



# ANNUAL REPORT

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# IATA'S VALUES

We place our customers first

We provide quality products and expertise

Teamwork is key to our success

We encourage initiative and recognise performance

We enjoy and take pride in our work



# ANNUAL REPORT *1 9 9 9*

By

**Pierre J. Jeannot, O.C.**

Director General,  
International Air Transport Association  
for the 55 th Annual General Meeting,  
Rio de Janeiro, Brazil  
31 May - 1 June 1999





# **IATA'S MISSION AND GOALS**

## **MISSION**

To represent and to serve the airline industry.

## **GOALS**

### **SAFETY AND SECURITY**

To promote safe, reliable and secure air services.

### **INDUSTRY RECOGNITION**

To achieve recognition of the importance of a healthy air transport industry to world-wide social and economic development.

### **FINANCIAL VIABILITY**

To assist the industry to achieve adequate levels of profitability.

### **PRODUCTS AND SERVICES**

To provide high quality, value for money, industry-required products and services that meet the needs of the customer.

### **STANDARDS AND PROCEDURES**

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

### **INDUSTRY SUPPORT**

To identify and articulate common industry positions and support the resolution of key industry issues

### **GOOD EMPLOYER**

To provide a working environment which attracts, retains and develops committed employees.

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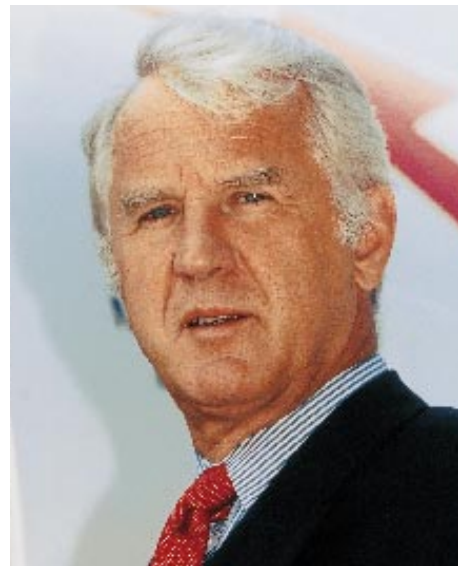
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## INDUSTRY ISSUES

Achievement of a fifth successive year of net profitability by the IATA Members should be placed firmly in the context of *nine* years of financial history. In the years 1990-93 the airlines *lost* USD 15.6 billion on their international scheduled services. In the years 1994-98 they have made a profit of USD 17.9 billion. Thus, their net ability to reward shareholders, build reserves and invest directly in modern aircraft without increasing their debt and equity - amounts to only USD 2.3 billion over those nine years.



Nevertheless, IATA Members have invested in modern aircraft. During the period their jet fleet has expanded by some 30 percent - and the proportion of those aircraft aged 10 years or more has fallen to well below half. This is a clear indication of their progress towards an “all-Chapter 3” fleet by the year 2002 and of an enviable environmental record.

If Asia has shown some firm signs of economic recovery during the past twelve months, that recovery is yet to be reflected in the results of our Members from that region. At the same time, the volatility of capital flows across borders has continued to demonstrate how readily national economies may be damaged. Recent events in the Balkans have reminded us of the vulnerability of civil aviation to sudden limitations on its freedom of operations.

The following examples are typical of the concerns and achievements of IATA during the past year:

- Safety remains IATA's foremost strategic objective - specifically, to reduce the aircraft hull-loss rate by 50 percent by the year 2004, compared to the 1995 rate. STEADES - Safety Trend Evaluation, Analysis and Data Exchange System is one of the aids to achieving that - and airlines are strongly encouraged to join the data-base, as part of a more proactive approach to aviation safety.
- To help the industry prepare for Y2K, IATA has been working with airports and ATS providers around the world to raise awareness and collect information on their readiness. The focus now is on promoting action, tracking progress and on contingency planning. The airline community will be spending USD 2.3 billion to prepare itself for Y2K.
- Savings of USD 692 million were made in 1998 through joint airline and IATA efforts in relation to user charges, taxation and fuel trade.



- Savings from successful efforts to prevent changes to fuel flash points were calculated at USD 15 billion in the US and USD 60 billion elsewhere.
- Carriage of genuinely “paperless” cargo shipments came a step closer with an IATA task force identifying areas in the process flow of air cargo which would be changed by the provisions of Montreal Protocol 4.
- Radio ID tags for baggage were tested by another IATA group - offering prospects for eventually faster handling and much reduced cases of loss or mis-direction.
- IATA aggressively promoted airline requirements for radio spectrum. A campaign to rally industry and national delegation support for the May 2000 ITU World Radio Conference is well in hand. Adequate aviation radio spectrum is fundamental to safe operations.

IATA made clear, at the time of going to press, that an entirely new Warsaw Convention on airline liability might not be achievable at the Montreal diplomatic conference convened by ICAO. IATA prefers a more focussed treaty instrument reflecting the principles in the IIA/MIA regime, developed through IATA.

## **IATA**

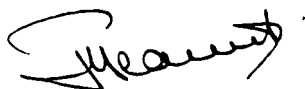
I welcome the following carriers\* who have joined since the last annual report: ACES - Aerolineas Centrales de Colombia SA, Air Berlin GmbH & Co, Air Bosna, China Xinjiang Airlines, China Yunnan Airlines, DHL International E.C., DINAR Lineas Aereas, Oman Air, Regional Airlines, Shanghai Airlines, Sochi Airlines - AVIAPRIMA and Xiamen Airlines.

ISS was established within IDS (IATA Distribution Services) as a distinct business unit on 1 July 1998, with required changes to governance coming into effect on 1 January 1999. From that date, IDS assumed direct responsibility and accountability for the BSP and CASS budgets and all decisions relating to their business operations. A comprehensive Transformation Project Plan is underway, to achieve the necessary changes over the next 5 years.

The transformation of Tariff Services into a “pay as you use” function is planned for the year 2000 - to better satisfy airline Member needs and address future challenges.

*\*List complete at time of going to press*

Pierre J. Jeannot




## FINANCIAL RESULTS 1998

### International Scheduled Services

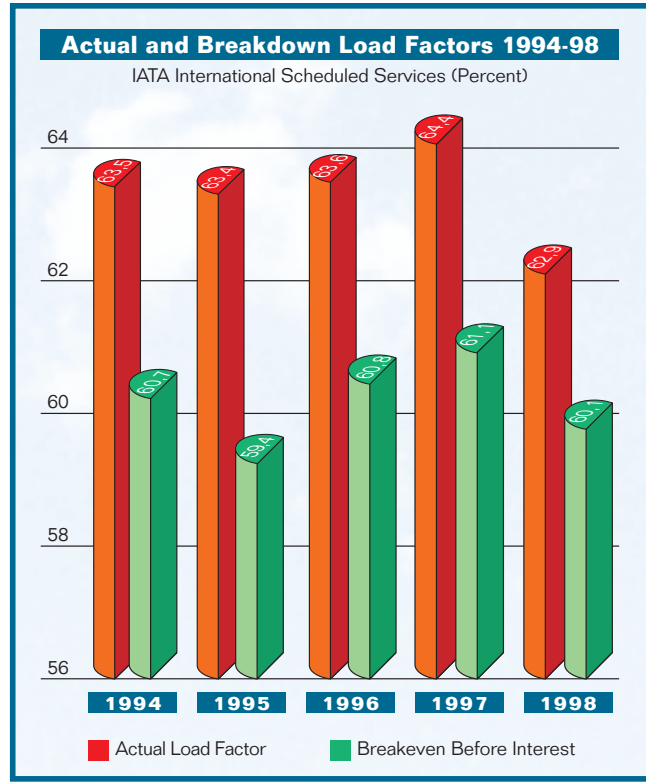
IATA Members achieved a fifth successive year of net profitability in 1998 - which is in itself a record for recent times. However, the figure of USD 3.1 billion was only 2.2 percent of revenue. Average load factors declined sharply - and the fact that the airlines were profitable at all was largely due to low fuel prices, low interest rates and the beneficial effects on both revenues and costs of alliance activity.

