Tariff Coordination into the full service Tariff Affairs and Conferences (TA&C).

In January, IATA acquired the **Airline Passenger Tariff (APT)**, with the first publication under IATA editorial control in April 1997. This follows the purchase of **International Airline Publications (IAP)** and the **Air Cargo Tariff (TACT)**. IATA is now firmly in the tariff publishing business and can offer improved services and benefits to its Members.

For the first time, IATA fares are available in electronic format. **Fare Access PC database diskettes** provide fast, flexible and accurate access to fares contained in IATA Fares Tariff agreements.

Training seminars and a Guide to the New Fare Construction Rules - **the Pricing Unit Concept** - gave the industry the tools needed to understand and implement these changes.

The first stage was completed in an **Industry Fare Rules Standardisation** exercise to introduce greater clarity and consistency in the wording of IATA special fare rules in preparation for automated fare conditions.

Presentations on the **purpose, process and benefits** of Tariff Coordination were given in several cities in **China**, well attended by airline and government representatives, and - to prepare for the change in status of Hong Kong, IATA worked closely with the Members concerned to ensure a smooth transition. Resolutions were reviewed and updated to ensure provisions correctly reflected the changed environment.

Application was filed on 30 June with the European Commission for an **individual cargo exemption** to replace the Block Exemption. If granted, this will permit tariff consultations to continue, under more restrictive conditions, in order to facilitate interline air transport.

Results were released of a study on **passenger interlining within the**

EU, commissioned by the Directorate General of Competition (DGIV). A key finding showed that interlining accounted for an average of 28 percent of the tickets on all EU routes.

Membership of TA&C grew during the year with the addition of Aero Zambia, Air Baltic, Air Zimbabwe, Cathay Pacific Airways, China Northern, China Northwest, China Southwest and Lithuanian Airlines.

DISTRIBUTION SERVICES

Refer to: <http://www.iata.org/agency/>

Agency: Expansion was sustained in terms of the number of accredited intermediaries engaged in the distribution network, the countries served, as well as the range of activities conducted by IATA on behalf of the industry.

Accreditation: The global passenger and cargo distribution system expanded by four per cent in twelve months, resulting in just over 87,000 passenger sales outlets and just under 5,600 cargo agents being listed, at mid-year, by IATA and its U.S. subsidiaries. The area of most vigorous expansion continued to be **Asia/Pacific**, at over seven per cent annual growth. However, the network in

Europe/Africa/Middle East, also continued to expand healthily. The persisting inertia of the passenger agency distribution network in **Central and South America** was addressed by the adoption of a streamlined accreditation system - which is expected to show results from early next year.

Consultations continued on distribution costs, involving the airlines themselves, their sales intermediaries, principally through their world trade associations, UFTAA (Universal Federation of Travel Agents Associations) and the Air Freight Institute of FIATA (International Federation of Freight Forwarders Associations). The matter of securing new individual exemptions from the European Commission in respect of the Passenger and Cargo Agency Programmes operating in the EU states was also the subject of intensive exchanges with agent representatives, this year. Current exemptions will expire during next year.

On the cargo side, a global survey of air freight intermediaries is nearing completion - this is likely to result in the restructuring of the IATA air cargo distribution system outside the US, in early 1998. On the passenger side, standards were adopted for airlines wishing to identify electronic reservation service providers who have lately emerged as players but who do not have ticket issuing capability. Those standards facilitate linkage with the ticketing capability of IATA Accredited Agents.

The services of **CNS** and of **IATAN**, the IATA subsidiaries which serve the Members' agency distribution needs in the **United States**, continue to be



in high demand. These two corporations have earned a reputation for innovation, particularly as suppliers of information and distribution support services.

The CNS Partnership Conference has, in the space of seven years, developed into the annual American air cargo event, attracting numerous participants, both from within the US and from around the globe. CNS is also seen as the most effective supplier of air cargo training skills in North America, in addition to being a developer of ideas, particularly about applying information technology to air cargo management.

IATAN is increasingly perceived as a major supplier of high quality information services to the travel industry. Its Travel Agent ID Card is now used by more than a quarter of a million holders, reflecting that product's strong image of integrity and credibility. IATAN's active furtherance of vocational training, particularly by providing interactive CD-ROM training tools, is valued highly by



travel agents. Having begun last year to service the needs of cruise oriented agents, IATAN has now begun to cater to categories of non-airline appointed sales outlets to the travel industry, thereby signalling an evolving travel and tourism industry role for the corporation.

