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ANNUAL REPORT *1998*



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BOARD OF GOVERNORS

(as at 7 May 1998)



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HIGHLIGHTS

INDUSTRY ISSUES

Last year, I saw good grounds for a recovery from the needlessly low net profits of USD 3 billion in 1996. My expectations were more than justified, as net profits re-bounded in 1997 to USD 5 billion. I make three observations on that figure. First, when added to the 1994-96 profits it still left the airlines USD 800 million short of recovering their losses of 1990-93. Secondly, it was achieved at very high load-factor levels, both actual and break-even. Thirdly, it disguises a far from homogeneous regional profitability picture.

Fundamental economic conditions, the effect of industry re-structuring on costs, and the impact of alliances on both revenues *and* costs, are today's major determinants of carriers' success - or lack of it. Interestingly, the most successful of today's alliances are based on the achievement of mutual operational and marketing synergies without any cross-ownership or share-holdings.



In Europe, where our Members enjoyed greater financial success in 1997 than for many years, a reasonably robust economic climate has combined with a re-structuring which is almost complete and with the first fruits of major alliance activity.

In North America, economic conditions remain strong and industry re-structuring, while more advanced, is continuing. As a result, IATA Members have been enjoying record profits.

By contrast, in Asia the economic slow-down of recent months - in most countries severe only by comparison with the rest of the world - has followed uncertainties on the foreign exchanges and capital markets. Intense competition and yield dilution has occurred, among carriers where re-structuring had hardly begun and alliance activity is in its infancy. Asian carriers' 1997 financial performance was, collectively, probably their worst ever.

In fulfilling its Mission and Goals, IATA is leading the charge on several fronts - which you can read about in this report. I highlight several, here:

- After focusing on airline readiness for the year 2000, IATA has launched a major initiative in relation to key third party suppliers to the industry. The project - launched with the

support of ICAO and ACI - will entail working with airports and ATS providers, to assess their "Y2K" preparedness.

- From 1 January 1999, IATA Member airlines will be able to allow payments for air carriage in either the *euro* or the national currency of the eleven European countries which have joined the first round of EMU. Conferences and committees are ensuring the necessary Resolutions are passed, and the technicalities addressed.
- Recognising that some airports and ATC service providers *do* make efforts to control their costs and offer value-for-money, a "Partnership for Productivity" award is now given annually to the *best* airport operator and/or provider of air navigation services, selected by a panel independent of IATA. The first award will be made at the 1998 AGM.
- Experience shows that airlines who suffer a serious accident *without* a good crisis communications programme, tested and in place, have a seriously, if not fatally, damaged reputation in the eyes of the public. IATA has now produced an "off-the-shelf" programme for Members to use.
- Our strong efforts to introduce world-wide uniform conditions for the registration and sale of high-value assets such as aircraft could save the industry hundreds of millions of dollars a year.
- After a ten year struggle, Montreal Protocol No. 4 has been ratified. Thus, as we near the next century, legal obstacles to electronic air waybills for cargo have been eliminated, holding out a better prospect for air cargo to finally realise its full potential.

IATA

I welcome the following carriers* who have joined since the last annual report: Arkia Israeli Airlines, Alpi Eagles SpA., Air Kazakstan, Cronus Airlines, Qatar Airways Co., and Eastwind Airlines.

Industry re-structuring continues - and IATA remains actively involved in efforts to improve safety, decrease costs and increase revenue. Our review of industry revenue settlement systems - ISS - conducted by KPMG is proposing major re-engineering/outsourcing of "back office" functions, while maintaining a good local presence. This is pointing the way to an even more efficient future with greatly reduced costs.



Pierre J. Jeannot

*List complete at time of going to press



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INDUSTRY SUPPORT

IATA identifies and articulates common industry positions - and supports the resolution of key industry issues.

YEAR 2000 "MILLENNIUM BUG"

On-line, refer to: <http://www.iata.org/y2k>



IATA has launched a world-wide initiative to help air traffic systems, airports and other key suppliers overcome the "Millennium Bug" and minimise disruption arising from the year 2000 date change - but IATA's objective is to make sure that airlines can also operate at the required *capacity*. The initiative will help achieve that objective.

Working in collaboration with the ATA and also closely with ICAO and the ACI, IATA will assist airports and air traffic systems to make an inventory of systems which may not be year 2000 compliant and monitor remedial action taken. By acting *now* the authorities responsible can fix their systems in time to avoid problems. The new project will feature regional training seminars for airport and air traffic systems managers, as well as teams of year 2000 specialists to assist the on-site

data collections in the most critical areas.

For the past two years, IATA Member airlines have been working together to ensure their *own* systems will be year 2000 compliant and are spending an estimated USD 1.6 billion to bring them up-to-date. IATA Members have been sharing "best practices" and co-ordinating their work with third party suppliers to avoid duplication. The new project will complement these efforts.

INFRASTRUCTURE

With continuing global traffic growth, the need for early implementation of CNS/ATM is urgent. IATA is playing a major role in this activity. ICAO has adopted a global implementation plan, drawing heavily on user input, which will be regularly revised. Implementation activity has widened from the Asia/Pacific Region - to the Middle East, the North Atlantic, Latin America and the Caribbean. But important conceptual issues of air traffic management and supporting technologies remain to be resolved.

Aviation's access to scarce radio frequency spectrum is under attack from other interested parties. Concerted efforts are underway to safeguard the user's requirements with the

International Telecommunications Union (ITU) and with governments.

Africa: Safety continues to be a focus of attention in Africa. IATA is identifying the problems and talking to the authorities about appropriate remedial action, both at the technical and institutional levels. Recognising that problems cannot be resolved without the commitment of *all* industry stakeholders, IATA has fostered closer co-operation with ICAO, IFALPA, AFRAA, IFATCA and all states and organisations concerned.

Special attention has continued to be paid to routes between Southern Africa and Europe, where recent increases in traffic have led to capacity shortfalls and increases in air traffic incidents. IATA has developed co-operative activities with the states and provider organisations to effect improvements to fixed and mobile communications, navigational aids and reorganisation of airspace and manpower issues, including training. Significant improvements to pilot/controller communications have been made along the entire route, but especially in the Luanda and N'djamena FIRs.

Rapidly improved co-ordination between ATS units throughout Southern Africa has resulted from the implementation of essential communication links by the Southern African Development Community (SADC) Vectoral Satellite (VSAT) project. Agreement has been reached on the charges required - which are expected to be recovered by the states through an IATA ATC Billing and Collection agreement with the SADC. Such agreements have been signed recently with Zambia and the Democratic Republic of Congo.

Asia/Pacific: IATA has established task forces to work with the authorities in China, India and the Russian Federation on airspace capacity and efficiency issues. The task forces provide a forum in which IATA Members present their operational requirements and discuss appropriate, cost-effective, infrastructure improvements to meet the requirements. The task forces will also review current operational services provided by each state - and help develop programmes to resolve deficiencies, enhance safety and improve operational efficiency.

Key projects for IATA's airport "Capacity Enhancement Task Forces" include: Bangkok, where work on the ultimate capacity of the existing airport at Don Muang and the phasing of the second airport have been undertaken; Hong Kong, where work with the authorities has ensured adequate runway capacity at the new airport; and Tokyo/Narita where following IATA/airline efforts to minimise the impact of aircraft noise on operations at Narita by the use of new procedures, the number of permitted movements has increased from 360 to 370 per day.

From 23 April 1998, international airlines began regular scheduled flights through North Korean airspace. The new airway between Asia and North America, is regarded as only the *first* of a network in North Korea that will provide airlines with long sought-after flight efficiencies in that part of Asia. Overflight revenue earned by the General Administration of Civil Aviation (GACA) in supplying the services to airlines, will be collected under contract by IATA and used wholly for the running costs and the development of civil aviation infrastructure in North Korea.

This historic achievement resulted from intense co-operation, over three years, between IATA and the GACA in Pyongyang, with the political support of ICAO. They have worked together to finance and up-grade the civil air traffic control facilities in North Korea. One of the results is a state-of-the-art communications system for the Pyongyang FIR. Trials confirmed that flights between N. America and Seoul were reduced by some 40-45 minutes with estimated annual savings to the airlines of at least USD100 million.

States in Asia/Pacific support ICAO's CNS/ATM transition and implementation programme, itself based on IATA's "User-Driven Plan". ICAO has developed, with the states and IATA, regional guidance material - to help ATS providers implement CNS/ATM operations.

Europe: Air traffic continues to grow at between 6 and 7 percent per year, placing heavy pressure on airspace and airport capacity. ATC delays decreased between 1989 and 1994; they have

since risen - but remain below the levels experienced in the late 1980's. Now that comprehensive data is available from the CFMU for all of Europe, it is possible for the first time to simulate system wide capacity, demand and delay.

IATA has successfully challenged the states and EUROCONTROL, to provide 7 percent *more* capacity in 1998 than was achieved in 1997. Capacity simulations have been completed for the entire ECAC airspace to show precisely where and by how much capacity will need to be increased. This process will be further developed so that the CFMU can focus on capacity *management*, as well as its current role of regulating traffic to limit peak demand on the system.

The same simulation process will also be used in the new performance review system - so that long term plans can be made for the critical areas, where improvements will most benefit the ECAC airspace as a whole.



IATA has also been heavily involved in the detailed work to introduce B-RNAV and in the changes in the European route network that will occur at the end of the year. These are designed to take advantage of RNAV, to reduce bottlenecks and to increase airspace capacity. Introduction of RVSM is planned for the autumn of 2000; the estimated operational benefits are in excess of USD 1 *billion* annually.

Underpinning these improvements is the new EUROCONTROL Convention, already implemented on a provisional basis while awaiting ratification by the 27 signatory states. Key features of this Convention, making capacity enhancements easier to achieve include:

- A streamlined structure and decision-making process
- Weighted majority voting in place of consensus
- Binding decisions on all states, even if they voted against them - and
- An independent performance review system

As in Asia/Pacific, IATA has set up a number of local capacity groups to secure new procedures at airports to increase capacity in the most cost-effective way. They are already achieving a measure of success and IATA intends to build on this process as EUROCONTROL assumes responsibility for the work previously done by APATSI.

Work continues, with the Asia/Pacific region, to define an improved route network across the Russian Federation and to find ways of modernising the Russian ATM system.