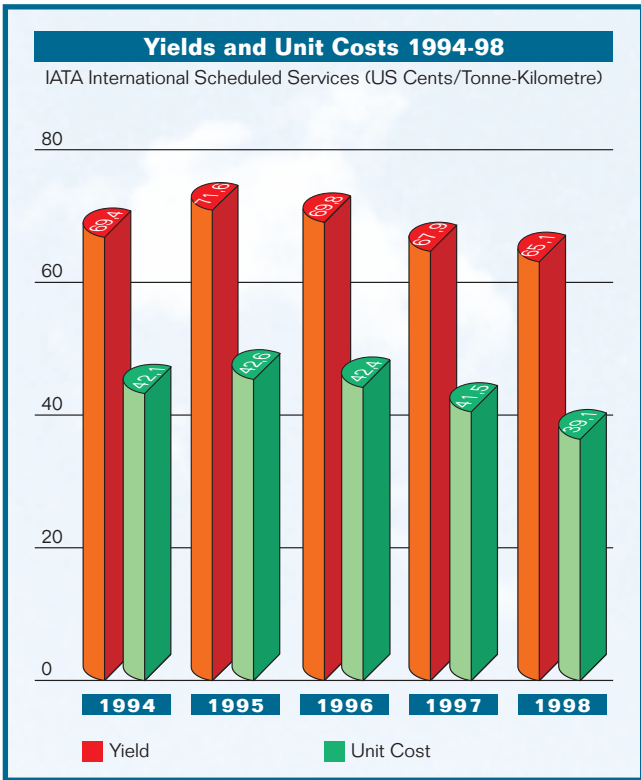


| IATA International Scheduled Services 1994-98 |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| USD Billions                                  | 1994  | 1995  | 1996  | 1997  | 1998  |
| Operating Revenues                            | 115.4 | 128.8 | 137.1 | 145.7 | 142.7 |
| Operating Expenses                            | 110.3 | 119.9 | 131.1 | 137.5 | 136.4 |
| Result before Interest                        | 5.1   | 8.9   | 6.0   | 8.2   | 6.3   |
| Net Interest Payable                          | 3.5   | 3.7   | 3.0   | 3.2   | 3.2   |
| Result after Interest                         | 1.6   | 5.2   | 3.0   | 5.0   | 3.1   |

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

## WEIGHT LOAD FACTORS, YELDS & UNIT COSTS





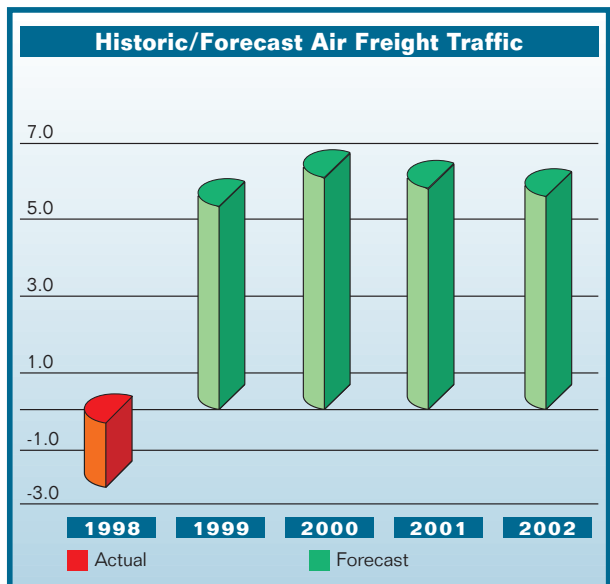
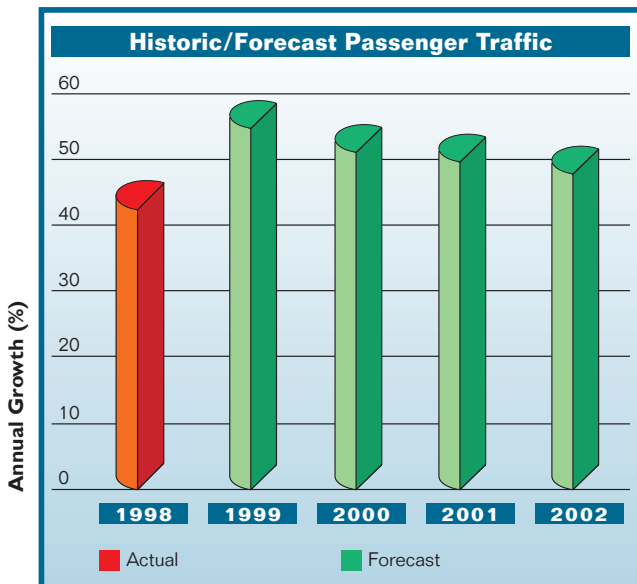
## INTERNATIONAL TRAFFIC FORECASTS, 1998 - 2002

**Passenger Traffic:** Overall growth is expected to average 5.5 percent between 1998 and 2002.

The highest growth rates are expected in routes involving South America - rates in Lower South America and Upper South America are expected to average 8.6 percent and 7.3 percent respectively.

The lowest growth is expected on routes involving Asia. Both Northeast Asia (4.5 percent) and Southeast Asia (4.4 percent) are expected to post below average growth rates.

**Cargo Traffic:** Average growth of 5.3 percent is expected. Highest growth is expected on South American routes. By contrast, the latest Southeast Asian forecast of 4.8 percent is down by 5.5 percentage points in comparison with the 1997-2001 forecasts.



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 the world's airlines continues to grow. There has been a significant increase in the number of taxes and fees that are placed on passenger tickets - there are now more than 1,300. Longstanding interpretations of international taxation treaties are being called into question - causing growing concerns over double taxation. Finally, individual states are using tax as a tool to achieve environmental performance improvements *without recognising the need for international co-operation*.

**Norway - Attempted Environmental Fuel Tax:** This was the first tax on international air transport based on CO<sup>2</sup> and sulphur content. IATA opposed its imposition because it was not consistent with ICAO principles. The tax also violated 68 bilateral air services agreements between Norway and other states. Norway has now rescinded the tax on international aviation fuel.

**Tourism Promotion Taxes:** A few years ago, IATA successfully opposed a passenger tax proposed by the US Travel and Tourism Agency to finance tourism promotion to the US. Other countries are now taking the same path. Indonesia is trying to raise revenues for tourism promotion by placing a tax on all international airline tickets. IATA has opposed the move since it is contrary to the Chicago Convention and ICAO policy. Recently, Mexico has announced that they will implement a similar tax.