Products and projects: the Agency Programme is particularly well suited to providing useful data-base products, as a by-product of its principal activities. Almost the entire tourism and travel industry is now a customer for the IATA Agency Lists and derivatives, so much so that a subsidiary list of about 26,000 sales intermediaries who serve the needs of hotels and surface carriers has been compiled and unique numeric codes - Travel Industry Designators - have been assigned to them. As a result the hospitality industry, in particular, is now able to work globally with a distribution base geared to compatible computer data.

Among the more important projects initiated this year has been the review of how to position the IATA Travel Agent Card more effectively, so strengthening its role as a key component of the Agency Programme. Here again, UFTAA and other partners in these activities, have co-operated closely in the work.

Additionally, the study for an IATA BSP International Services- IBIS, was initiated, as a step towards developing a global travel and tourism industry settlement system. The IATA BSP has been highly successful on behalf of the airlines and merits consideration for wider industry application.

Billing and Settlement Plans (BSP) : In 1996, the 59 IATA BSPs collectively processed more than USD 100 billion in gross sales, the highest ever annual throughput. This was achieved on behalf of 326 Member airlines and other air carriers, and a growing number of non-airline BSP partners. The sales were made by over 42,000 agents, from 122 countries.

Concentration of BSPs into multi-country operations continued - for those where individual national infrastructures were seen to be less able to work as efficiently as alliances. As a result, the following countries began to take part in a regionalized BSP: Bolivia, Haiti, Mauritius, the Netherlands Antilles, Slovakia and Uruguay. A regional EDP operation was set up, to begin to service the needs of BSPs in the Central America/Caribbean and South America area, as from the last quarter of 1997. The potential in savings for the industry from this initiative are estimated at more than USD 26 million over the first five years of operation. Continuation of the bulk purchasing of Standard Traffic Documents saved the industry about USD 2 million this year.

Cargo Accounts Settlement Systems (CASS): The 26 CASS operations in 1996 processed 11.7 million air waybills, accounting for USD 14 billion in revenues. Those systems served the needs of 174 airlines and nearly 6,000 intermediaries, the large majority of which were industry accredited agents. New CASS operations are to open up, before the end of this year, in West & Central Africa, the Magreb countries, the Kingdom of Saudi Arabia and in Scandinavia. CASS has turned out to be an ideal platform for work rationalisation within the industry, with area CASS offices assuming collectively several tasks previously carried individually - and uneconomically - by individual airlines. The potential for CASS to act as a catalyst for industry innovation, particularly in automated communication, has been widely welcomed by airlines and agents alike.

HUMAN RESOURCES DEVELOPMENT

The IATA Learning Centre includes skills, vocational, management and academic training programmes covering all sectors of the air transport industry, offering a seamless product service - from identification of needs to delivery of the final product, from individual solutions to company solutions.

Refer to: <http://www.iata.org/ilc/>

In the past year 20,626 participants took advantage of the IATA training products and services: 13,088 students took part in the **IATA/UFTAA Travel Agent Distance Learning Programme**, which includes the Standard and Advanced modules. An impressive 123,000 future or current travel agents have participated in this unique training scheme since its inception in 1972. Today, 174 IATA Authorised Training Centres also offer these programmes in a classroom environment.

Produced in close collaboration with UFTAA, the **IATA/UFTAA Travel Agents Marketing Course** is a new product, aimed at both existing and start-up travel agencies and present and potential agency managers who wish to increase their knowledge and professionalism, or who aim at managerial status in their organisation.

The four different modules of the **IATA/FIATA Cargo Agent Training Programme** - developed in consultation with FIATA - have achieved a cumulative total of 46,131 students - who seek international qualification as a freight forwarder or cargo agent. In 1996, the student intake of 4,660 registrations was a 5 percent increase over 1995. The 25 IATA Authorised Training Centres offer the programmes through classroom instruction.

Seven **airline distance learning products** are now available - leading to an IATA Diploma in Airline Studies. The more than 500 student enrolments

represent an increase of 45 percent since the activity was moved to Singapore to respond more pro-actively to that region. A Station Management self-teach course, including an examination process, was introduced during the year.

The IATA Learning Centres

in Miami, Geneva and Singapore have conducted 114 classroom courses, in 75 different products, with 1,602 students acquiring the latest industry knowledge and aviation management expertise. New products include: Management in a Service Organisation, Cash Management, Financial Risk Management, Managing Airline Funding Strategies, Passenger Proration

Workshop, Personnel Administration, Dangerous Goods for cargo agents, Management of Safety on the Ramp, Digital Avionics, Airport Planning and Operations, Human Factors in Maintenance, Legal Aspects of Aircraft Financing.