Latin America/Caribbean: In order to provide additional capacity to match forecast traffic growth, IATA's efforts are concentrated on the introduction of GPS navigation and reduction of separation standards. A strategy of promoting test-beds and evaluation projects has been successful. States have started to recognise airline needs in the development of GPS routes - which will yield fuel/time savings and provide relief to conventional route choke-points, such as Venezuela, Colombia, Panama, and the Caribbean.

Some 12 countries have published the necessary circulars for approval of supplemental GPS navigation; two countries, Argentina and Chile, provide for primary GPS navigation authorisation, and have established RNAV routes in their airspace. Thirteen RNAV routes between the East coast of Florida and the Bahamas, Puerto Rico, and Haiti, will begin shortly. IATA recently obtained agreement between local states and ICAO to test and evaluate six long-haul RNAV/GPS routes between the US and South America.

Middle East Region: Jointly with AACO, IATA expects to work with the newly created ACAC, to remove multiple obstacles impeding free traffic flow in the Middle East. The FANS-1/A navigation

package has now been designated as a standard for the whole of the Middle East Region by ICAO's regional planning group MIDANPIRG. This will be welcomed by all Members operating to or through the Middle East Region, including those overflying the region between Europe and Asia as well as on to North America.

A rationalisation of routes in some FIRs has shortened flight distances across the Arabian Peninsula, giving savings on the route between the Mediterranean and Kuwait of more than USD 3 million annually. Negotiations with the civil aviation administrations of Israel and Jordan continue - for the overflight of Tel Aviv FIR to and from Amman, and for the designation of Amman and Tel Aviv as alternate airports for each other. Efforts are in progress to improve the flow of traffic through Damascus FIR, where infrastructure shortcomings cause a slowdown in traffic between the Gulf and the Mediterranean.

North Atlantic/North America: The introduction of RVSM on the North Atlantic in March 1997 provided operators an immediate USD 20 million per annum in fuel savings. More significantly - it has paved the way for the effective doubling of en-route airspace capacity throughout the world.

In areas where airspace capacity constrains traffic growth this low cost, current technology, programme will provide a cost-beneficial interim resolution, pending the development and deployment of the new CNS technologies.

As with RVSM, it is intended that the North Atlantic should take the lead in deploying the CNS/ATM Systems. Significant progress has been made in defining the operational utility and in assessing the potential benefits from the use of data-link over the North Atlantic. But these will not be realised *until* the CNS/ATM technical standards have been finalised and the next generation of ATC automated systems are operational, post 2000.

In the interim, IATA has received the agreement of the North Atlantic ATS providers to use the data-link capabilities of the FANS-1/A systems. This will provide operational benefits and obviate the need for an otherwise costly interim expansion of the North Atlantic communications infrastructure.

Together with other airspace user representative bodies, IATA has been actively co-operating with NAVCANADA - the provider of ATS in Canada - to help define a more efficient and cost-beneficial system of air traffic management within the airspace controlled by the authority.

Airport Consultative Committees (ACC): These are active at most major European and Asia/Pacific airports; the nature and extent of involvement is directed by *multi-disciplinary* Airport Steering Groups which include airline representatives involved with airport planning, scheduling, flight operations and user charges. ACC activity is useful in bringing pressure to bear to forestall inappropriate developments - such as in Bangkok where studies demonstrated recently that a planned major investment in infrastructure development at the existing airport was unnecessary, given the ultimate capacity limits imposed by the *runway* system.

IATA, with **Airports Council International** and the **Air Transport Action Group**, will produce an **Airport Capacity/Demand Profiles** database in 1998 which will be useful to airport planners, airline schedulers, airport consultants and suppliers.

ENVIRONMENT

Ultimately *no* airline, whatever its region of registration, will be able to stand aloof from environmental matters, and nor will any state - as pressure for so-called "energy taxes" mounts and serious efforts to cut oil consumption begin to bite.

As many IATA members have learned to their cost, over recent months the environmental debate has had more to do with politics and public sympathy than with technology or scientific fact. There were various ad hoc political decisions which were ill informed, or which ignored the wider

implications of the decisions, economic or otherwise.



In September 1997 an aircraft emissions surcharge went into effect at Zurich airport. This was the first time that aircraft emissions were reflected in the structure for *user charges*. Because of the dangerous precedent this had, for the maintenance of global ICAO based standards, IATA filed a public law appeal against this decision in the Swiss Federal Court. The outcome of this challenge will not be known for some months.

In April 1997, IATA had been successful in halting the UK Government's decision to impose a new departure noise regime at the three London airports. A new round of consultations was initiated in November 1997, but this consultation did not comply with the court order which settled IATA's *earlier* challenge. In particular, the Department did not

honour its obligation to *consult* on the issue of environmental impact.

As a result of its earlier action, IATA therefore launched a *further* judicial review of the consultation process which *was* to have been heard in the High Court in late February 1998. But, following intensive negotiations with the UK Government, a supplementary consultation paper which *enforces* the earlier settlement will now be issued by the Department.

In all these developments, IATA's aim is that our Members should serve the world community as good neighbours - safely, securely and profitably. The episodes show that an environmental protection policy needs a proper assessment of environmental *impact*, together with an open consultation process.

IATA developed a new policy on climate change for the Kyoto Climate Change Conference in December 1997, as a vehicle for achieving the *inclusion* of a provision in the Kyoto Protocol that defers to ICAO as the proper UN agency for establishing international aviation emissions policies and standards. Together with ATA and ICAO representatives, IATA was able to secure this outcome, in the final Kyoto Protocol.

CONSUMER ISSUES

Consumer information and protection issues continue to provide governments with a strong rationale to review and tighten legislation and regulation of industry practices. Recently, these have included CRS rules, notices to passengers of various kinds, denied boarding rules and Conditions of Carriage. Meetings of the Airline-Consumer Forum offer a valuable opportunity to share information and views on current issues and to underscore those likely to attract attention in the future.

The IATA standard Conditions of Carriage, being reviewed by the European Commission and various IATA bodies, was the most important topic of 1997/98. An IAC Working Group met twice with consumer representatives to hear views on possible changes, several of which are being proposed for adoption by a special meeting of the PSC.

Attention also centred on safety issues including the measures being implemented by governments and airlines to halve the accident rate by 2004.

Other subjects discussed were market pricing, the nature and impact of strategic alliances, preparations for the euro, unruly passengers, passenger liability and simplifying passenger flows through airports. A consumer representative has agreed to participate in the IATA working group to propose measures to simplify airport flows.

The regional airline associations were welcomed as members during the year. They will provide

additional global input and they join the ten consumer bodies and eight airlines already represented on the Forum.

REGULATORY MONITORING

ICAO will hold its 32nd Assembly in Montreal in September-October this year. IATA plans to submit papers outlining the industry's views and where appropriate asking for government action. They include:

- *Safety Oversight* - supporting ICAO's role as the global watchdog for safety standards
- *Infrastructure* - alerting governments to the need to carry out "corporatisation" or privatisation of infrastructure in such a way as not to saddle the air transport industry with unjustifiably high levels of charges
- *Taxation* - re-iterating the need for governments to honour the taxation policy for international civil aviation which has been agreed within ICAO
- *Environment* - endorsing ICAO's primacy as the international agency for environmental oversight and the conclusions of the latest round of talks on aviation environmental regulation
- *Liability* - supporting ICAO's efforts to modernise the Warsaw Convention;
- *CNS/ATM Implementation* - calling on states to meet their commitments to introduce a global satellite navigation system, according to agreed timescales
- *The Year 2000* - encouraging ICAO to reinforce its efforts to sensitise states to the need for their civil aviation facilities to be "Y2K compatible"
- *Unruly Passengers* - asking governments to ratify the Tokyo Convention if they have not done so - and to ensure legislation is in place to allow law and order forces to intervene directly an aircraft lands, if unruly behaviour has happened
- *International aviation regulation* - supporting ICAO's role as the global regulator of international civil aviation - accepting that in practice it has been impossible to get governmental consensus on economic issues.

Airline ownership, privatisation of infrastructure, industry marketing and distribution trends, and consumerism are the most topical regulatory issues - with Brussels and Washington as the main centres of legislative activity. But developments in other regions reflect a continuing process of globalisation in the industry.

Ownership: Initiatives to privatise airlines continue unabated. In Western Europe, the remaining state-owned carriers all contemplate reduction of government participation. In Central and Eastern Europe, a similar trend is emerging, although progress will depend on the availability of private investment funds. It remains to be seen whether the Asian economic crisis will speed up or slow down the privatisation process in that area.

Some airlines are "unsellable" for a variety of reasons; some governments do not want to let go. Nevertheless, within a decade there will probably be few airlines left under direct government control.

Privatisation of infrastructure: This has accelerated in Latin America and Australasia, with European and North American companies that run airports or engage in ground handling marketing their management skills in those regions. Airlines are concerned that the new operators of privatised airport and terminal facilities may increase charges excessively.

Air Traffic Services are also being de-nationalised - usually becoming "corporatised" entities rather than being privatised. As with airports, the airlines seek a fair basis for charges, for using what is a monopoly service.

Industry marketing: the two-year review of the American Airlines-British Airways alliance is

approaching resolution. The EU had widened its investigation to review *all* strategic alliances involving European carriers.

Asian economic problems may push airlines in the region into alliances for the first time, and increase the number of code-sharing arrangements. But the biggest catalyst for change, so far, has been "liberal" bilaterals such as Singapore-Australia, and the new air services agreement between the US and Japan.

In other regions, code-share deals have increased rapidly since the last AGM. IATA estimates that more than 100 new or expanded code-share arrangements have been discussed or put into the marketplace, bringing the world total to about 600.

Low-cost operations are spreading, notably in Western Europe. Japan, which has traditionally been conservative in its approach to domestic regulation, has now authorised new "no frills" operations. These carriers face a number of obstacles, in particular the limited number of slots available and high charges at the country's major airports.

Distribution: Airlines are slowly reducing their high distribution costs - and this is having an impact on airline/agent relations. The availability of electronic ticketing and the Internet as sales tools reduces airlines' reliance on agents to a small degree. However, there are limits to the process and 60-80 percent of tickets and waybills will continue to be written by agents.

Consumerism: Acting, as they see it, on behalf of consumers, both the US and the EU are reviewing their respective CRS Codes of Conduct - despite the purists' view that tight regulation of CRS is no longer necessary, since the leading systems have been put at "arms length" from their airline participants.

Africa: The US has launched a "Safe Skies for Africa" initiative, to help improve the operational efficiency of civil aviation - including upgrading of airport and air traffic control infrastructure. The US is also discussing new bilateral opportunities with countries in Africa.