**Ecuador Bank Transaction Tax:** A 1 percent tax on all bank transactions was imposed by the government of Ecuador. Without appropriate wording in the legislation, international airlines faced the unwelcome prospect of double taxation - as the same revenue would be taxed both in Ecuador and in their home country. IATA has urged that airlines be exempt from the tax.

**Thailand VAT:** The Thai Value Added Tax regime did not permit the reclaim of tax paid by all international airlines. It permitted such reclaims only on a reciprocal basis - but a number of countries do not have VAT systems. IATA obtained an amendment to the law, enabling all international airlines to reclaim VAT inputs.



**Environmental taxes:** The use of taxation as a tool to achieve environmental goals continues to be a major concern to IATA. IATA continues to oppose the actions of individual states to impose taxes on fuel used in international air transportation. Working in co-operation with ICAO, we seek agreed policies to ensure that levies assessed by states are not simply used to generate additional revenues. Rather, IATA wants to be sure that if environmental levies are imposed they will be used only in efforts to correct any air transport-related environmental impact.

## USER CHARGES

In 1998, IATA Member airlines paid USD 7.4 billion in airport landing and related charges and USD 6.3 billion in air navigation charges for their scheduled international operations. The total of airport charges increased by USD 100 million, but air navigation charges increased by USD 400 million, compared with 1997. Together, they represented 10.0 percent of the airlines' international operating costs, compared with 9.6 percent in 1997.

The Secretariat and Member airlines' charges experts took part in 185 missions and charges-related meetings during 1998. Costs saved or avoided for the airlines were USD 505 million, of which USD 173 million in the year 1998 itself and USD 332 million in subsequent years.

In **Africa**, IATA consulted with ASECNA, the D.R. Congo, Namibia, South Africa, Roberts FIR, Tanzania, Zambia and Zimbabwe. User charges activity sometimes was instrumental in assisting States with essential airport/ATC infrastructure development projects, required by the IATA Member airlines. *See also "ATC Enhancement & Financing."*

In **Europe**, heavy and continual efforts were necessary in trying to hold back **EUROCONTROL** - the agency and member states' - costs and charges. IATA contributed to the "ATM 2000+ Strategy" - a long-term plan to cope with anticipated capacity demand up to the year 2015. Of significant importance is the proposal for cost performance indicators and benchmarking of Air Traffic Services within the newly established Performance Review Commission. The Commission's role is to ensure strong, independent, transparent performance of the European ATM system.

Particular efforts were also directed at the UK - BAA, Manchester Airport and the air navigation authority NATS. IATA submitted its response to a consultation paper on the proposed privatisation of NATS. Important discussions on charging levels and structure were held with the Czech Republic, Denmark, Finland, France (Aéroports de Paris), Germany, Greece, Netherlands, Norway, Sweden and the Russian Federation.

In **Asia/Pacific** long, hard, efforts resulted in the Hong Kong Airport Authority reducing its recovery from the airlines for aeronautical charges from HKD 4,000 million to HKD 2,700 million.



Charges consultations also took place with the P.R. China, India, Japan, Korea, Malaysia, Pakistan, Philippines, Thailand, Australia and New Zealand.

In **North America**, Nav Canada - the air navigation “not-for-profit” entity - completed its transition from a tax-based to a fee-based funding system in November 1998, and full cost recovery through user charges was effective March 1999. IATA was heavily involved in developing the charges levels, structures and formulae.

The impact of the redevelopment of Toronto Airport, if carried out as proposed by the airport authority, would result in massive increases in charges. Together with the Airport Consultative Committee and user airlines, IATA is pressing for cost-effective development of the airport and reasonable charges. IATA continues to monitor initiatives in the US to implement user charges for FAA’s Air Traffic Services - seeking transparent, cost-related charges and adequate prior consultation.

In **Latin America**, the airport privatisation process continues, in most cases in the form of lease/concession contracts. IATA seeks transparency, consultation and effective regulation of privatised airports, to ensure that charges are reasonable and equitably allocated among users. Consultations on airport privatisation plans and charges were held with Argentina, Costa Rica, Ecuador, Peru and Uruguay. IATA organised a Colloquium on Airport Privatisation for Central American States, which was attended by Ministers of Transport and Civil Aviation Authorities from the region.

**Eagle Awards** were launched at IATA’s 53<sup>rd</sup> AGM. They recognise that many **providers** of airport and air navigation services do **strive to look after their primary customers - the airlines**. The first annual awards were made in 1998 to an airport operator, BAA plc of the UK, and a provider of air navigation services, the Irish Aviation Authority. They received eagle trophies, in recognition of their efforts to offer value-for-money to the airlines. Eagle Award winners are selected by an eminent panel independent of IATA.

IATA continues to publish the “**Airport and En Route Aviation Charges Manual**”, the only authoritative compilation of up-to-date information available on airport and air navigation charges world-wide.

## **FUEL TRADE**

IATA efforts during 1998 resulted in USD 100 million less fuel cost for Member airlines. These savings do not include the major achievement of 1998 - in which IATA made a significant contribution to the US Aviation Rulemaking Advisory Committee report to the FAA on minimising in-flight exposure to fuel flammability. The report proposed *no change* to aviation fuel flash point specifications, thus avoiding a huge cost to the industry.



IATA is pursuing the adoption of an international civil jet fuel specification - and will incorporate it in the IATA Guidance Material for Aviation Fuels. It is also developing a standard into-plane fuelling procedure - a joint effort by airlines and Partnership Programme members.

## **CURRENCY**

Total industry funds reported as blocked, or otherwise restricted, at the end of 1998 were USD 332 million - a *decrease* of USD 69 million from 1997. Further cause for optimism is provided by the fact that 55 percent of airlines advised no blocked funds in 1998, compared to 51 percent in 1997.

### **Economic and Monetary Union (EMU)**

From 1 January 1999, IATA Member airlines are able to offer their customers, both corporate and private, the ability to pay for air transport in either **euro** or the national currency of those European Union countries which join EMU. Airlines are able to choose how they wish to be paid - to allow airlines not able to accept dual currencies from 1 January 1999, time to bring their systems up-to-date.

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



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 IATA's foremost strategic objective - specifically, to reduce the aircraft hull-loss rate by 50 percent by the year 2004, compared to the 1995 rate.

The number of jet operational total losses decreased in 1998. The number of fatal accidents was almost unchanged from last year, but the number of fatalities increased by 138. The trend for turboprop aircraft differed dramatically and encouragingly - with significant decreases in operational total losses, fatal accidents, and fatalities.



|                                | JET    |        | TURBOPROP |       |
|--------------------------------|--------|--------|-----------|-------|
|                                | 1998   | 1997   | 1998      | 1997  |
| Number of aircraft operating   | 12,648 | 12,061 | 5,353     | 5,267 |
| Operational total losses       | 18     | 21     | 21        | 34    |
| Accidents involving fatalities | 9      | 8      | 12        | 17    |
| Passenger fatalities           | 768    | 630    | 107       | 141   |
| Crew fatalities                | 80     | 52     | 25        | 41    |
| Total fatalities               | 848    | 682    | 132       | 182   |

IATA's strategic objective is pursued through a **seven-point programme**, which includes analysis of digital flight data recorder information, encouraging confidential/non-punitive reporting systems, operational quality audit standards, no-fault go-around policies, and the implementation of the **Safety Buddy System**.

IATA has established an Emergency Response Planning Working Group - which identifies recommended practices in collecting and presenting information for airline response to an aircraft accident.