In-company training: the ongoing demand for this service resulted in 41 courses conducted on-site, at the request of 12 airlines, with a total of 757 students trained in 1996. These courses are tailor-made and reduce training costs considerably. At the same time, knowledge is integrated into the workplace, rather than remaining with the individual. A new Management Development Programme focuses on improved work processes - thus ensuring performance improvements.

The IATA/Concordia International Aviation MBA programme, currently in transition from a two year to a one year programme, has 15 students who will graduate from the first one year MBA programme in October 1997. A special Distinguished Speakers series, composed of representatives of airlines, airport authorities, civil aviation and other stakeholders in the air transport and travel industry, coupled with industry site visits, have created substantial added value to the programme. Prospects for an expanded 1997 class intake are promising, and it is hoped to have 25 participants.

Refer to: <http://www-commerce.concordia.ca/amba.htm>

International Airline Training Fund: The programme whereby staff of Developing Nations' Airlines are awarded vocational training scholarships to follow IATA Learning Centre courses and to study for the Concordia University AMBA degree, performed well over the past year. By the end of 1997, some 1,140 scholarships to the value of USD 2 million will have been awarded since the programme was launched in 1984.

AVIATION INFORMATION & RESEARCH (AIR)

Refer to: <http://www.iata.org/air/>

Statistics, Economics & Forecasting provide services which include the annual reference document World Air Transport Statistics - **WATS**, now

available both in hard copy format and an electronic version, and the monthly industry snapshot, Monthly International Statistics - **MIS**. Detailed reports on traffic and capacity, origin-destination statistics, financial and economic data and delay information are also widely distributed.

In addition to the annual IATA passenger and freight forecasts, a comprehensive **forecast** of air traffic demand to, from and within **Asia-Pacific** was published in 1997.

AIR has developed a wide-ranging **consultancy** service. Numerous analyses for a wide variety of clients have been undertaken, and a particular strength has been developed in the forecasting of air traffic for airports, and in route development studies. Other recent studies include several projects for the European Commission looking at subjects as diverse as the impact of telematics on air travel and the aviation industry, and a review of airline punctuality reporting.

Market Research & Marketing help the industry develop its strategic and tactical marketing and production plans - by securing opinions and information from consumers, suppliers and key opinion formers. Surveys are used to help businesses to develop and market new products and services, by establishing market size and potential economic viability. Marketing evaluations, particularly Branding and Image work, are increasingly in demand. These add to existing areas of specialisation in Telecommunications, In-flight service and Industry Automation.

All aspects of the external face of aviation are considered in surveys and data collections.

The passenger view is considered through industry- recognised **surveys** comparing airline performance on the North Atlantic, across the Pacific, between Europe and Asia, Europe and the Middle East, and (new for 1997) **within Europe**. Opinions of airports are presented through the annual IATA Airport Monitor. Key trends in the corporate travel market are considered in the Corporate Air Travel Survey (CATS), through the eyes of more than 1,000 business travellers from around the world.

The IATA Airline Product Database provides a comparison of all 'hard' aspects of the product across 30 major carriers.

The human element is represented through pioneering work comparing employee motivation across airlines (handled in conjunction with employee research specialists ISR) and through inflight cost and productivity benchmarking work.

Benchmarking opinions of **cargo customers** will be conducted in 20 countries around the world in 1997 - the third year of data. Industry trends covered include the use of the internet. Airport ratings for cargo are also available on request.

Using research in the consultancy process has become increasingly important. Work for the **EU** on **Intelligent and Multi-modal ticketing** and on airline **IT strategy** are two current examples. Research consultancy is also being used to support the efforts of IATA's restructuring by assisting IATA departments to identify their service strategy.

Airline Reports on CD-ROM: A new product uses CD-ROM technology to show complete page images of airline annual reports 'on screen' and allows a full search and indexing facility. The second version of this

product, featuring reports from over 110 airlines and airline associations, was published in April.