Some airlines are being partially privatised. However, many of them are not as attractive an investment as their counterparts in other regions and adequate legal guarantees for foreign investment are lacking in a number of countries.

Asia/Pacific: Countries in this region do not hold homogeneous aero-political views, contrary to some outside perceptions. However, in most countries the bilateral system reigns supreme and many are opposed to the "open skies" concept.

Civil aviation in Asia has been dominated by the economic crisis affecting a number of countries - but regulatory activity continues. The most significant development was the new bilateral agreement between Japan and the US, since it gives alliance and code-share opportunities, and liberalises passenger *beyond rights* to a degree, and cargo rights completely. As the bilateral negotiations were being completed, all three major Japanese carriers were finding alliance or code-share partners in North America and Europe.

The economic crisis hit East Asian countries suddenly, late last year, and resulted in:

- A downturn of demand, lower load factors and lower revenues
- Large costs increases for aircraft investment and fuel supplied in hard currency. Many carriers cancelled or postponed aircraft orders;
- Likely over-capacity and yield dilution, because of fierce competition and fare wars - amplified by the marketing policy of carriers looking to expand market share.

East Asian governments' reactions have included some discouragement of outbound tourism, increases in taxes, efforts to stimulate consumer spending, and encouragement of in-bound tourism. The short-term future for some East Asian airlines is uncertain and some are looking to

governments and other carriers to help them survive. This could lead to growth in code-sharing, joint ventures and consolidation of airlines in some countries.

China - with the exception of Hong Kong - seems so far not to be seriously affected by the crisis so far, and is concentrating on continued development of its air transport sector under close government supervision. However, the proliferation of new carriers has had a negative impact on operating economics and there is likely to be some consolidation and reduction in the number of airlines in the near-term.

Europe: This year, the competition law exemptions - under which IATA tariffs, agency distribution, scheduling co-ordination and services standardisation conferences operate in the EU - are all due to be renewed or renegotiated. Matters are proceeding slowly, since the EC Directorate General for Competition, DGIV, has been giving priority to its examination of airline alliances.

The European Commission has been trying to obtain a broad mandate to negotiate a bilateral air transport agreement with the US, from the European Union Council of Ministers - so far without success. The Commission has recently launched proceedings on denied boarding compensation and conditions of contract/carriage.

The EU is negotiating with carriers in central and eastern Europe to create a single aviation market embracing the 15 EU states, 10 central/east European countries, plus European Economic Area members Norway, Iceland and, eventually, Switzerland.

The Russian aviation authorities have announced plans to consolidate the air transport industry into some 50 airlines by the beginning of the next century, from the 300-plus currently operating. Many Russian carriers are unprofitable.

Latin America/Caribbean: Apart from airport privatisation - a third of the airports have been or will be privatised - the big issues are strategic alliances, in particular the penetration of US airlines, and the recurrent subject of safety oversight.

In 10 years, Latin American states have gone from being among the most protectionist in civil aviation, to a considerable flexibility in bilateral arrangements - the US has mounted an "open skies" campaign in the region with considerable success.

Middle East: The situation is clouded by the status of the Israeli-Palestinian peace process and tensions relating to Iraq.

One important phenomenon in several countries is the abolition of state-owned carriers' monopolies. Not all the new privately-owned start-up airlines may succeed, but they are forcing established carriers to take notice and improve service standards. Several privatisation initiatives are in hand but the region's carriers have been cautious about making code-sharing agreements or alliances with companies outside the Middle East. There are *no* such agreements between airlines within the Middle East.

North America: The fundamental issue in the US is whether to fund the FAA's Air Traffic Services through direct charges on users, rather than excise taxes charged to customers. A first initiative - on overflight charges for foreign airlines - was blocked by a US Court, following protests by non-US airlines that the charges did not conform to US law, which requires that they be cost-related.

The US Government has convinced two out of three - among its major trading partners - to agree to "more liberal" bilateral agreements. The US and Japan announced a new bilateral agreement last March which, whilst expanding market opportunities, falls well short of American-style "open skies." The following month, the US and France succeeded in developing a new bilateral - which will proceed through a phased transition rather than a sudden shift to increased liberalization. Discussions with the UK have so far made little progress, despite the US saying they will not

approve the American Airlines-BA alliance until an "open skies" bilateral is in place.



There has been a general drop in commissions on ticket sales in the US. Airlines and agencies are working hard to refine the use of alternative distribution methods.

The Department of Transportation has released for comment its plans for policing predatory conduct. They represent a confluence of political pressures - generated by small start-up airlines, rural regions passed over by the major airlines' route development, and regions captive to the economic power of hub-dominant airlines. The plans signal a retreat from whole-hearted commitment to the free market as the guide to the economic development of the US airline industry. The targets of the proposed new policy - the major US airlines and their labour unions - are beginning to fight back.

The US industry is moving into its next stage of consolidation. Early in 1998, Northwest and Continental announced that they wish to co-operate in code-sharing around their respective networks - followed in April by almost simultaneous announcements of proposed code-share agreements by American Airlines and US Airways and by Delta Airlines and United Airlines.

LEGAL AND CORPORATE SECRETARY SUPPORT

Liability: The focus has moved from the signing by carriers of the IATA Inter-carrier Agreements (IIA/MIA) - more than 100 airlines, carrying 90 percent of scheduled international traffic, have signed the IIA and nearly 70 are parties to the Measures to Implement the Agreement - to the issues surrounding implementation in national jurisdictions around the world.

Implementation requires harmonisation of the various approaches, in some cases subject to governmental approval, which IATA has been able to facilitate. It has also opened up vigorous discussion on issues surrounding related topics, such as notification to passengers of the terms of the conditions of carriage, and the conditions themselves.

Conditions of carriage and contract: The Legal Advisory Group (LAG) mandated the formation of a working group to address the conditions of carriage in 1997. It also initiated a study on ways to distribute these conditions to passengers.

IATA, through the LAG working group, has been working with regulators, consumer groups and the industry to revise standard form conditions of carriage, a text of which the LAG approved in February 1998. One of the most valuable features of international air transport is the ability to interline, which requires common ticket stock. In turn, that requires a high degree of industry agreement on the terms of the contract with the passenger.

Unruly passengers: Another growing concern for the industry is unruly, or disruptive, passengers. The LAG has mandated a working group to address the problem. It is looking at both airline internal issues, such as staff training and procedures, and at fostering close co-operation between the airlines and law enforcement and security services, to ensure that appropriate action is taken when aircraft land.

High Value Mobile Assets Convention & Aircraft Equipment Protocol: Following on from the Resolution adopted at the 1997 AGM in Amman, IATA has continued to push for the completion of the preparatory work for the adoption of these treaty instruments. Government briefing sessions have been held in South East Asia, the Americas and Europe - and are planned for Africa, the Middle East and Northern Asia. Drafts of the documents are being submitted to governments, with a view to convening a **diplomatic conference during 1999**.

Given the enormous benefits the proposed treaty and associated aircraft equipment protocol will provide to the industry, IATA will continue to promote the successful conclusion of this project.

Environmental litigation: See "[Environment](#)"

Articles of Association and Rules of Procedure: New, modernised, Articles of Association were approved by the 1997 AGM in Amman. In addition, revised Rules of Procedure of General Meetings were adopted. The text of the Articles had been the subject of extensive consultations with Members for a year and a half. They represent a broad consensus and are intended to meet the needs of the Association to enable IATA to move confidently into the 21st century.

Legal Symposium 98: The second major symposium of IATA Members' legal officers and representatives of governments, international bodies and private law firms, was held in February 1998 in Bangkok. It was very well attended and the topics of debate have again set much of the aviation community legal agenda for 1998. Concurrent with the Legal Symposium, the largest ever meeting of the **IATA Legal Advisory Group** convened to consider issues of common concern to the industry. It also reviewed and approved the recommendations of several working groups and approved the text of revised conditions of carriage.

CORPORATE COMMUNICATIONS

On-line, refer to: <http://www.iata.org/pr/>

IATA Corporate Communications will be offering crisis communications and media training - and a Crisis Communications Manual for IATA Member airlines.



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FINANCIAL & TRAFFIC RESULTS & FORECASTS

FINANCIAL RESULTS 1997

International Scheduled Results

Following a decline in net profitability in 1996, IATA airlines' achieved a near-record net profit of USD 5 billion in 1997. However, that figure represented only 3.4 percent of their revenue. The result was achieved through higher load factors. Despite another increase in their break-even load factor, to 61.1 percent, the airlines' achieved load factor at 64.4 was more than three points higher than in 1993, the year of the airlines' most recent net loss.

Corporate Results

According to preliminary estimates, the net result improved by USD 3 billion in 1997 - but it represented less than 3 percent of revenue. These figures include large domestic and non-transport elements and may be subject to changes in accounting procedures.

IATA International Scheduled Services 1993-97					
USD Billions	1993	1994	1995	1996	1997
Operating Revenues	107.7	115.4	128.8	137.1	145.7
Operating Expenses	108.1	110.3	119.9	131.1	137.5
Result before Interest	-0.4	5.1	8.9	6.0	8.2
Net Interest Payable	3.7	3.5	3.7	3.0	3.2
Result after Interest	-4.1	1.6	5.2	3.0	5.0

Source: IATA Aviation Information & Research
Note: Data based on IATA Membership as of 31 December of relevant year

IATA Airlines' Corporate Financial Results 1993-97					
USD Billions	1993	1994	1995	1996	1997
Operating Revenues	216.9	231.0	253.1	265.4	272.9
Operating Expenses	214.7	222.8	239.8	252.9	256.7
Operating Result	2.2	8.2	13.3	12.5	16.2
Percentage of Revenues	1.0	3.5	5.3	4.7	5.9
Net Result	-3.8	1.1	4.0	4.2	7.2
Percentage of Revenues	-1.7	0.4	1.6	1.6	2.6

Source: IATA Aviation Information & Research
Note: Data based on IATA Membership as of 31 December of relevant year

TRAFFIC RESULTS 1997

Passenger Traffic

A total of 412 million passengers were carried on the international scheduled services of IATA airlines in 1997 and more than 861 million on domestic services - for a grand total of 1,273 million. Once more, international growth - at 6.8 percent - was much higher than domestic growth. Total charter passenger traffic grew, despite a decline in the small domestic market, for the first time in some years.