STEADES - Safety Trend Evaluation, Analysis and Data Exchange System is another program being pursued. IATA plans to take over the British Airways Safety Information System - BASIS. A confidential, de-identified, database of accidents/incidents will be created and maintained, using the BASIS software. The objective is data evaluation and trend analysis - in order to develop a more proactive approach to aviation safety.



## SECURITY

In 1998, the total number of reported acts of unlawful interference against civil aviation remained low. Five seizures were successful and one unsuccessful. There was an increase in stowaway incidents - and recommendations have been developed which, if introduced, will reduce such incidents in future.

IATA continues to work closely with the European Civil Aviation Conference - ECAC - on standards of aviation security equipment, and on passenger/baggage reconciliation, hold baggage screening, cargo and mail security and a **standard air carrier security programme template**. A standard template will enable carriers to submit their security programme in *one format* to all ECAC states. This will then be incorporated into the IATA and ICAO AVSEC manuals for world - wide applicability.

The **one stop** security concept promoted by IATA has been formally implemented between Switzerland and Belgium. A number of states are working on bilateral agreements - and the concept will probably be accepted by a majority of ECAC States.

IATA and ICAO have worked closely together to address the problem of crimes committed on board aircraft. The subject is an ICAO Legal Committee strategic objective and a Study Group has been established in which IATA will participate.

See also "Inflight Services."



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>

Last year’s Annual General Meeting voted a budget of USD 19.7 million for IATA to work on an international Y2K project, on behalf of all Members. The objective was to enable carriers to continue to operate normally through the Millennium roll-over period. The project was designed to both raise awareness and understanding about the urgency of solving Y2K issues - and to collect data on compliance efforts undertaken by airports and air traffic service providers.

The project designs have been met and even exceeded, on time and within budget.

IATA has held 26 regional seminars for international airports and ATS providers used by our Members, with over 2,000 people attending. Over 2,500 toolkits in eight languages have been distributed to airport and ATS authorities asked to participate in the Project. As a result, industry cooperation and action on Y2K problems have been bolstered and stimulated.

IATA teams have worked with the 72 largest international airports outside North America and the 70 most critical ATS providers, to collect data and to gain understanding of their Y2K programmes. Data has been recorded in a confidential, password protected, database reserved for IATA Member airlines.

In order to better satisfy Member needs, the original project goals have been *extended* during 1999, with IATA taking on additional ATS visits (now 110 in total), and second visits to another 30 providers. IATA has also trained airline personnel - who are covering more than 500 additional airports, thereby ensuring more timely reporting of information.

Another programme addition was a survey of Cargo Customs Authorities - to provide cargo carriers with the Y2K readiness information needed to make contingency plans.

Recent emphasis has been placed on the importance of **contingency planning**, in the event that certain facilities are not ready in all respects. Regional IATA offices have provided technical expertise and coordinated efforts with ICAO regional offices. The goal is to ensure that where Y2K work cannot be completed by the December 31 deadline, robust contingency plans both at the state and the regional levels will enable operations to continue with as little disruption as possible.



Through the IATA project and their own Y2K efforts, Member airlines have shown their determination to maintain maximum service. A recent survey shows they have spent USD 2.3 billion on fixing Y2K problems. IATA works closely with Members on their own Y2K concerns at regular Year 2000 Group meetings - and has distributed a Y2K programme guideline to help in their own programmes.

IATA has its own **in-house** project, to make sure that all vital industry services such as the Clearing House and settlement systems function correctly and without interruption.

IATA is committed to fostering the best industry communications on Y2K. Together with governments, airlines and ICAO, it is involved in contingency planning. At the same time, there is a need to track progress to full compliance, up to and through the transition to the year 2000. A strong case therefore exists for a continuation of the Y2K project, into the first months of 2000.

## INFRASTRUCTURE

*For this, and other activities of IATA's Operations & Infrastructure Division, refer on-line to: <http://www.iata.org/oi>*

**Africa:** Good progress has been made in improving telecommunications. VHF for pilot/controller communications has been extended through VSAT systems. This has allowed extension of air traffic control in a number of critical FIRs - and has had a positive impact on the general quality of air traffic services.

Implementation of fixed communications between ground stations has also improved - especially in Southern Africa - through the full deployment of the SADC VSAT fixed services network. Users will benefit directly, through implementation of AFTN and ATS speech connections - essential pre-requisites to the improvement of safety and airspace capacity in the region. *See also "ATC Enhancement & Financing."*

During 1998, transition to CNS/ATM started, with most of the individual traffic-flow implementation groups meeting, and the Europe/South America group in the lead - with specific target dates, linked to clear ATM benefits. The programme, which runs up to 2005, will ensure that the ATS system continues to cope with the high rate of traffic growth and provides early benefits to the users.

**Asia/Pacific:** Despite little traffic growth in 1998/99, both airport and airspace capacity have been under pressure at peak periods and in some critical areas. IATA and its Members try to identify the causes of capacity and efficiency problems, and explore solutions with the service providers.

The Japanese Ministry of Transport agreed an **8 percent increase in Narita's weekly movements** from October 1998. This vital development reflects joint work, on operational procedures and potential environmental impact - by the Japanese CAB, the Tokyo International Airport Authority and IATA - over a period of five years.



IATA co-ordinated the demonstration of new Polar Routes such as non-stop New York-Hong Kong and Detroit-Beijing. Further trials will include Toronto-Osaka, Toronto-Hong Kong, New York-Beijing, Chicago-Delhi and Vancouver-Delhi.

A number of new shorter routes have been started at IATA's request. Most notably, Kazakhstan opened a short-cut which saves 10 minutes for flights between Hong Kong and Europe; Afghanistan opened two new routes which significantly reduce the flight time between Asia and Europe.

IATA assisted the start of a major refurbishment of aeronautical facilities in Afghanistan. The first phase is to ensure safe operations through a VHF remote-controlled air-ground network for direct pilot/controller communications over the Kabul FIR. The VSAT network will also provide ATS voice and AFTN data communications inside Afghanistan and with adjacent ATS units in Pakistan, Iran, Tajikistan, Turkmenistan and Uzbekistan. The target date for completion is November 1999.

In May 1998, South Pacific Forum nations agreed to study **unified management of the South Pacific upper airspace**. This has global importance - it is the first such regional effort to develop a co-operative venture for air navigation services. IATA developed an appropriate concept for the management of the airspace, to be presented to the Forum ministers in mid - 1999.

**Europe:** Air traffic in the ECAC area rose 5.5 percent in 1998 - but ATC delays rose 30 percent, despite pre-arranged capacity targets. Delays were caused by a combination of increased traffic, increased industrial action, increased flow protection at airports (this now account for 21 percent of all ATC delays) and, most importantly, the fact that the en-route system in the core of Europe is **close to its capacity limit**.

Capacity planning is now a permanent process. EUROCONTROL has accepted the IATA proposal for an overall 1999 target capacity increase of 8 percent above 1998, with the aim of reducing delays to 1997 levels. States now need plans to meet these targets.

A number of system-wide improvements should increase capacity and improve efficiency. Basic RNAV became mandatory in April '98 - enabling a new European ATS route network over the next three years, with reduced bottlenecks and a 30 percent increase in capacity. Lessons have been learned for the remaining major programmes: 8.33 kHz channel spacing, RVSM and ACAS. IATA has emphasised that airlines must conform to the planned dates; one reason for the delay to Basic-RNAV was late retrofit by airlines and the same concerns are beginning to arise over 8.33.