Board of Governors	Highlights	Financial & Traffic Results & Forecasts	Industry Viability & Recognition	Safety & Security
Industry Support	Standards & Procedures	Products & Services	IATA Membership	Tables
		Index	Top	



BOARD OF GOVERNORS

HIGHLIGHTS

FINANCIAL & TRAFFIC
RESULTS & FORECASTSINDUSTRY VIABILITY
& RECOGNITION

SAFETY & SECURITY

INDUSTRY SUPPORT

STANDARDS
& PROCEDURES

PRODUCTS & SERVICES

TABLES

IATA MEMBERSHIP

Active Members**Associate Members**

Refer to: <http://www.iata.org/members/> for a dynamic listing of IATA Membership, including

- Search for Members by geographical area
- Search for Members by name or airline code(s)
- Members' internet web site addresses

On 11 September 1997, Membership of IATA stood at 258. Of the total, 219 are Active and 39 are Associate Members. The following carriers joined IATA since the last Annual Report: AVIATECA S.A., Aerosweet Airlines, Air Moldova International, Air Koryo, China Northwest Airlines, AEROSUR S.A., Aero Asia International (PVT) Ltd., Samara Airlines, Cargolux Airlines International S.A., Bellview Airlines Ltd., TAM Transportes Aéreos Regionais S.A., Pacific Airways Corp., Hapag Lloyd Flug GmbH, Azerbaijan Airlines, Compagnie Africaine d'Aviation, Gujarat Airways Ltd., Brasil Central Linha Aérea Regional S/A, Zimbabwe Express Airlines, Pan American World Airways, Inc., Belavia - Belarussian Airlines.

* Denotes Tariff Coordination Members (107)

ACTIVE MEMBERS

ZY ADA Air
 JP* Adria Airways
 EI* Aer Lingus p.l.c.
 E4 Aero Asia International (PVT) Ltd.
 JR Aero California S.A. de C.V.
 Z9* Aero Zambia Ltd.
 SU* Aeroflot - Russian International Airlines
 AR* Aerolíneas Argentinas S.A.
 AM **AEROMEXICO** (Aerovias de Mexico S.A. de C.V.)
 QO Aeromexpress
 PL **AEROPERU** (Empresa de Transporte Aéreo del Perú)
 VV Aerosweet Airlines
 ZL Affretair (PVT) Ltd.
 RK* Air Afrique
 AH* Air Algérie (Entr. Nat. d'Expl. de Svcs Aériens)
 UU Air Austral
 BT* Air Baltic Corp. SIA
 BP Air Botswana Corporation
 SB Air Caledonie International
 AC* Air Canada
 CA* Air China International Corp.
 UX Air Europa (Air Espana S.A.)

AF* Air France
GN* Air Gabon
IT* Air Inter Europe (Compagnie Air France Europe)
JM Air Jamaica Ltd.
JS Air Koryo
VD Air Liberté S.A.
FU Air Littoral
MD Air Madagascar
QM* Air Malawi Ltd.
L6 Air Maldives Ltd.
KM* Air Malta Company Ltd.
CW Air Marshall Islands
MK Air Mauritius
3R Air Moldova International
SW Air Namibia
NZ* Air New Zealand Ltd.
PX* Air Niugini
YW Air Nostrum L.A.M.S.A.
FJ Air Pacific Ltd.
HM Air Seychelles Ltd.
TC* Air Tanzania Corporation
UK* Air U.K. Ltd.
6U Air Ukraine
PS Air Ukraine International
NF Air Vanuatu (Operations) Ltd.
UM* Air Zimbabwe Corporation
AI* Air-India
UL AirLanka Ltd.
AS Alaska Airlines Inc.
LV Albanian Airlines MAK S.H.P.H.
AZ* Alitalia - Linee Aeree Italiane S.p.A.
Y2 **ALLIANCE** (African Joint Air Services)
LM ALM **Antillean Airlines**
HP* America West Airlines, Inc.
AA* American Airlines Inc.
NH* **ANA** (All Nippon Airways CO., Ltd.)
AN* Ansett Australia
IW AOM French Airlines (AOM - Minerve S.A.)
FG* Ariana Afghan Airlines Co. Ltd.
R3 Armenian Airlines
IQ Augsburg Airways GmbH
OS* Austrian Airlines
VE **AVENSA** (Aerovias Venezolanas S.A.)
AO **AVIACO** (Aviación y Comercio S.A.)
AV* **AVIANCA** (Aerovias Nacionales de Colombia S.A.)
GU AVIATECA, S.A.
J2 Azerbaijan Airlines (Azerbaijan Hava Yollari)
LZ* Balkan Bulgarian Airlines
B2 Belavia - Belarusian Airlines
B3 Bellview Airlines Ltd.
BG Biman Bangladesh Airlines
BU Braathens S.A.F.E.
BA* British Airways p.l.c.
BD British Midland Airways Ltd.
II Business Air Ltd.
BW **BWIA** International Airways Ltd.
UY* Cameroon Airlines
CP* Canadian Airlines International Ltd.