Actual and Breakeven Load Factors 1993-97						Yields and Unit Costs 1993-97					
IATA International Scheduled Services (Percent)						IATA International Scheduled Services(US Cents/Tonne-kilometre)					
Values for Chart:	1993	1994	1995	1996	1997	Values for Chart:	1993	1994	1995	1996	1997
Actual:	61.3	63.5	63.4	63.6	64.4	Yield	71.6	69.4	71.6	69.8	67.9
Breakeven Before Interest	61.5	60.7	59.4	60.8	61.1	U. Cost	44.0	42.1	42.6	42.4	41.5

Cargo Traffic

Total freight tonnage grew by 7.8 percent in 1996 to nearly 26 million. Growth on domestic services was only 3.8 percent, but international freight grew by 11.0 percent. Growth in mail traffic was unspectacular; mail traffic accounted for only 1.7 percent of total tonne-kilometres performed during the year.

IATA Members' Air Transport Operations 1997						
	International +/- Change 1997 over 1996		Domestic +/- Change 1997 over 1996		International and Domestic Combined +/- Change 1997 over 1996	
Scheduled Services						
Passengers Carried (thousands)	411,888	6.8%	861,163	3.7%	1,273,051	4.7%
Freight Tonnes Carried (thousands)	14,726	11.0%	11,255	3.8%	25,982	7.8%
Passenger-Kilometres Flown (millions)	1,415,504	7.2%	948,659	4.6%	2,364,163	6.2%
Available Seat-Kilometres (millions)	2,019,976	6.1%	1,377,692	2.6%	3,397,668	4.7%
Passenger Load Factor (%)	70.1	0.7pt	68.9	1.3pt	69.6	1.0pt
Tonne-Kilometres Performed (millions)						
Passenger (incl. baggage)	131,427	7.4%	84,175	4.8%	215,602	6.4%
Freight (incl. express)	81,678	11.0%	17,198	5.5%	98,876	10.0%
Mail	2,502	3.0%	3,098	3.2%	5,600	3.1%
Total Tonne-Kilometres (millions)	215,607	8.7%	104,472	4.8%	320,079	7.4%

Available Tonne Kilometres (<i>millions</i>)	334,545	7.3%	186,506	3.9%	521,051	6.1%
Weight Load Factor (%) (All-Cargo Flights included above)	64.4	0.8pt	56.0	0.5pt	61.4	0.7pt
Charter Services						
Passenger-Kilometres Flown (<i>millions</i>)	83,139	3.6%	5,465	-12.9%	88,604	2.4%
Tonne-Kilometres Performed (<i>millions</i>)	8,571	7.8%	645	19.5%	9,216	5.4%
Available Tonne-Kilometres (<i>millions</i>)	13,311	8.4%	1,194	- 19.7%	14,505	5.5%
All Services						
Passenger-Kilometres Flown (<i>millions</i>)	1,498,643	7.0%	954,124	4.5%	2,452,767	6.0%
Tonne-Kilometres Performed (<i>millions</i>)	224,178	8.7%	105,117	4.6%	329,295	7.3%
Available Tonne-Kilometres (<i>millions</i>)	347,856	7.4%	187,700	3.8%	535,556	6.1%

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

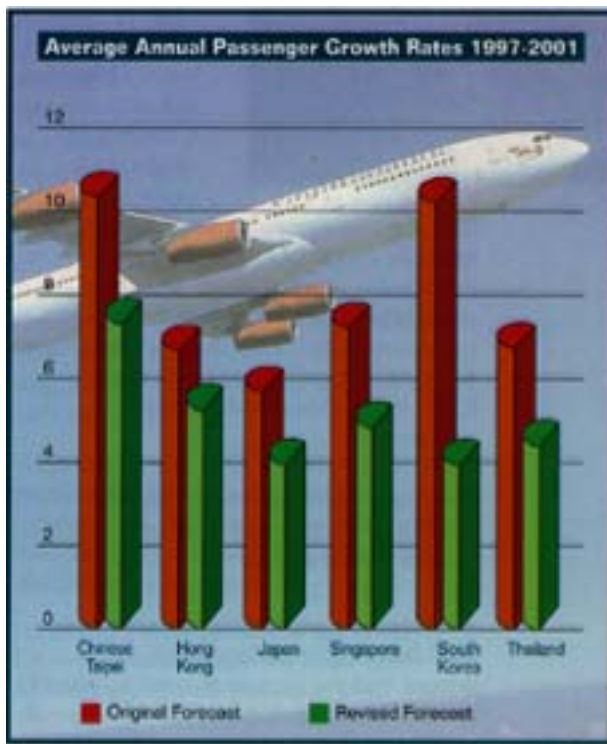
THE IMPACT OF RECENT EVENTS ON THE ASI/PACIFIC AVIATION MARKET

In March of 1998, IATA revised its passenger and freight forecasts in the light of the financial crises in the region's foreign exchange and capital markets.

A survey of the CEO's of Member airlines operating to, from and within Asia/Pacific resulted in downward revisions to the 1997-2001 growth forecasts for the area from 7.7 percent per annum to 4.4 percent for passengers, and from 9.0 percent to 6.5 percent for cargo traffic.

Financially, the impact on airlines operating to, from and within the region is expected to be a reduction of net profit of the order of USD 2 billion, with some 30m. fewer passengers and 1m tonnes less freight in 2001 than previously forecast.





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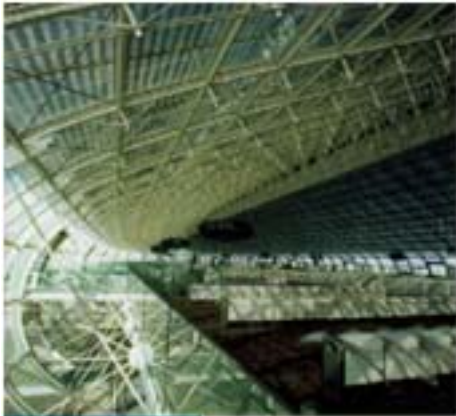


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STANDARDS & PROCEDURES

IATA aims to develop cost-effective, environmentally-friendly, standards and procedures to facilitate the operation of international air transport.

PASSENGER & AIRPORT SERVICES



As part of the introduction of EMU in Europe on 1 January 1999, **Ticketing standards for the introduction of the "euro"** have been developed. IATA aims to implement use of the euro as easily and cost effectively as possible. Flexibility is the keyword - for both airlines and consumers - in line with the EU's declaration of "no prohibition ... no coercion".

On-line, refer to: <http://www.iata.org/emu/>

Amended **Conditions of Carriage, Conditions of Contract** and **new Ticket Notices** have been developed for greater clarity for consumers of their rights and responsibilities when purchasing a ticket. This activity has been undertaken in co-operation with the Legal Advisory Group, and in consultation with the European Commission (DG VII) and

consumer representatives.

An implementation guide has been developed, on **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. An implementation guide has also been developed for **Smart Cards**.

On-line, refer to: <http://www.iata.org/ersp/> and <http://www.iata.org/smartcard/>

A major industry **Revenue Protection Forum** is planned for June to seek new ideas for industry action to combat **fraud**.

On-line, refer to: <http://www.iata.org/rp/>

A Recommended Practice on guidelines for the acceptance of **carry-on baggage** has been developed to reduce the problem passengers encounter as a result of different carry-on allowances amongst carriers. The Practice adds the element of weight in addition to size as part of the carry-on allowance.

A detailed 'Carry-on Baggage Awareness' communications programme has been included, to offer guidance and consistent visual aids for those carriers wishing to promote this issue internally and/or externally. The communications programme can also support a co-ordinated industry-wide carry-on baggage awareness campaign, should a group of members wish to undertake this activity.

The **Multilateral Interline Traffic Agreement - Passenger (MITA)** has been amended to clarify those sections dealing with the acceptance and checking of interline passenger baggage. This is expected to result in fewer mishandled bags, since a number of ambiguities have been eliminated.

The **SITA/IATA WorldTracer baggage tracing product** will be enhanced by the inclusion of Internet features for the use of passengers, carriers and ground handling agencies. Initially passengers will be able to access information including their personal lost bag files via a participating airline, SITA or IATA websites. In the future it may also be possible for passengers to directly amend information such as their contact details, bag type, bag features, etc. with those carriers wishing to offer such a service. These improvements will enable passengers to access information at anytime, from anywhere, without the need to have direct contact with carrier baggage staff.

Radio Frequency Identification (RFID) bag tags have come a step closer to reality with the development of industry specifications to support world-wide standards. The tags are expected to enable carriers to sort and, more importantly, *reconcile* bags much faster and more reliably than in present systems. Testing by carriers, system providers and the US government has shown advantages for the RF systems over current technology.

The **IATA Ground Handling Council (IGHC)** has developed an **airport handling quality standards** measurement and control system for aircraft ground handling service **delivery standards** - which requires little or no extra resources to implement and provides the industry with a consistent level of performance including the prospect of continuous improvement in the future.

The IGHC has developed new industry standards for **airside safety** performance, safety management audits, training objectives, safety investigations and guidelines for a due diligence program. The new industry standards form part of the strategic objective to raise overall airside safety, to reduce damage to aircraft, ground support equipment and facilities, and to prevent injuries to personnel and passengers.

Manual handling of baggage/material is a primary cause of personnel - particularly, back - injuries. The IGHC has therefore developed a new set of recommendations for the **prevention of back injuries** containing guidelines for baggage and material handling.

The IGHC has contacted an aircraft manufacturer, to give Members an opportunity to receive advanced information about the proposed **new generation Very Large Commercial Transport aircraft**. This has also enabled the manufacturer to receive comments from carriers and ground handling companies that will aid the design of systems that require the use of ground-handling procedures and ground support equipment.



An **IGHC website** now promote the activities of companies offering ground handling services. It contains contact details of IGHC companies as well as direct links, where available, enabling buyers and sellers of ground-handling services to do business.

On-line, refer to: <http://www.iata.org/ighc>

CARGO SERVICES

On-line, refer to: <http://www.iata.org/cargo/>

A 30th. state ratified **Montreal Protocol No. 4**, enabling it to enter into effect from 14 June 1998. The Protocol provides for the replacement of the paper air waybill with an electronic record, and enables the industry to take significant steps to become paperless.

The first edition of a joint **IATA/UPU EDI Manual** - which sets out standards for message interchange between Members and Postal Administrations - was produced.

The **Cargo Website** (reference above) was awarded the Air Cargo Internet Symposium award for Best Air Cargo Web Site. A bi-monthly **Cargo Info Bulletin** provides news and updates to Members in the more traditional paper format.