The most important EUROCONTROL organisational items for IATA airlines are the new Performance Review Commission and the ATM 2000+ Strategy to guide gate-to-gate developments up to 2015.

Future plans must accommodate traffic levels 120 percent higher than in 1997, by 2015.



IATA involvement in the ATM 2000+ Strategy has resulted in much greater emphasis on reducing costs, increasing capacity through cohesive European airspace planning, giving higher prominence to increasing airport capacity and the need for a European rule-making process to deliver major programmes on time.

The PRC is defining and using the key performance indicators required to monitor and manage the performance of the European ATM system, identifying the top ten ATM performance problems requiring immediate remedial action, and developing guidelines for the economic regulation of ATS.

**Latin America/Caribbean:** IATA conducted safety-oriented operational assessments at 5 airports in the region and 13 more have been requested by Members for this year. The results have produced action on deficiencies in ATC services, instrument procedures and runway conditions. The assessments, together with IATA interventions to resolve facility and service problems, gave good annual savings for the carriers in 1998.

In collaboration with AITAL, IATA launched an initiative to establish a Pan American Aviation Safety Team, to unify regional flight safety activities into a consolidated programme. This has been well received by ICAO, IFALPA, IFATCA, and several other organisations interested in promoting flight safety improvement in the region.

Expanded use of reduced (10 minute) longitudinal separation - a key IATA objective - was obtained in the Caribbean, Gulf of Mexico, and on the South Atlantic routes; this will achieve good cost savings. IATA efforts to introduce RVSM in the Caribbean and the South Atlantic, have prompted action plans by the states and ICAO - and should result in RVSM application within the next 2-3 years. By the end of 1998, the region had 32 GPS routes in operation in the Caribbean, complemented by 44 GPS non-precision approaches. ICAO agreed to an IATA proposal for 78 GPS routes for the region, 12 of which are under active development.

**Middle East:** IATA persuaded the Jordanian and Israeli governments to permit flights to and from Amman to overfly the Tel Aviv FIR, saving both time and money. This coincided with the opening of a new international airport in Gaza by the Palestinian National Authority.

Following an IATA initiative, ICAO has now sub-divided the Middle East Region into three sub-regions for CNS/ATM planning. Parts of the region can now accelerate use of FANS-1/A, thus enabling a FANS route from S. East Asia to the Mediterranean.

IATA worked closely with ICAO and states to guarantee contingency routes throughout the region; they were effected quickly, when hostilities broke out late in the year.

**North Atlantic/North America:** Following IATA urging, 95 percent of North Atlantic flights now benefit from the RVSM enhancement to airspace capacity and flight efficiency. IATA encouraged service providers to develop plans for RVSM in the western Atlantic and northern Canadian regions.



IATA contributed to a flight safety study - which is expected to lead to a further 30 percent increase in North Atlantic airspace capacity next year, through reduced longitudinal separation minima - **RloSM** - between aircraft. Procedures to assure that such reductions can be safely implemented will involve little if any cost to operators or ATS providers.

Following IATA's representations, North Atlantic ATS states have agreed that future ATM systems developed *specifically* for use in the region will use *all* varieties of CNS capabilities employed by aircraft flying in the region. This will ensure that any investments by Members in FANS1/A avionics can be used on the North Atlantic.

A cost study of future North Atlantic ATM methods is underway, as a major effort of IATA and teams of analysts from Iceland, the UK and the US. The results will be used by ICAO to determine the scope and schedule of CNS/ATM implementation on the North Atlantic. First results show that **low-cost ATM improvements** (RVSM and RloSM) will provide safely sufficient airspace capacity and flexibility to ensure efficient North Atlantic operations for the traffic demand forecast over the next **five years**.

**Airports:** IATA Airport Consultative Committees seek appropriate, efficient and cost-effective airport facilities. They were active at 26 airports in 1998. Milestones included; new dedicated resources to look after airline/BAA liaison on airport development; airport simulations, resulting in government recognition of the capacity limits at Don Muang Airport, Bangkok; and ensuring that development at the new Nong Ngu Hao Airport will provide sufficient capacity for initial operations.

Opening of new airports in 1998 at Kuala Lumpur, Hong Kong, Milan Malpensa and Oslo Gardemoen were - to differing extents - marred by initial glitches in computer systems which caused significant disruption to operations, although they are now working well. IATA is developing a new airport opening checklist to assist in ensuring that such problems do not recur in future.

**CNS/ATM:** The focus is shifting to the question of **support technology** and benefits. Mechanisms are needed to establish the **cost-benefit** ratios for both airlines and service providers and institutional and legal issues complicate the future role of air traffic management in a CNS environment. IATA will continue to be a major contributor to these initiatives within ICAO and with other organisations, to define the necessary industry standards.

**Radio frequency:** Aviation is totally dependent on access to secure and adequate spectrum to ensure safety and future growth. Personal mobile telephone service operators are competing for spectrum - and aviation can no longer rely on the exclusivity that it once enjoyed. IATA is leading efforts to make governments aware of the problem - in advance of the **International Telecommunications Union World Radio Conference in 2000**.



**The IATA/ACI/ATAG Airport Capacity/Demand Profile database was published at the end of 1998. This database contains detailed information on facilities, capacity, forecast demand, and future expansion for 138 of the world's major airports.**

#### **Airport and Obstacle Data Base**

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

The AODB provides the latest available airport and obstacle data for take-off and landing performance analysis. The product offers other value-added services such as FAA Information and Aviation News Forum. It acts as a clearing house for hard to get, as well as readily available, data. Information is provided in digital and graphical format. Access is 24 hours per day via the Internet; 36 Airlines currently participate.

## **ENVIRONMENT**

Debate in international aviation policy-making in 1998 reflected the commitment of the global community to accommodate future growth within the boundaries of sustainability.

ICAO's 32nd Assembly adopted new limits on aircraft engine **NOx emissions**. The new standard is **16 percent more stringent** and its development was strongly supported by IATA.

As a follow-up to the Kyoto Protocol, **ICAO** is studying various **market-based options for the reduction of aircraft CO<sup>2</sup> emissions**. They include emission-related levies, kerosene levies, emissions trading *and* voluntary agreements. Development of these options into environmentally beneficial and economically feasible policy tools for further CO<sup>2</sup> reduction still requires considerable study. IATA has ensured its strong involvement in this process.

In spite of sporadic unilateral initiatives, **ICAO** again underlined the importance of **multilateral regulatory coherence**. To this end, by its next Assembly in 2001, ICAO is expected to have developed state guidance on emission-related levies - and to report on progress towards a **new noise certification standard**.

The Intergovernmental Panel on Climate Change - **IPCC** - published a **Special Report on Aviation and the Global Atmosphere**. The report provides the most comprehensive assessment to date of the effects of aviation on the global atmosphere and can be expected to determine aviation environmental policy for decades to come.

Taking into account the IPCC study results and in line with international debate, IATA has asked the Environment Task Force to start work on the development of **industry environmental goals and targets**. The intention is to measure, monitor and communicate improvements in the industry's performance in selected areas.

There is a need for concerted, innovative efforts by regulators, airports, manufacturers and IATA Member airlines alike to avoid limiting capacity on environmental grounds.