CV Cargolux Airlines International S.A.
CX* Cathay Pacific Airways Ltd.
OK* Ceske Aeroline/Czech Airlines (**CSA**)
MU China Eastern Airlines
CJ* China Northern Airlines
WH* China Northwest Airlines
CZ* China Southern Airlines
SZ* China Southwest Airlines
WX CityJet
MN Comair (Pty.) Ltd.
XK Compagnie Aérienne Corse Méditerranée
CO Continental Airlines Inc.
CS Continental Micronesia, Inc.
CM **COPA** (Compania Panamena de Aviación S.A.)
OU* Croatia Airlines DD
LX* Crossair, Ltd. Co. (for Reg. Eur. Air Transp.)
CU* **CUBANA** (Empresa Consolidada Cubana de Aviación)
CY* Cyprus Airways Ltd.
DL* Delta Air Lines Inc.
DI Deutsche BA Luftfahrtgesellschaft mbH
KA **DRAGONAIR** (Hong Kong Dragon Airlines Ltd.)
QY EAT (European Air Transport)
EU **ECUATORIANA** (Ecuatoriana de Aviación S.A.)
MS* Egyptair
LY* El Al Israel Airlines Ltd.
EK Emirates
OV Estonian Air
ET* Ethiopian Airlines Corporation
EW Eurowings AG
FX* FedEx (Federal Express Corporation)
AY* Finnair Oy
GA* Garuda Indonesia
GT GB Airways
GH* Ghana Airways Corporation
GF Gulf Air Company G.S.C.
HF Hapag Lloyd Flug GmbH
AG Hunting Cargo Airlines
IB* **IBERIA** (Líneas Aéreas de España S.A.)
FI* Icelandair
IC* Indian Airlines
D6 Inter Air (Inter Aviation Services (Pty) Ltd.)
M4 Interimpex-Avioimpex
IR* Iran Air, The Airline of the Islamic Republic of Iran
IA Iraqi Airways
LN Jamahiriya Libyan Arab Airlines
JD Japan Air System Co. Ltd.
JL* Japan Airlines Co. Ltd.
JU* **JAT** (Jugoslovenski Aerotransport)
JY Jersey European Airways
K4 Kazakhstan Airlines
KQ* Kenya Airways Ltd.
KL* KLM Royal Dutch Airlines
KE* Korean Air
KU* Kuwait Airways Corporation
7Z L.B. Limited
LB **LAB** (Lloyd Aéreo Boliviano S.A.)
LR **LACSA** (Líneas Aereas Costarricenses S.A.)
TM* LAM - Linhas Aéreas de Moçambique

LA* **LAN-CHILE** (Linea Aérea Nacional - Chile S.A.)
MJ **LAPA** (Lineas Aéreas Privadas Argentinas S.A.)
PZ **LAPSA** (Líneas Aéreas Paraguayas Sociedad Anonima)
NG* Lauda Air Luftfahrt AG
QL Lesotho Airways Corporation
TE* Lithuanian Airlines
LC Loganair Ltd.
LO* **LOT** (Polskie Linie Lotnicze)
LT **LTU** (Lufttransport-Unternehmen GmbH & Co.)
LH* **LUFTHANSA** (Deutsche Lufthansa A.G.)
LH* Lufthansa Cargo A.G.
LG* Luxair (Soc. Lux. de Navig. Aérienne)
DM Maersk Air A/S
VB Maersk Air Ltd.
MH Malaysia Airline System Berhad
MA* **MALEV** (Hungarian Airlines Public Ltd. Co.)
JE Manx Airlines Ltd.
ME* **MEA** (Middle East Airlines Airliban)
IG Meridiana S.p.A.
MZ Merpati Nusantara Airlines
MX **MEXICANA** (Comp. Mexicana de Aviación S.A. de C.V.)
OM MIAT Mongolian Airlines
WT* Nigeria Airways Ltd.
KZ* Nippon Cargo Airlines (**NCA**)
NW* Northwest Airlines Inc.
OA* Olympic Airways S.A.
3D* Palair Macedonian Airlines
PA Pan American World Airways, Inc.
PR Philippine Airlines Inc.
PK* **PIA** (Pakistan International Airlines Corp.)
PU* **PLUNA** (Pluna Líneas Aéreas Uruguayas S.A)
PH Polynesian Airlines Ltd.
NI* Portugalia S.A.
QF* Qantas Airways Ltd.
GV Riga Airlines
AT* Royal Air Maroc
BI Royal Brunei Airlines
RJ* Royal Jordanian
ZC Royal Swazi National Airways Corp. Ltd.
WR Royal Tongan Airlines
FR Ryanair Ltd.
SA* **SAA** (South African Airways)
SN* SABENA
E5* Samara Airlines
SK* **SAS** (Scandinavian Airlines Systems)
SV* Saudi Arabian Airlines
SG Sempati Air
LJ Sierra National Airlines
SQ Singapore Airlines Ltd.
JZ Skyways AB
J5 Sochi Airlines - Aviaprima
IE Solomon Airlines
SD* Sudan Airways Company Ltd.
PY Surinam Airways
SR* **SWISSAIR** (Swiss Air Transport Co. Ltd.)
RB* Syrian Arab Airlines
DT* TAAG - **Angola Airlines** (Linhas Aéreas de Angola)
TA* TACA International Airlines S.A.