A Chinese language version of IATA's **Live Animals Regulations** was introduced, to serve the rapidly expanding Chinese market.

The Convention on International Trade in Endangered Species - **CITES** - now recommend that its parties adopt the **Live Animal Regulations** as their official guidelines for the transportation of endangered species.



A new **Dangerous Goods Information System** was launched at the Frankfurt Dangerous Goods by Air Conference. This product automates the production of the shippers declaration, required for the carriage of dangerous goods by air.

New **EDIFACT messages** were developed to replicate the Cargo IMP FSA and FWB messages. These messages are used to pass information between airlines and freight forwarders, and form an integral part of the EDI implementation programme being undertaken by the **Cargo 2000 Special Interest Group**.

SCHEDULING

On-line, refer to: <http://www.iata.org/sked/>

The IATA Schedules Co-ordination Conference, now in its 51st year, is still *the* forum for airlines, both scheduled and charter, to resolve slot allocation problems at 132 congested airports around the world. The 101st Conference in Brisbane, Australia, was attended by a record 645 delegates representing 256 airlines. The Exhibition held in parallel with the Conference attracted a wide range of organisations from airport authorities to scheduling software suppliers.

Amended EC Regulation 95/93, governing slot allocation at Community airports, awaits finalisation. Latest indications are that the regulation will not be passed from the Commission to the Council of Ministers before June or July 1998.

Environmental legislation aimed at controlling airport noise pollution has led to limits being placed on aircraft movements at Amsterdam and Sydney. Resolution of operational problems at Madrid Airport is expected to increase the hourly movement rate, for the winter 1998/99 scheduling season. Efforts to bring Brussels into compliance with EC Regulation 95/93, and to validate its fully co-ordinated status, are finally bringing results - with the airport authority's agreement to conduct a thorough capacity assessment.

IATA continues to liaise with IACA, ACI-Europe, the AEA and the European Airport Co-ordinators Group, to ensure a common industry position is maintained on all slot allocation matters.

FACILITATION

The 1997 IATA AGM in Amman adopted a Resolution on "Passenger Friendly Flows Through Airports" and the Board of Governors subsequently agreed that the objective of simplifying passenger travel by streamlining departure and arrival processes, should be a corporate priority for 1998.

A project is now underway to deliver an industry response to this challenge. Invitations to join a multi-sectorial steering group have been sent to ICAO, ACI, WCO, CAWG and AUC. Its objectives are: improved passenger satisfaction - including a better comparison with competing transport modes; reduced costs for airlines and other parties involved; avoidance of costs for new facilities and additional manpower.

A newly-revised international agreement - Annex 9 to the Chicago Convention - came into force on 31 August, 1997. It contains standards and Recommended Practices to help reduce today's variations in inspection processes. IATA and facilitation experts from Member airlines will play a vital part in getting Annex 9 implemented.

Improved customs clearance of goods is the aim of:

- IATA's participation in efforts by the World Customs Organisation - WCO - to revise the 20-year old Kyoto Convention - the international blueprint for harmonised Customs operations. Currently, ratification is possible during 1999.
- States' support for Memoranda of Understanding - to give airlines relief from onerous penalties and equipment seizures - provided they comply with the MoU terms.
- IATA's work with the WCO to develop a set of guidelines for inspection of goods carried by traditional air carriers, similar to that developed jointly by WCO and the International Express Carriers Conference.



During this year, IATA and its Member airlines will also be involved in the emerging emphasis by states on passenger manifests, government access to passenger information through electronic means, and control of improperly documented, illegal, immigrants.

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INDUSTRY VIABILITY & RECOGNITION

Two of IATA's goals are to assist the industry to achieve adequate levels of profitability and to achieve recognition of the importance of a healthy air transport industry to world-wide social and economic development.

An important test of the achievement of these goals, is provided by government attitudes to the industry in relation to taxation, user charges, fuel and currency - and IATA's success in minimising any adverse financial impact of these four factors.

TAXATION



The tax burden on international air transport is still growing - as is the creativity of governments in devising new ways of tapping the industry as a source of revenues for general treasuries. Recent examples are the Norway seat tax and the US frequent-flyer mileage tax. Such unwarranted taxes underscore the need for a fuller implementation of the principles and provisions set forth in the Chicago Convention, ICAO Resolutions, and bilateral agreements.

The more significant taxes opposed by IATA in the past few months include the following:

- **Alaska corporate income tax:** IATA has supported legislation to ensure that the income derived by non-US airlines, from the operation of their aircraft in international service, continues to be exempt on a *reciprocal* basis.
- **VAT on intra-EU passenger transport:** IATA strongly advocates the retention of *zero-rating* for intra-EU air passenger transport - because outright exemption would not allow airlines to re-claim tax on the cost of their purchased inputs. This is currently under review by the European Commission.
- **New Zealand cost recovery for border controls:** The Government is considering a levy in the range of NZD 10-20 (approximately USD 6-12) on international arriving passengers (in addition to the current NZD 20 departure tax). This is intended to recover the cost of border inspection functions that are government-mandated but *not required* by airlines or their customers.
- **Norway international departure seat tax:** This tax was enacted with little advance notice, to replace the former passenger departure tax. It is levied on the airlines at the rate of

NOK 130 (approximately USD 17) *per seat* on departing international flights. Norway's intention, through this tax, is to reduce demand for air transport.

- **US frequent-flyer mileage tax:** IATA has supported an industry group action seeking to eliminate any *extra-territorial* application of a new federal statute - which imposes a 7.5 percent tax on amounts received by airlines for the right to provide frequent-flyer mileage awards.

IATA has also strongly opposed proposals for the introduction of environmental taxes on fuel used in international air transport, reaffirming its long-standing position - that any such levies must take place within the framework of ICAO policies, and must be based on a better understanding of *actual* environmental damage caused by aviation fuel emissions, *and* of the environmental *benefits* sought through the proposed taxes.

Thus, IATA has tried to ensure that ICAO's policies on taxation, which have come under attack in recent months, are preserved and adhered to by states.

USER CHARGES

IATA Member airlines paid USD 7.3 billion in airport landing and related charges and USD 5.9 billion in air navigation charges for their scheduled international operations in 1997, an increase of USD 800 million and USD 700 million, respectively, compared with 1996. Together, they represented 9.6 percent of the airlines' international operating costs, compared with 8.9 percent in 1996.

IATA and Members' user charges experts in 1997 took part in 148 missions and charges-related meetings. Costs saved or avoided for the airlines were USD 124 million in the year 1997 itself and USD 573 million in subsequent years.

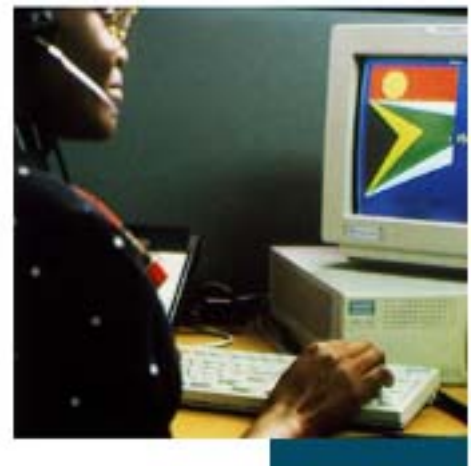
In Africa, IATA consulted with ASECNA, the D.R. Congo, Nigeria, Tanzania, South Africa and Zimbabwe. User charges activity sometimes was instrumental in assisting states with essential infrastructure development projects, required by the IATA Member airlines.

In Europe, **EUROCONTROL** started consultations with users on the "ATM 2000+" Strategy - a long-term plan to cope with anticipated capacity demand up to the year 2015. One of IATA's key objectives is to reduce unit costs; it insists financial consequences are taken fully into consideration.

Particular effort was directed to the BAA and Manchester airports in the UK, Belgium, France (Aéroports de Paris), Germany, Greece, Netherlands, Spain, Sweden and Switzerland. The latter two states have introduced **aircraft emission charges**, unilaterally, at their airports - contrary to ICAO principles, and setting an unhelpful precedent.

In Eastern Europe, consultations were held with Bulgaria, Latvia, Rumania, Azerbaijan, Kazakstan, Ukraine and the Russian Federation; the financial aspects of infrastructure development in some of these states were monitored. The most significant achievement was the formal consultation process established with the **Federal Aviation Service of Russia**.

In Asia/Pacific, the highlight was the completion of charges discussions with the Hong Kong Airport Authority. The authority substantially reduced the amount it sought to recover from airlines. Instead of doubling, landing fees at the new **Chek Lap Kok Airport** will now be about 20 percent higher than at the old Kai Tak Airport. Consultations also took place with India, Japan, Korea, Malaysia, Philippines, Australia, Fiji and New Zealand.



In North America, **Nav Canada** - the air navigation not-for-profit entity - will complete its transition from a tax-based to a fee-based funding system in November 1998. IATA is involved in consultations in which the charges levels, structures and formulae are being developed. At Toronto Airport, IATA is part of the Airport Consultative Committee, which is helping to shape the airport's development. IATA continues to monitor initiatives in the US to implement user charges for **FAA Air Traffic Services** - seeking adequate prior consultation for IATA Members. The form of an earlier attempt to implement user charges was judged illegal, because it was not cost-based.

In Latin America, IATA is seeking transparency, consultation and effective regulation of privatised airports, to ensure that charges are reasonable and equitably allocated among users.

Following the **Resolution on User Charges**, adopted at the IATA 1996 AGM, a world-wide campaign was launched to increase the awareness of responsible authorities of the impact of charges on the airlines, and that airport and air navigation authorities should make more efforts to control their costs, improve their productivity and offer value-for-money.



Recognising that some charging authorities *do* make efforts to control their costs and offer value-for-money, a "**Partnership for Productivity**" programme was launched at the 1997 AGM. An award is now given annually to the *best* airport operator and/or provider of air navigation services, selected by a panel independent of IATA. The first award will be made at the IATA 1998 AGM.

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

FUEL TRADE

Efforts to eliminate or reduce fuel charges and fees on the sale or throughput of aviation fuel at airports continued throughout 1997 - and USD 40 million costs were saved.

A quarterly Fuel Bulletin now summarises the activities of the IATA Fuel Services department and is distributed to all fuel contacts and Partnership Programme Members.