## CONSUMER ISSUES

In the name of “passenger rights”, the European Commission and the US have moved to strengthen and extend consumer protection and information requirements connected with industry practices. In March 1999, there were 13 bills affecting carrier service and pricing before the US Congress.

The extent of government rulemaking continues to set airlines apart from other businesses. It also represents another instance of uncoordinated regulatory activity that has been slowly weakening the global framework for civil aviation.

Among the measures involved were: information disclosure requirements on code-shares; change-of-gauge services; denied boarding and airline liability regimes. Other initiatives in the US address: physical comfort; health; passengers with special needs; misplaced bags; and carrier protection plans.

The Airline-Consumer Forum, now in its 15<sup>th</sup> year, provided valuable insights into some of these developments, including the IATA standard Conditions of Carriage, IATA exemptions, prevention of ticket fraud, the Year 2000, unruly passengers, code-sharing and unruly passengers. The Forum provides a useful way to share information and to highlight the concerns of passengers.

## GOVERNMENT RELATIONS

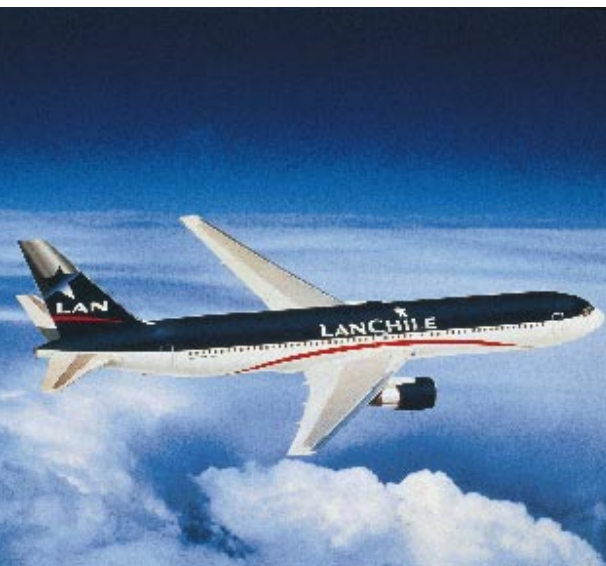
IATA serves as an industry point of contact with governments around the world, whenever possible defending or furthering the interests of IATA Members.

Despite liberalisation the volume of regulation does not slacken. The emphasis has shifted from aviation-specific rulemaking to broader, “horizontal” regulation, particularly in the areas of environment and consumerism.

IATA continues to defend the industry’s conference system, particularly in Brussels and Washington, although other administrations are taking a close look at these activities. There is a broad understanding that a worldwide interlining system depends on some **elementary “doing business” rules**, including genuinely interlineable fares and a means of proration of revenues.

IATA has been granted, or is seeking, **Exemptions from the European Commission’s Competition Directorate (DGIV) competition rules**. The existing Block Exemptions on Passenger Tariff Co-ordination and Slot Allocation are being extended by three years through to 30 June 2001. However, a decision on IATA’s request for an Individual Exemption for cargo tariff consultations, submitted in June 1997, has still not been made. The EC exemptions for Distribution and Services activities of IATA are progressing slowly. No major development is expected before the EC has finalised its policy on alliances.

Discussions are under way in Washington with the US Department of Transportation with a view to simplifying the tariff filing and approval process.





There have been several **consumer legislation initiatives** with importance for the air transport industry.

In Europe, the EC has implemented data protection legislation which restricts the cross-border transfer of reservations to countries which do not have “comparable” personal data protection rules. It has been reviewing conditions of carriage in the light of the Directive on Unfair Terms in Consumer Contracts, with particular attention to information to be given to passengers. Amendments to existing regulations on CRS and Denied Boarding have also moved forward.

In the US, a combination of bad winter weather and lobbying of Congress by business travel and travel agents’ interests, brought consumer protection to the fore. Both Congress and the Administration have proposed legislation aimed at making the airlines more responsive to consumers.

In addition, the DOT has produced long-delayed directives about **informing passengers** of code-sharing and wet-lease arrangements and about change-of-gauge services.

The WTO is committed to re-visiting air transportation in the **GATS 2000** process and IATA has taken part in preparatory meetings with the European Commission and other interested parties.

IATA is currently developing a White paper outlining the major industry political and regulatory challenges at the start of the new millennium.

**The Worldwide Regulatory scene** is evolving rapidly.

The point may have been passed at which the original Chicago Convention approach to international civil aviation is outmoded. There are increasing signs that the industry is becoming a “two-tier system” in which the industrialised nations are moving ahead, leaving the developing nations behind.

Many industrialised nations now want to see concrete action taken to liberalise international air transport on a multilateral basis, building on national or regional progress. The EU and the US continue to develop their own regulatory agendas. This, unfortunately, sometimes leads to conflicting approaches to regulatory issues.

At the **32<sup>nd</sup> Assembly of ICAO** last year, IATA represented the interests of the international scheduled airline community. The European states were very clear that they had their own agenda, notably on environmental issues, such as hush-kitted aircraft and environmental levies. However, during the Assembly, IATA lobbied for continued observance of ICAO policies, including those with respect to taxation and noise certification standards. Several IATA positions received support from the Assembly, notably legal items relating to unruly passengers and the Unidroit Convention on Mobile Equipment.

ICAO is establishing a universal safety oversight programme and a Global Aviation Safety Plan, aimed at reducing the accident rate worldwide, was endorsed.



Clear and consolidated policy statements on air transport, environmental protection, air navigation and unlawful interference were adopted by ICAO and administrative measures to speed up the ratification of air law instruments were put in hand.

While ICAO continues to work on items specific to aviation, other international bodies are looking at incorporating some aspects of civil aviation into a broader multilateral framework. The most immediate is GATS 2000, noted above.

**Africa:** The US “Safe Skies for Africa” initiative is currently focussing on eight countries - Angola, Cameroon, Cap Verde, Côte d’Ivoire, Kenya, Mali, Tanzania and Zimbabwe. The programme includes joint consultations with each State about **improving infrastructure and about safety and security programmes**. The US authorities are also to hold bilateral discussions with Ghana and Kenya.

There has also been some movement towards the privatisation of airports in Africa, notably in Ghana and South Africa. The new **IATA Airport Enhancement & Finance** service could make a positive contribution by persuading investors that user charges will be properly collected and managed.

**Asia/Pacific:** The East **Asian economic crisis** has had a strong impact on the air transport industry. Airlines within the region have had to re-engineer themselves, with trimmed down operations, staff layoffs and re-deployment of their fleets to compensate for the fall-off in business caused by the economic situation. While there are signs that the downturn is bottoming out, several airlines in the region face a difficult future.

Partly as a result, privatisation of flag carriers is the order of the day in several Asian countries. In addition, there has been a growing **trend towards commercial agreements**, ranging from simple code shares to full-fledged alliances, accompanied by wide-ranging reviews of national commercial aviation policy in several countries, notably India and Thailand.

Although the regional economic crisis had less impact in **China** than was first expected, with the exception of the Hong Kong Autonomous Region, the airline industry had a poor year in 1998. Only four of the nation’s 30 carriers operated at a profit. The government has moved to rectify the situation, including cutting the ties between the airlines and the Civil Aviation Administration of China and making the individual companies’ executives solely responsible for their sound management. Aircraft imports are being limited during the next two to three years.