GD **TAESA** (Transportes Aereos Ejecutivos S.A. de C.V.)
 TP* TAP - Air Portugal
 RO* **TAROM** (Romanian Air Transport S.A.)
 IJ* TAT European Airlines
 TG* Thai Airways International Public Company Ltd.
 TL* **TMA** (Trans-Mediterranean Airways S.A.L.)
 FF Tower Air Inc.
 TR* **TRANS BRASIL** (Transbrasil S.A. Linhas Aéreas)
 UN* Transaero Airlines (Joint Stock Company)
 HV Transavia Airlines (Transavia Holland B.V.)
 TU* Tunis Air
 TK* Turkish Airlines Inc.
 TW **TWA** (Trans World Airlines Inc.)
 UA* United Airlines
 5X UPS Airlines
 US US Airways, Inc.
 RG* VARIG S.A. (Viacao Aérea Rio-Grandense)
 VP* **VASP** (Viação Aérea Sao Paulo S.A.)
 VA* **VIASA** (Venezolana Internacional de Aviación S.A.)
 VS* Virgin Atlantic Airways Ltd.
 WF Wideroe Flyveselskap A/S
 IY* YEMENIA Yemen Airways
 Z7 Zimbabwe Express Airlines

ASSOCIATE MEMBERS

5L **AEROSUR** S.A. (Comp.Boliviana de Transp. Aéreo Privado)
 JQ Air Jamaica Express Ltd.
 7W Air Sask Aviation 1991 (La Ronge Aviation Services Ltd.)
 VT Air Tahiti
 TL Airnorth Regional
 AQ Aloha Airlines, Inc.
 ZQ Ansett New Zealand
 AU Austral Líneas Aéreas S.A.
 E9 Compagnie Africaine d'Aviation - C.A.A.
 Y4 Eagle Aviation Ltd.
 4S East West Airlines
 IH Falcon Aviation AB
 YC Flight West Airlines Pty. Ltd.
 9C Gill Aviation Ltd.
 G8 Gujarat Airways Ltd
 ZL Hazelton Airlines
 9W Jet Airways (India) Ltd.
 KD Kendell Airlines (Aust.) Pty. Ltd.
 UC LADECO Cargo
 UC LADECO S.A.
 BN Landair International Airlines
 CL Lufthansa CityLine GmbH
 6E Malmo Aviation Schedule AB
 M9 Modiluft
 NM Mount Cook Airlines
 N4 National Airlines Chile S.A.
 D5 NEPC Airlines
 GX Pacific Airways Corporation
 2W Pacific Midland Airlines Ltd.
 4Z SA Airlink (Pty) Ltd.
 FA Safair Freighters (Pty.) Ltd.

S2 Sahara India Airlines Ltd.
SP SATA Air Acores
D2 Skyline NEPC Ltd.
JK Spanair
BV Sun Air (Bop Air (Pty) Ltd.)
PI Sunflower Airlines Ltd.
KK TAM Transportes Aereos Regionais S.A.
JJ TAM Transportes Aéreas Meridionais S/A

Board of Governors	Highlights	Financial & Traffic Results & Forecasts	Industry Viability & Recognition	Safety & Security
Industry Support	Standards & Procedures	Products & Services	IATA Membership	Tables
Index		Top		