IATA is represented on the FAA Aviation Rulemaking Advisory Committee (ARAC) Fuel Tank Harmonisation Working Group. This working group has been formed as a result of investigations into the TW 800 accident. It is reviewing possible FAA regulatory action to minimise the risk of fuel tank explosions

CURRENCY

Total industry funds blocked or otherwise restricted, world-wide, increased by USD 54 million during 1997 - but the increase results primarily from a more efficiently conducted annual survey; in fact, 51 percent of airlines reported that *no* funds were blocked or restricted.

ECONOMIC & MONETARY UNION (EMU)

IATA formed a **Task Force** on EMU, which made good progress:

On-line, refer to: <http://www.iata.org/emu/task.htm>

- From 1 January 1999, IATA Member airlines will be able to offer both corporate and private clients, the ability to pay for air carriage in either the **euro** or the national currency of the eleven European countries which have joined the first round of EMU.

- Airlines will also be able to choose how they wish to be paid, to ensure that airlines not able to accept dual currency expressions from 1 January 1999, have the time available to ensure their internal systems are ready to *accept* dual currency expressions.
- A timetable of Conferences and Committees continues - to ensure the necessary Resolutions are passed, and the technicalities are addressed.
- A programme of communication with regulatory authorities, airlines, systems providers, and distribution agents also continues - to ensure a wide acceptance and knowledge of the **euro** within the industry.

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PRODUCTS & SERVICES

On-line, refer to: <http://www.iata.org/pns/ps/>

IATA provides high quality, value for money, industry-required Products & Services, that meet the needs of the customer.

AUTOMATION & FINANCIAL SERVICES



IATA Clearing House: The transactions value reached a record USD 29.2 billion in 1997 - a 4.5 percent growth over 1996 - with an offset ratio of more than 83 percent. Twenty-three new members and participants joined during 1997; membership at the end of the year was a record 279. Members can now link to the Clearing House for electronic transmission and exchange of data.

IATA Currency Clearance Service (ICCS): Using ICCS, airline treasurers can centrally control, quickly repatriate or transfer, their world-wide sales receipts at low cost, best interest and market exchange rates. During 1997 ICCS cleared over USD 8.5 billion, a growth of 28 percent over 1996. Clearance frequency was kept high, for accelerated repatriation of funds to members, and the 1997 service quality

survey showed a user satisfaction rating of 95%. By the close of 1997, ICCS was operating in 35 countries and 36 airlines were participating.

The IATA Credit Card Settlement Plan (CCSP): This plan, brand named Card **XL**, is a global credit card billing system for 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 Card **XL** 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. The system was piloted in Italy in 1997. Full service will start during 1998.

Revenue Accounting: Procedures for interline settlement of electronic tickets were included in the 1997 edition of the Revenue Accounting Manual; the Revenue Accounting Panel (RACP) also analysed the future impact of other new technologies. Together with passenger services and ticketing experts, RACP updated procedures which are applied in cases of flight diversions or re-routing; the panel also provided specialist input on the distribution, sales reporting, accounting and settlement processes which will be affected by the introduction of the Euro.

Interline Data Exchange Centre (IDEC): The number of airlines in IDEC, which supports revenue accounting by providing interline data, grew to 78 by March this year. 67 million transactions were exchanged electronically through IDEC during 1997. An information and marketing campaign is underway, to extend the benefits of IDEC to airlines who are not yet members

IATA Proration Service (IPS): This service continues to provide automated proration for billing or revenue reporting.

Accounting Policy Task Force (APTF): The APTF develops guidelines for the airline industry - representing its views to the established national and international accounting standards-setting bodies. APTF made a survey to measure the value of, and compliance with, guidelines in the industry - and to determine future priorities. It showed the guidelines are valued highly; they will be updated, and further ones developed. Work with accounting standards-setting bodies will continue.

Insurance: The Risk and Insurance Managers Panel (RIMP), reports to the Financial Committee and provides objective advice on risk management and the insurance markets. Its expertise - particularly in liability aspects - is important during the planning stages of industry projects and it oversees, with the Secretariat, commercial insurance programmes operated by IATA on behalf of its Members and partners.

ATC Billing & Collection (ATC B&C): This agency offers advantages for both states and airlines, in ensuring payment of air navigation charges which have been billed on behalf of ATC authorities. Improved cash flow to states has enabled them to work more effectively with IATA, in addressing infrastructure needs. Currently, 25 authorities are serviced; discussions are ongoing with several others around the world.

IATA Yield Management Service (IYMS): This product has been restructured and is now better and cheaper to use. The Windows-based system maximises revenue potential, by forecasting passenger demand at the micro level and optimising the availability and mix of fares and seat inventory, on each and every flight departure.

IATA Management Information Service (IMIS): IMIS offers flexible, high quality, cost-effective financial and management information systems for either mainframe or PC use. It is provided in partnership with Walker, a leading provider of financial software.

The **IATA Global Charge Programme (IGCP):** Offered in co-operation with Air Routing International (Canada) and the Royal Bank of Canada, this program uses the JET CARD™ to facilitate billing and payment for airlines, fuel suppliers, ground handling companies and airports. Airline can thus eliminate the need for numerous credit applications, letters of credit and large cash deposits for unforeseen flights and diversions. On the supplier side, payment is guaranteed and expedited, and credit risk managed.

PARTNERSHIP PROGRAMMES

On-line, refer to: <http://www.iata/pns/pp/>

The IATA Partnership Programmes are a forum for co-operation and exchange of information between IATA, its Members, and suppliers to the airline industry. Co-operation takes many forms - from standards development to implementation and promotion of industry solutions to various problems. Membership covers ten areas of IATA activity, spanning operations & infrastructure, passenger, airport and cargo services, revenue accounting and information technology; "regional infrastructure" was introduced in 1998, covering the work of the regional technical conferences - where suppliers are involved in air safety and navigation issues.



Three levels of Partnership Programme are open; **Industry Associates** are involved in a broad spectrum of IATA activities, and participate at IATA's senior decision-making committees and meetings. **Registered Suppliers** typically focus on one or two specific areas of activity, and **Travel Partners** address intermodal transport issues. All IATA Partners contribute to the work of IATA, in their own areas of specialisation. Programme membership continues to grow - and now numbers over **180 companies**.

INFLIGHT SERVICES

On-line, refer to: <http://www.iata.org/iismc/>



The Inflight Services Management Council (ISMC) brings together experts from airlines and organisations involved in the delivery of inflight services. **Inflight Management**, the major annual industry inflight services event, took place in Kuala Lumpur in May 1998. A significant part of the programme dealt with the handling of **disruptive passengers**.

TARIFF AFFAIRS AND CONFERENCES (TAC)

TAC is undergoing transformation into a commercial activity, changing the focus to activities which enhance the airlines' business, facilitate interlining and improve the effectiveness of revenue management systems - whilst maintaining traditional services to the extent required by Members.

The **TAC Asia/Pacific regional office** opened in December 1997 in Singapore. It provides local support for Members' tariff-related activities and will encourage more participation in tariff co-ordination by airlines in Asia; it already has been able to offer timely technical support to Members wishing to take action on tariffs to address currency and traffic problems.

As part of a continuing study into the importance of IATA tariff consultations to the **interline** system, the **EC Directorate General of Competition** (DGIV) is conducting **surveys** to measure the extent to which potentially interlineable tickets are converted to actual interline by airline and/or routing changes. At the halfway point results vary, showing actual interlining at about 15 percent and potential interlining at 40 percent.

A second **TAC Regional Seminar** focused on the Central, S. America and Caribbean regions; it was held in conjunction with the IATA Revenue Management 1997 Conference in Miami, in October and attended by 90 delegates. A further seminar was held with AFRAA, in Nairobi in November 1997, and attracted 26 participants. A presentation covering TAC and revenue management was given to the Finance Department of the CAAC in December.

Fare selections are now available through **Fare Access** on a country or geographical area basis and 16 customers have subscribed to the service. During 1998, it is planned to provide rules information with the fares data.

DISTRIBUTION SERVICES

On-line, refer to: <http://www.iata.org/agency/>

Agency: A special passenger agency conference in November 1997 adopted programme amendments to secure a new individual **EC** anti-competition law exemption. A new "European Agency Programme Joint Councils' Supervisory Board" will group IATA airlines and European travel agents to discuss the Agency Programme in Europe.

A major **study** commissioned by the Board of Governors on **IATA's Settlement Systems** was undertaken by KPMG. It concluded that substantial savings to operating costs could be made, through better and more extensive automation, regional rationalisation and a better governance and management structure. Future implementation of the findings would affect neither the local IATA presence, nor specific site efficiencies.

IATA has worked with both agents and airlines in **Asia/Pacific**, to try to stabilise the marketplace. In Thailand, the first **agent default insurance** scheme was introduced, allowing agents to choose between a bank guarantee or an insurance policy as default coverage. Many have taken up the latter option - since bank guarantees are expensive. In Indonesia, airlines and agents are operating a **weekly remittance cycle**, on a voluntary basis, to help manage large fluctuations in the value of local currency; a similar move is planned in the South-West Pacific, as agreed at the Agency conference in Miami in 1997.

Accreditation: At the end of 1997, nearly 88,600 passenger agents and nearly 5,700 cargo agents were accredited, world-wide. Growth in accredited passenger sales outlets in Europe, the M.East and Africa remained strong, at 5.9 percent and now exceeds 30,000. Asia/Pacific had 6.7 percent growth, despite the recent financial and monetary crises.

Efforts to inform Members and travel agents of the benefits of the IATA programme in Romania and Ukraine resulted in an increase in the number of IATA agents in those countries, and the adoption of a **new BSP for Romania**. The first IATA agents were accredited in Armenia, Georgia and Moldova. Regionalisation of activities saw the disbandment of Investigation Panels in the Czech Republic, Mauritius and Zambia; 1997 also saw the registration of the **first** Electronic Reservation System Providers (**ERSP**).

More reviews of cargo agents were conducted - on financial standing and ownership. Regular reminders were sent to agents on **Dangerous Goods Regulations** training and general security awareness. The first IATA Cargo Advisory Panel (ICAP) was established, covering Eastern Africa. Through the Panel, local Members' awareness of the IATA Agency programme and its benefits has been increased.

IATAN and **CNS**, in the US, continued to innovate in 1997. **IATAN** expanded its endorsement to travel intermediaries not holding airline ticket stock through Travel Service Intermediary - which has attracted more than 225 participants since mid-1997. IATAN has delivered geography training through interactive CD-ROM CBT and was, at year-end, developing an Internet based delivery system. **CNS's** CASS-USA began conversion to a carrier submission program to streamline and simplify settlement practices. The CNS-IATA/FIATA Introductory Cargo Course received endorsement from the NCB, FAA and AFA - and the FAA now use the course as training for their field inspectors.