Australia and New Zealand already have a liberal **single aviation market** and the Australian government is now reviewing proposals to liberalise further the airline industry. The government is also considering changing its stance on cabotage and on ownership.

**Europe:** Now that the “**Single Market**” for civil aviation is established, the authorities in Brussels are looking beyond the borders of the 15 member states. An agreement between the EU and Switzerland completed late in 1998 included civil aviation,



but the implementation process will probably not be completed before 2001. The EU has been continuing discussions with Central/Eastern European states with a view to creating a 28 - nation single aviation market bounded by Iceland / Portugal / Bulgaria / Estonia.

The European Commission is continuing its efforts to gain competence **for external aviation relations**, including bringing several states before the European Court of Justice.

The Commission claims that the “open skies” agreements concluded between these countries and the US are not permitted under Community law, since they discriminate against EU carriers as a whole.

These policy initiatives are producing their share of incompatibilities for the international air transport community. There are divergences between EU and US policy regarding alliances. The European proposal to **sharply restrict operation of “hush-kitted” aircraft** resulted in the US authorities threatening countermeasures. At the end of April, the implementation of the EC Regulation was delayed by 12 months, until April 2000.

An economic slowdown in some countries in Central/Eastern Europe and in Russia has had an impact on civil aviation. However, the main points of interest in the area are the EU **Single Skies** initiative and **privatisation**. The economic situation will slow privatisation initiatives, but the main problem has been the need to implement national legislation that ensures investors are properly protected.

**Latin America:** The magnitude of the **airport privatisation** initiative is shown by the fact that 88 airports, from Mexico to Argentina, are in the process with a total planned investment of USD 10 to 15 billion.

Simultaneously, there have been two industry currents affecting the airlines’ fortunes. The penetration of the market by US and European carriers has made the competitive environment more cut-throat and this has not been offset by the continuing growth in **code-sharing and other commercial agreements** between US and Latin American partners. The second has been steady downward pressure on tariffs caused by this competition from US carriers and by liberalisation within the region.

**Middle East:** The Middle East peace process is moving slowly and, coupled with the UN embargo on Iraq, this limits the development of air transport within the region. The civil aviation **embargo against Libya was ended** this spring. Air services have been resumed.

The **drop in crude oil prices** has cut into economic growth and this has had unhappy consequences for the region’s carriers. One positive development was the opening of Gaza International Airport, although air services will take time to develop.

Generally, the airlines in the Gulf area are performing satisfactorily, but elsewhere in the Middle East governments are reviewing their policies on national carriers because of economic pressures. Some airlines, which were not candidates for



privatisation a year ago, are now being looked at closely by the authorities. After lagging behind the global trend, the local carriers are moving into code-sharing agreements and this could signal a number of strategic alliances, with the outside partners taking a shareholding in the Middle East companies.

**North America:** The Executive and the Legislature in the United States are focussing on three main areas during 1999, “**The Year of Aviation**”. These are: future funding for the Federal Aviation Administration (FAA) and aviation infrastructure; airline competition; and consumer protection.

The **future funding of the FAA** is the subject of debate and differing views. One possibility is to make all or part of the FAA independent of the Department of Transportation.

Another is take the trust fund of revenues from ticket taxes for domestic flights “off budget” to allow it to be dedicated entirely to airport and ATC investment, rather than using it for the general national budget.

The proposed FAA budget for the next fiscal year, starting in October 1999, includes provision for USD 1.5 billion from new ATC user fees. This follows an unsuccessful attempt in 1997 to introduce overflight charges for foreign aircraft using US airspace.

There are several bills in Congress relating to **airline competition** and the Clinton Administration is also reviewing the matter.

These bills have been spurred by a combination of factors: travel agents’ unhappiness with cuts in commissions by airlines; business travellers’ discontent over the growing gap between full fares and discount fares; and concern that the largest carriers are competing “unfairly” with smaller and new entrant airlines. The Administration is working on producing competition “guidelines” later in the year.

**Extraterritoriality** has cropped up in the area of security.

In response to Congress’ adoption of the “Hatch Amendment” on security, the FAA issued a proposed rule obliging foreign carriers to apply “identical” (as distinct from the current requirement to use “similar”) security measures to US carriers serving the same markets, provoking complaints from foreign governments.

*Coming soon at <http://www.iata.org/gia>:*

*AirWeb, the new aeropolitical and regulatory database.*

## **LEGAL SUPPORT**

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

**Airline Liability:** The IATA Inter-carrier Agreement on Passenger Liability (“**IIA**”) continues to grow in acceptance as *the* world-wide industry standard governing airlines’ liability to their passengers. It has been signed by 120 airlines, which together carry well in excess of 90 percent of the world’s scheduled international air traffic. The companion Agreement on Measures to Implement the IIA (“**MIA**”) has been signed by 88 airlines.

During the past year, IATA and its Members have been striving to develop a streamlined and straightforward notice to be distributed with each ticket, which would generally inform passengers



of their rights under the IIA/MIA and other liability regimes that may be applicable to their travel. The objective was to devise a standard and readily comprehensible text which would conform to the regulatory requirements applicable in principal aviation markets throughout the world including the United States and the European Union. This effort was complicated by the entry into force in October 1998 of **EC Regulation 2027/97**, which prescribed new specific notice requirements for both EU and non-EU airlines. **IATA challenged the Regulation and the UK Statutory Order implementing it**, which prescribed *criminal penalties* for non-compliance. The case was argued before the High Court of England, and **a decision in IATA's favour** was handed down on 21 April 1999.

IATA has also been directly involved in preparations for the **Montreal diplomatic conference on airline liability** being convened by ICAO in May 1999. The objective of this conference is to adopt a new liability convention to replace the Warsaw Convention of 1929 and amending instruments. **IATA** believes an entirely new convention may not be achievable and **prefers a more focussed treaty instrument reflecting the principles in the IIA/MIA regime.**

**Treaty on High Value Mobile Assets including Aircraft Equipment:** In line with the resolution adopted at the 1997 AGM, IATA continues to work towards the early adoption of the proposed treaty, which will create an international system for the registration and treatment of aircraft and engines. The proposed instrument would allow creditors' rights and interests to be more easily recognised, and thus enforced - thereby reducing the risk to financiers, and in turn, reducing the cost of financing to the airlines.

Independent economic studies have identified potential savings of several billion dollars annually in respect of aircraft and engines ordered over the next twenty years.

Direct involvement in this process by leading aircraft manufacturers, financial institutions and IATA has helped to ensure that issues particular to aviation are appropriately addressed.

The first inter-governmental meeting of experts was held in Rome in February 1999 to review draft texts. There was reluctance on the part of some delegates to commit to the introduction of wholesale amendments to their national bankruptcy laws to provide that internationally registered rights would or could have priority. However, equally, there was an acceptance that for the aviation industry, there were particular advantages (the inherently mobile nature of aircraft, and their extremely high cost) militating in favour of aviation specific exceptions to general domestic bankruptcy law.

Further meetings of interested parties are contemplated in 1999, and it is hoped that a **diplomatic conference can be convened by the year 2000.** IATA will continue to represent and promote airline interests in this process.