BOARD OF GOVERNORS

HIGHLIGHTS

FINANCIAL & TRAFFIC RESULTS & FORECASTS

INDUSTRY VIABILITY & RECOGNITION

SAFETY & SECURITY

INDUSTRY SUPPORT

STANDARDS & PROCEDURES

PRODUCTS & SERVICES

IATA MEMBERSHIP

TABLES

Operating Cost per ATK by Item 1996 - IATA International Scheduled Services			
	US cents per ATK	Percent change over 1995	Percent of total
Cockpit Crew	3.2	3.2	7.6
Fuel and Oil	5.6	19.1	13.2
Flight Equipment Insurance, Depreciation and Rentals	5.6	5.7	13.3
Maintenance and Overhaul	4.0	-	9.5
Landing Charges	2.1	-4.5	4.9
En-Route Charges	1.7	-	4.0
Station and Ground Costs	5.0	-3.8	11.7
Cabin Crew and Passenger Service	5.5	-6.8	13.0
Ticketing, Sales and Promotion	6.9	-11.5	16.1
General and Administrative	2.8	3.7	6.7
Total	42.4	-0.4	100.0

Sources: IATA Cost Committee & Quarterly Financial Survey, and IATA estimates

Note: Data based on IATA Membership as of 31 December of relevant year

Accredited Agents as at 30 June 1997				
Areas	PASSENGER		CARGO	
	Approved Locations	Growth over 1996 %	Registered Agents	Growth over 1996 %
The Americas (excl US & Canada)	6,270	-4.62%	567	3.47%
Canada	4,033	0.05%	138	2.99%
Europe, Middle East & Africa	29,533	6.64%	2,304	4.92%
Asia Pacific	8,019	7.49%	1,176	7.30%
Total	47,855	4.58%	4,185	5.31%
	IATAN Endorsed Agents*		CNS Endorsed Agents**	
U.S.	39,245	3.67%	1,395	0.79%

Grand Total	87,100	4.17%	5,580	4,14%
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Note: Listed by *PNS Corporation (training as IATAN) and **CNS Corporation

Clearing House Statistics 1997

At 31 December 1996 the Clearing House was providing settlement facilities to 195 IATA Members, 35 non-IATA members, 24 subsidiary ledger participants, 8 special accounts and 8 sponsored air carriers. 15 IATA Members, 7 non-IATA members and 3 subsidiary ledger participants joined in 1996. The agreement allowing settlement with the members of the Airlines Clearing House, Inc. in the US gave a total of 400 participants. The amount submitted for clearance in 1996 was USD 27,955 million.

Parties for which clearance was provided at December 31, 1996	Amounts submitted for clearance	1995		1996	
		USD millions	%	USD millions	%
Direct Participation	Increase 1995/1996: 7.9%	25,885		27,955	
IATA Members	195				
non-IATA members	35				
Subledger participants	24				
Sponsored Air Carriers	7				
Other participants	8				
	Claims by IATA Members	22,132	86	23,762	85
	269 Claims by non-IATA airlines (including subsidiary ledgers)	1,916	7	2,236	8
	Claims by ACH	1,183	5	1,118	4
	Claims by other parties	654	2	839	3
		25,885	100	27,955	100
Participation through Airlines Clearing House, Inc.					
IATA Members	11				
Other ACH Members	120				
	131				
Total Participation	400				

BSP Operations Cass Operations 1996

Board of Governors	Highlights	Financial & Traffic Results & Forecasts	Industry Viability & Recognition	Safety & Security
Industry Support	Standards & Procedures	Products & Services	IATA Membership	Tables

[Index](#)
[Top](#)



ANNUAL REPORT 1997

BSP Operations				
Area	Agent Locations Reporting via BSPs mid-1997	Participating Airlines mid-1997	1996 Net BSP Sales Volume in USD millions	
1	Argentina/Uruguay***	1,192	35	914
2	Australia***	2,340	66	3,693
3	Austria	277	77	765
4	Bahamas/BVI	40	24	64
5	Belgium & Luxembourg	548	83	1,163
6	Bermuda	14	14	52
7	Brazil***	1,518	29	833
8	Canada***	4,016	96	4,864
9	Central America	257	33	198
10	Chile	564	35	365
11	China-People's Rep of***	110	46	82
12	Colombia	646	25	270
13	Cyprus	124	30	110
14	Czech Republic	85	24	78
15	Dominican Republic	211	20	120
16	Eastern Africa	126	31	147
17	Eastern Carribean	214	24	181
18	Ecuador***	254	22	144
19	Egypt	475	38	202
20	Finland	288	43	554
21	France***	2,922	105	4,156
22	French Overseas Territ.	24	9	52
23	Germany***	4,493	124	8,283
24	Greece	318	49	399
25	Guatemala	144	18	67
26	Gulf Area***	193	44	355
27	Hong Kong	254	46	1,705
28	Hungary	134	27	106
29	India	91	31	n/a
30	Indonesia	304	39	620
31	Ireland	385	46	483
32	Italy***	3,875	86	3,182
33	Jamaica	104	16	97
34	Japan	796	61	18,176
35	Jordan***	235	16	52
36	Korea	477	38	2,309
37	Kuwait***	166	25	328
38	Malaysia	704	49	1,060
39	Malta	61	10	37
40	Mexico***	2,612	38	1,454
41	Micronesia	65	5	69