Products and projects: IATA and IATAN have launched **GLOBAL SOURCE** - an off-the-shelf CD-ROM with a database of more than 150,000 travel industry sales outlets. It is an electronic reference tool with powerful query and report generating capabilities, and expected to have broad application throughout the travel and tourism industry.

The first IATA & Industry Network - **iINET** - service was created to enable the electronic data transfer of BSP related ticket information. The service will facilitate CRS to BSP and BSP to airline transfer, will save time, and will probably save more than a million US dollars over the current magnetic tapes method.

TickeTamer is a stand-alone ticketing software package for travel agents, enabling airlines and travel agents in regions with low ticket automation levels to gain the financial benefits of high automation, delivery of validated data, neatly printed tickets, accurate reporting and integration with IATA BSPs.



The **Travel Agent ID Card** programme is now available in 127 countries, with recent launches in Malaysia and Pakistan. More than 42,000 travel agents ID Cards are in circulation world-wide, outside the US. More than 1,200 suppliers participate in the programme - including Avis, Marriot, Cunard, Best Western and American Express. The **Cargo Agent ID Card** has been launched in 14 countries - including Austria, Belgium, Canada, Denmark, Finland, Italy, Switzerland, UAE and the UK. Around 500 suppliers now offer the same benefits to cargo agents as they do to travel agents.

Billing and Settlement Plans (BSP) : At the close of 1997, 58 BSPs were in full or partial operation. There is an ongoing industry policy to **consolidate Plans into cost-efficient regional units**. Almost USD 104 billion in gross sales were processed in 1997 and 52,000 travel agents issuing 208 million standard tickets on behalf of 339 IATA Member and other airlines and 40 non-airline participants.

Greater use of **regional data-processing** and rationalisation of ticket purchases contributed to a reduction in the total cost per ticket used of 11 percent over 1996 - to an average USc 48 per ticket; a 17 percent decrease was achieved in the total cost of each transaction processed, to USc 44. Procedures were put into effect to accommodate electronic ticketing and the introduction of the **Euro**, in a number of European BSPs.

Cargo Accounts Settlement Systems (CASS):

The 28 CASS operations in 1997 processed 13.6 million air waybills, accounting for USD 15 billion in revenues. Those systems served the needs of 174 airlines and nearly 6,000

intermediaries (over 14,000 offices), 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 Maghreb countries, Argentina, Southern Africa, and CASS Import in UK, Germany, the Netherlands and Canada. CASS has become an ideal platform for work rationalisation within the industry, with area CASS offices collectively assuming several tasks previously carried individually - and uneconomically - by individual airlines.

HUMAN RESOURCES DEVELOPMENT

On-line, refer to: <http://www.iata.org/ilc/>

Last year 22,747 participants took advantage of IATA training products and services: 13,757 students took part in the **IATA/UFTAA Travel Agent Distance Learning Programme**, including Standard and Advanced modules; 136,815 future or current travel agents have used this unique training scheme since its start in 1972. Today, 216 IATA Authorised Training Centres also offer these programmes in a classroom environment.

Strong growth is also taking place in registrations for the **IATA/UFTAA Travel Agents Marketing Course** - a relatively new product, aimed at both existing and start-up travel agencies and present and potential agency managers.

The four different modules of the **IATA/FIATA Cargo Agent Training Programme** achieved a cumulative total of 50,650 students by the end of 1997. In 1997, the student intake was 4,521. Twenty-eight IATA Authorised Training Centres in 20 countries offer the programmes through classroom instruction; 1997 marked the 20th anniversary of this successful programme, and the 50,000th student was enrolled.

Seven **airline distance learning products** are now available - leading to an IATA Diploma in Airline Studies. The 653 student enrolments represent a growth of 72 percent since the activity was moved to Singapore. The Airline Marketing Course - now in Chinese - has recorded 666 registrations in China within less than 6 months; all airline distance learning products have been translated into Chinese.

The IATA Learning Centres in Miami, Geneva, Singapore, Beijing and Amman (in partnership with AACO) have held 142 classroom courses, in 85 different products, with 2,174 students. In 1998, the more than 25 courses on offer range from Aviation Risk and Insurance Management, through Production Planning and Control, to Workshops for Fraud Prevention.

In-company training: ongoing demand for this service resulted in 51 individual courses conducted on-site, at the request of 26 airlines, with a total of 973 students trained in 1997. These courses are tailor-made and reduce training costs considerably.

The IATA/Concordia International Aviation MBA (IAMBA), a one year programme, had 24 student enrolments in 97/98; an intake of 25 is hoped for the 98/99 academic year. A special Distinguished Speakers series, coupled with industry site visits, has created substantial added value to the programme. In October 1997, IATA renewed its partnership with Concordia for another five years - extending the mandate, to establish IAMBA programmes at other institutions around the world, in partnership with IATA.

On-line, refer to: <http://www-commerce.concordia.ca/amba.htm>

International Airline Training Fund (IATF): 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. By the end of 1997, 1,063 scholarships to the value of USD 1.8 million had been awarded. Three field training courses have been arranged for 1998 and other courses are envisaged.

AVIATION INFORMATION & RESEARCH (AIR)

On-line, refer to: <http://www.iata.org/air/>

Statistics, Economics & Forecasting provide products such as the annual 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** - also available in electronic format. Detailed reports on traffic and capacity, origin-destination statistics, financial and economic data and delay information are also widely distributed. New this year **CASS** statistics, providing key monthly performance reports to airlines, agents and others.



In addition to the annual IATA passenger and freight forecasts, an updated and revised **forecast** of air traffic demand to, from and within **Asia Pacific** was published in March 1998 to examine key questions regarding the growing financial crisis in Asia. Recently, AIR also published an **Americas** Forecast for the period 1985-2011.

Airline Reports on CD-ROM, published in April, has complete page images of airline annual reports 'on screen' and a full search and indexing facility. A new feature is a link between financial statements and spreadsheets. The fourth edition contains some 200 reports from the world's airlines and airline associations.



AIR has a wide-ranging **consultancy** service. Analyses for a wide variety of clients have been undertaken; a particular strength is the forecasting of air traffic for airports, and in route development studies. Other recent studies include projects for the **EC**, on subjects as diverse as the impact of telematics on air travel and the aviation industry, and a review of airline punctuality reporting. **In-flight telephone usage, image/branding** and **employee culture** are three current examples. Research consultancy continues to be used to support the efforts of IATA's restructuring.

Market Research & Marketing secure opinions and information from consumers, suppliers and key opinion-formers. Surveys help businesses 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.

Passenger surveys compare airline performance on the North Atlantic, across the Pacific, between Europe and Asia, Europe and the Middle East, within Europe and - new for 1998 - between **North and South America**. Opinions on airports are presented through the annual IATA Airport Monitor and through airport participation programmes in Europe & North America. Key trends in the corporate travel market are presented in the Corporate Air Travel Survey (CATS), representing the views 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 long haul carriers. The **short-haul database** is new for 1998.

Benchmarking opinions of **cargo customers** will be conducted in over 20 countries around the world in 1998 - the fourth year of data. Industry trends covered include the use of internet. Airport ratings for cargo are also available on request.

AIRPORT AND OBSTACLE DATABASE

On-line, refer to: <http://www.aodb.iata.org>

A comprehensive on-line library of continually updated and accurate airport obstacle information is provided by this data-base. It incorporates numerous additional features for airline and industry use at competitive rates. All performance analysis data is in the IATA standard format, and consists of all ICAO state information, graphically, for every international airport in the world, plus many national and regional airports. All US airport data is fully digitised and interacts with runway analysis software, thus reducing work hours required for aircraft performance analysis.

IATA AND THE INTERNET

IATA's internet involvement began in December 1994 with the registration of the IATA, ATAG, IATAN, WACA, AFRAA and AACO domains. Many of those domains are now controlled by the respective organisations.

The IATA web site, <http://www.iata.org/> now attracts 30,000 visitors per week and has accumulated awards for content, design and speed of site. The IATA site contains a current Membership list and of Members with web sites - numbering 146 to date - with internet links.

IATA receives over 1,000 email requests per month to sales@iata.org for further information, or to purchase information from users visiting the web site.

Electronic Commerce: IATA is developing a site for selling its products and services over the internet in a secure manner. The site will recognise our Members and provide appropriate pricing discounts - and eventually provide electronic distribution of our publications, where available. This will save printing and distribution costs, while giving our customers timely information on demand.





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SAFETY & SECURITY

IATA aims to promote safe, reliable and secure air services. These are also the *shared* responsibilities of airlines, manufacturers and governments. IATA fosters work programmes which involve all three groups.

SAFETY



Safety remains the highest priority of IATA - its most important strategic objective is to reduce the aircraft hull loss-rate by 50 percent by the year 2004, compared to the 1995 rate. All accidents are, therefore, a cause for concern - despite the industry's consistently good safety record.

For jet transport, 1997 was better than the previous year in terms of passenger fatalities, but there was a marginal increase in the number of total hull losses.

The table gives comparative data for 1997 and 1996.

	JET		TURBOPROP	
	1997	1996	1997	1996
Number of aircraft operating	12,384	11,798	5,393	5,221
Operational total losses	21	19	32	23
Accidents involving fatalities	8	12	17	13
Passenger fatalities	630	1,191	141	111
Crew fatalities	52	97	41	19
Total Fatalities	682	1,288	182	130

The strategic objective of accident reduction is pursued through a **seven-point programme**, of which the most important components are: the analysis of data acquired through digital flight data recorders, non-punitive incident reporting schemes, voluntary safety audits and the implementation of the "**buddy system**."

The introduction of a global safety data base, maintained and updated by IATA as a secure web site on its industry net, is currently the subject of a cost/benefit analysis. Important considerations are the nature and scope of analysed data and confidentiality.

SECURITY

In 1997 the total number of reported acts of unlawful interference against civil aviation was the *lowest* since 1970. During the year, five attempted hijackings were reported, of which two were committed against international flights and three against domestic. An explosion occurred aboard a passenger aircraft, killing one passenger; it is alleged that the motive for causing the explosion was financial, rather than political.

The concept of **one-stop security** has now been adopted as a strategic objective of the ICAO Aviation Security Panel and a high priority work item of the ECAC Operational Security Task Force; agreements for the mutual recognition of security measures have been approved by ECAC - and 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. Aviation security courses were conducted in Geneva, Miami and Singapore. The 1997 AVSEC WORLD Symposium and Exhibition was held in held in Cairo last October; the 1998 IATA/ACI AVSEC WORLD Symposium and Exhibition will be held in Minneapolis, USA, 1-3 December.

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IATA MEMBERSHIP

On-line, 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 7 May 1998, Membership of IATA stood at 257. Of the total, 221 are Active and 36 are Associate Members. The following carriers joined IATA since the last Annual Report: Arkia Israeli Airlines, Alpi Eagles SpA., Air Kazakstan, Cronus Airlines, Qatar Airways Co., and Eastwind Airlines.

* Denotes Tariff Co-ordination Members (106)

ACTIVE MEMBERS

ZY	ADA Air
JP*	Adria Airways
EI*	Aer Lingus Ltd.
E4	Aero Asia International (PVT) Ltd.
JR	Aero California
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

IATA Membership

CA*	Air China International Corp.
UX	Air Europa Líneas Aéreas, S.A.
AF*	Air France
GN*	Air Gabon
IT*	Air Inter Europe (Compagnie Air France Europe)
JM	Air Jamaica Ltd.
9Y	Air kazakstan
JS	Air Koryo
QL	Air Lesotho (Pty) Ltd.
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 (Air Niugini Pty Ltd. t.a.)
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
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
E8	Alpi Eagles S.p.A.
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.
IZ	Arkia Israeli Airlines 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
X5	Cronus Airlines
LX*	Crossair, Ltd. Co. (for Reg. Eur. Air Transp.)
CU*	Cubana de Aviación S.A.
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 (Ecuadoriana 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
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 (Linéas 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.)
NG*	Lauda Air Luftfahrt AG
TE*	Lithuanian Airlines
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) Co. Ltd.
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.
QR	Qatar Airways Co. (W.L.L.)
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 (Linha Aéreas de Angola)
TA*	TACA International Airlines S.A.
GD	TAESA (Transportes Aereos Ejecutivos S.A. de C.V.)
PZ	TAM - Transportes Aereos des Mercosur Sociedad Anonima
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.)
PS	Ukraine International Airlines
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.)
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
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
W9	Eastwind 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
NM	Mount Cook Airlines
N4	National Airlines Chile S.A.
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
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





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Operating Cost per ATK by Item 1997 - IATA International Scheduled Services

	US cents per ATK	Percent change over 1996	Percent of total
Cockpit Crew	3.1	-3.1	7.5
Fuel and Oil	5.4	-3.6	13.0
Flight Equipment Insurance, Depreciation and Rentals	5.3	-5.4	12.8
Maintenance and Overhaul	4.0	-	- 9.6
Landing Charges	2.2	4.8	5.3
En-Route Charges	1.8	5.9	4.3
Station and Ground Costs	4.9	-2.0	11.8
Cabin Crew and Passenger Service	5.4	-1.8	13.0
Ticketing, Sales and Promotion	6.8	-1.4	16.4
General and Administrative	2.6	-7.1	6.3
Total	41.5	- 2.2	100.0

Sources: IATA Quarterly Financial Survey, other IATA surveys and IATA estimates
 Note: Data based on IATA Membership as of 31 December of relevant year

See also: [Accredited Agents as at 31 December 1997](#)
[Clearing House Statistics 1997](#)
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Accredited Agents as at 31 December 1997

Areas	PASSENGER		CARGO	
	1997 Approved Locations	Growth over 1996 %	1997 Registered Agents	Growth over 1996 %
The Americas (excl US & Canada)	7,045	5.96%	588	3.89%
Canada	4,040	0.42%	146	7.35%
Europe, Middle East & Africa	30,311	5.88%	2,335	3.78%
Asia Pacific	8,210	6.73%	1,222	7.67%
Total	49,606	3.66%	4,291	4.99%
	IATAN Endorsed Agents*		CNS Endorsed Agents**	
United States	38,973	0.90%	1,400	0.07%
Grand Total	88,579	1.70%	5,691	3.74%

Note: Listed by *PNS Corporation (trading as IATAN) and **CNS Corporation

See also: [Operating Cost per ATK by Item 1997 IATA](#)
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Clearing House Statistics 1997

At 31 December 1997 the Clearing House was providing settlement facilities to 200 IATA Members, 35 non-IATA members, 24 subsidiary ledger participants, 11 special accounts and 9 sponsored air carriers; 12 IATA Members, 4 non-IATA members, 2 subsidiary ledger participants, 3 special accounts and 2 sponsored air carriers joined the Clearing House in 1997. The agreement allowing settlement with the members of the Airlines Clearing House, Inc. in the US gave a total of 409 participants. The amount submitted for clearance in 1997 was USD 29,204 million.

Parties for which clearance was provided at December 31, 1997		Amounts submitted for clearance	1996 USD millions	%	1997 USD millions	%
Direct Participation		Increase 1997/1996: 4.5%	27,955		29,204	
IATA Members	200					
Non-IATA members	35					
Subledger participants	24	Sources of Claims				
Sponsored Air Carriers	9					
Other participants	11	Claims by IATA Members	23,762	85	24,240	83
	279	Claims by non-IATA airlines (including subsidiary ledgers)	2,236	8	2,336	8
		Claims by ACH	1,118	4	1,752	6
		Claims by other parties	839	3	876	3
			27,955	100	29,204	100
Participation through Airlines Clearing House, Inc.						
IATA Members	11					
Other ACH Members	119					
	130					
Total Participation	409					

See also: [Operating Cost per ATK by Item
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BSP Operations 1997				
	Agent Participating Locations Reporting via BSPs 31 Dec 97	Airlines 31 Dec 97	1997 Net BSP Sales Volume in USD/millions	
1	Argentina/Uruguay***	1,371	35	1,149
2	Australia***	2,322	69	3,213
3	Austria	280	76	670
4	Bahamas/BVI	39	23	74
5	Belgium & Luxembourg	591	87	1,154
6	Bermuda	14	13	60
7	Brazil***	2176	33	1,594
8	Canada***	4052	96	5,465
9	Central & West Africa*	102	12	n/a
10	Central America	491	34	373
11	Chile/Bolivia	513	40	478
12	China-People's Rep of ***	233	48	263
13	Colombia	689	25	310
14	Cyprus	126	31	108
15	Czech Rep & Slovakia	90	26	95
16	Dominican Rep/Haiti	245	24	130
17	Eastern Africa	161	35	179
18	Eastern Caribbean	217	24	198
19	Ecuador***	253	24	163
20	Egypt	481	37	211
21	Finland	297	45	566
22	France***	3,032	107	4,598
23	French Overseas Territ.	23	9	50
24	Germany***	4,594	129	7,120
25	Greece	318	51	401
26	Gulf Area***	197	44	417
27	Hong Kong	253	45	1,810
28	Hungary	159	28	135
29	India	1,367	32	233
30	Indonesia	322	41	696
31	Ireland	396	47	480

32	Italy***	3,907	90	4,017
33	Jamaica/Cayman Isl	89	16	100
34	Japan	812	65	15,730
35	Jordan***	147	17	59
36	Korea	500	40	1,980
37	Kuwait***	147	24	348
38	Malaysia	727	47	716
39	Malta	63	11	35
40	Mexico***	2518	40	1,903
41	Micronesia	68	7	77
42	Morocco*	114	20	n/a
43	Netherlands	488	86	1,618
44	New Zealand***	795	37	824
45	Peru*	153	25	30,831
46	Philippines	213	45	575
47	Poland	212	21	204
48	Portugal	551	47	500
49	Puerto Rico/USVI	580	45	359
50	Kingdom of Saudi Arabia***	499	33	716
51	Scandinavia	1,355	79	4,444
52	Singapore	201	51	1,275
53	Southern Africa	964	64	1,437
54	Spain***	4,565	94	2,609
55	Switzerland & Liechtenstein	834	90	1,796
56	Taiwan	364	34	1,526
57	Thailand	272	52	337
58	Turkey	310	47	337
59	United Kingdom***	4,647	116	10,539
60	Venezuela***	674	29	358
TOTAL 60 BSPs		52,173	**339	86,846

Notes: * BSPs Central & West Africa and Morocco were implemented at the beginning of 1998

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

*** BSP also services other agents

n/a Not applicable (BSP began after mid-1997)

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CASS Operations 1997							
CASS Operation	Airlines	Forwarders	Forwarders' Offices	Settled (USD Million)	Revenue (USD Million)		
				1997	1997	1996	1995
Australia	41	160	516	299.1	426.4	461.6	401.6
Belgium/Luxembourg	44	113	103	165.7	380.8	34.6	0.0
Canada	30	565	752	228.8	229.5	260.5	251.2
Costa Rica	18	32	34	14.1	33.2	30.3	26.0
Ecuador	22	60	60	48.5	69.9	47.2	18.3
Fiji	5	7	11	9.5	17.3	17.6	16.2
France	51	301	868	548.3	574.9	579.9	587.8
Germany	80	249	848	903.4	946.3	961.7	1012.7
Greece	13	42	63	14.4	22.7	21.5	0.0
Ireland	21	163	188	51.6	111.0	92.7	70.1
Italy	57	296	479	568.7	797.7	886.4	816.0
Japan	41	81	681	3,952.0	5,409.8	4,747.4	4,838.3
Korea	25	162	271	250.8	514.8	416.7	431.3
Mexico	30	150	175	76.5	110.6	96.4	71.4
Netherlands	90	96	130	335.9	370.1	355.8	341.1
New Zealand	23	41	69	100.2	162.0	199.2	179.3
Panama	25	37	57	18.6	19.6	17.7	17.7
Papua New Guinea	4	8	8	1.1	1.1	1.7	1.2
Philippines	21	82	82	99.1	135.7	130.9	124.7
Portugal	17	117	187	51.6	85.7	67.5	65.1
Scandinavia*	18	266	231	78.1	325.0		
Spain	28	227	612	168.4	320.0	321.8	311.1
Switzerland/Liechtenstein	37	122	280	210.8	221.7	197.5	50.4
Turkey	18	111	224	55.1	87.9	0.0	0.0
United Kingdom	100	1391	2375	938.1	1,870.0	1,813.6	1,509.6
USA**	71	2186	4769	2,331.1	2,530.8	2,425.3	2,307.7
Venezuela	19	59	673	5.4	10.3	12.0	1.7
TOTAL	***949	7124	14146	11,526.0	15,786.4	14,197.4	13,450.3

Notes:

* CASS operation began in 1997. Data 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.

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