42	Netherlands	478	82	1,661
43	New Zealand***	805	40	950
44	Panama	82	27	72
45	Philippines	217	45	560
46	Poland	202	20	164
47	Portugal	530	42	490
48	Puerto Rico/USVI	575	37	330
49	Kingdom of Saudi Arabia***	386	33	262
50	Scandinavia	1,325	76	4,490
51	Singapore	193	49	1,323
52	Southern Africa	874	63	1,245
53	Spain***	4,261	85	2,570
54	Switzerland & Liechtenstein	803	88	2,078
55	Taiwan	327	32	1,408
56	Thailand	249	52	624
57	Turkey	280	44	228
58	United Kingdom***	4,666	116	8,953
59	Venezuela***	581	27	355
	Total 59 BSPs	48,490	**326	85,552

Notes:

*BSP India was implemented in the second half of 1996

**This net figure takes account of multiple BSP participation by airlines

***BSP also services other agents

n/aNot applicable (BSP began latter half of 1996)

Board of Governors	Highlights	Financial & Traffic Results & Forecasts	Industry Viability & Recognition	Safety & Security
Industry Support	Standards & Procedures	Products & Services	IATA Membership	Tables

[Index](#)

[Top](#)



ANNUAL REPORT 1997

Cass Operations							
CASS Operation	Airlines	Forwarders	Forwarders'	Settled (\$ Million)	Revenue (\$ Million)		
	mid-1997	mid-1997	Offices mid-1997		1996	1996	1995
Australia	41	147	427	337.5	461.6	401.6	347.4
Belgium/Luxembourg*	53	96	96	28.0	34.6	0.0	0.0
Canada	28	353	715	250.8	260.5	251.2	162.4
Costa Rica	18	28	34	13.7	30.3	26.0	28.6
Fiji	5	7	11	11.9	17.6	16.2	12.4
France	52	301	868	553.1	579.9	587.8	0.0
Germany	77	249	814	875.9	961.7	1012.7	700.6
Greece	13	39	60	13.4	21.5	0.0	0.0
Ireland	20	149	176	473	92.7	70.1	41.1
Italy	61	292	434	689.1	886.5	816.0	555.5
Japan	41	78	649	3,542.8	4,747.4	4,838.3	4,204.3
Korea	24	160	264	380.6	416.7	431.3	518.8
Mexico	34	143	134	61.4	96.4	71.4	51.0
Netherlands	66	90	130	309.4	355.8	341.1	256.6
New Zealand	25	40	74	136.4	199.2	179.3	149.7
Panama	22	37	57	16.8	17.7	17.7	19.5
Papua New Guinea	4	7	7	1.5	1.7	1.2	1.2
Philippines	21	82	82	95.6	130.9	124.7	114.5
Portugal	19	110	172	46.3	67.5	65.1	53.6
Spain	27	210	559	163.5	321.8	311.1	233.5
Switzerland/Liechtenstein	39	117	280	181.5	197.5	50.4	0.0
Turkey*	17	196	234	0.0	0.0	0.0	0.0
United Kingdom	89	1350	2020	874.7	1,813.6	1,509.6	1,106.0
USA**	83	1395	3294	2,256.8	2,425.3	2,307.7	1,987.2
Venezuela	16	52	65	5.6	12.0	1.7	0.0
TOTAL	***176	5771	11715	10,924.7	14,197.4	13,450.3	10,560.5

Notes:

*CASS operation began in 1996. Date are estimates

**Managed by Cargo Network Services Corporation (CNS)

***This net figure takes account of multiple CASS participation by airlines

****Difference between Revenue and Settled is due to agent remuneration and collect shipments

Board of Governors	Highlights	Financial & Traffic Results & Forecasts	Industry Viability & Recognition	Safety & Security
Industry Support	Standards & Procedures	Products & Services	IATA Membership	Tables

[Index](#)

[Top](#)