**Conditions of Carriage and Contract:** A major rewrite of the **IATA Model Conditions of Carriage** was adopted at the



October 1998 meeting of the Passenger Services Conference - PSC. It will come into force once all necessary governmental approvals are obtained. The new Conditions of Carriage are considered more “user-friendly” than the previous version, and they reflect prevailing practices in the industry which have evolved considerably since the Conditions were last comprehensively revised.

Subsequently, a joint Working Group of the Legal Advisory Council and the PSC has undertaken to rewrite the **IATA Conditions of Contract**, with a view to having a proposal ready for adoption at the 1999 PSC meeting. The aim for the new Conditions of Contract is to enhance passenger awareness of the most significant provisions of the Conditions of Carriage, in order to minimise the likelihood of disputes and litigation between carriers and their passengers. This Working Group will propose further **refinements to select provisions of the new Conditions of Carriage** adopted in 1998.

**Disruptive/Unruly Passengers:** See “Inflight Services”.

**Essential Documents:** Following up on the three earlier editions of The Principal Instruments of the Warsaw System published in 1978, 1981 and 1991, IATA has produced a new, more user-friendly document. It is anticipated that it will quickly become a basic resource tool for all who are interested or involved in aviation liability matters.

### **CORPORATE COMMUNICATIONS**

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

IATA Corporate Communications now offers state of the art **crisis communications and media training** to all airlines, together with a Crisis Communications **Manual**. On **Y2K issues**, IATA is successfully coordinating our Members’ communications efforts, ensuring that our industry speaks with one voice. A new communications campaign on environmental issues is being launched under the theme Air transport: **e efficient, essential, economic, environmental**. Initially focussed on European issues, the campaign will target other markets in subsequent years.

### **INTERNATIONAL AIRLINE TRAINING FUND (IATF)**

Staff of Member airlines which are based in countries with developing economies are awarded vocational training scholarships to follow IATA Learning Centre courses, to study for the Concordia University AMBA degree or to take “in-field” training courses conducted by ILC instructors near the trainee’s place of work. The fund is generously supported by regular annual contributions from all IATA Members, as well as *ad hoc* donations from individual industry suppliers.

By the end of 1998, just over 1,200 scholarships had been awarded, with a cumulative value of USD 2.033 million, including 153, worth USD 274,000, during the course of last year. Five in-field training courses were offered for 92 trainees in 1998 and this number is scheduled to increase in 1999.





GRUPO TACA

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

## PASSENGER & AIRPORT SERVICES

Specifications for the **Smart Card** have been agreed. Cards will be used by airlines primarily to provide an access key to electronic ticket information, and not to *store* ticket data. Conditions of contract and other legal notices have been agreed by the industry, removing an obstacle to interline electronic ticketing for international transport. An implementation guide has been developed for **Electronic Reservation Services Providers - ERSPs** - which enables carriers to identify airline reservations made through the Internet or other on-line services. These “cyber agents” have unique IATA identity numbers. **Implementation guides** have been developed for ET and Smart Cards.

*Online, refer to: <http://www.iata.org/ersp/>*

*Online, refer to: <http://www.iata.org/eticket/>*

*Online, refer to: <http://www.iata.org/smartcard/>*

An **Electronic Commerce Distribution Group - ECDG** - will develop sound air transport industry electronic commerce business practices - focusing first on promotion of the new distribution methods including so called “cyber agents”. It will also assist the re-engineering of the distribution system through electronic commerce techniques.

A **Common Use Self Service** working group is developing standards for the operation of shared **self-service kiosks** offering self service check-in facilities. Kiosks may eventually be upgraded to offer facilities such as ticket delivery and self-baggage check-in.

**Conditions of Carriage** - see “Legal”

A **new ticket notice** was adopted by the Passenger Services Conference to satisfy EU and UK legislation. *For further detail see “Legal.”*

New rules on **Airline Designators** will allow new entrant airlines to begin marketing a service and distributing scheduling information *before* the commencement of services.

A complete **Carry-on Baggage Awareness Programme** includes industry standard graphics and announcements for use by airlines. Carry-on baggage recommendations now point out that passenger baggage allowances may vary by carrier and class of service.

**Radio Frequency Identification - RFID - bag tags** moved closer towards reality with the enhancement of industry specifications to support world-wide standards. The tags are expected to enable carriers to sort and reconcile bags much faster and more reliably than do present systems. ‘Live’ testing of the tags by





carriers, system providers and the US government is expected to be completed in 1999.

**Baggage Construction Standards** developed by IATA will provide luggage manufacturers with testing guidelines to reduce incidents of damaged baggage - and thus reduce airline costs.

### **Passenger and Airport Data Interchange (PADIS) Standards**

*Online, refer to: <http://www.iata.org/edi>*

Message standardisation efforts have recently been concentrated on:

- **PADIS Message Standards Document - which includes 79 EDIFACT messages.** Adopted as PADIS standards for use between Members and their business partners.
- **Implementation Guide for Management and Administration of Flight Operations - EDIFACT - between Airports and Airlines** (with ACI).
- **Standard Schedules Information Manual.** These standards have been developed to provide for more efficient processing of schedule information by computerised systems.
- **Data Interchange Standards Handbook.** A new guideline is intended to align the handbook with IATA Resolution governing the various documents used in the travel industry and thus allow Computer Reservation Systems, BSPs and airlines to electronically process them - thus reducing airline and IATA costs for BSP processing.

## **CARGO SERVICES**

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

Following ratification of **Montreal Protocol No. 4** by the US Senate and entry into force on 31st March 1999, total ratifications are now 45. Some key airfreight markets - Germany, Japan - have still to take action, but this may happen in 1999. A **Cargo Paperless Transportation Task Force** will identify remaining barriers to paperless cargo transportation now that the Protocol is in place.

A joint **Security / Cargo Task Force** has objectives for 1999 which include acceptable screening procedures, promotion of UPU guidelines and recommended practices, further update of Recommended Practice 1630, and cargo security training. The **Cargo Facilitation Panel** has drafted customs guidelines for air consignments - for which they will now seek WCO endorsement. The group plans a mission to Brazil in the first half of 1999. Resources have been dedicated for work with the WCO, WTO and ICC.

The **Cargo 2000 Interest Group** has developed a new process for the cycle from shipper to consignee.

## **SCHEDULING**

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

IATA's guidelines for the allocation of slots at congested airports, published in its **Scheduling Procedures Guide**, continues to be the blueprint for world-wide legislation on the subject. A completely revised and much user-friendlier version of the Guide is due to be released mid-1999.



IATA's **Schedules Coordination Conferences** remain the primary forum for the resolution of slot allocation problems at the world's most heavily congested airports. About 140 airports world-wide are considered sufficiently congested to require either voluntary or formal slot coordination; 900 airline delegates representing 300 airlines attended the 103rd Schedules Coordination Conference, held in Berlin, Germany in November 1998.

Amended **EU Regulation 95/93** has still to be released by the European Commission and it is unlikely to be published before mid-1999. IATA has worked with the Commission to ensure member interests are adequately reflected in any new regulation, and continues to liaise with IACA, ACI, AEA and Airport Co-ordinators around the world to ensure a common industry position is maintained on slot allocation matters.

## **FACILITATION**

EU States contemplate implementation of national legislation as required by the **EU Common Data Protection** directive. These measures increase the difficulties faced by many IATA Members, and IATA will seek solutions that strike the necessary balance. Airlines have problems with the **removal of deportees by air**. IATA, through its involvement with the IATA/Control Authority Working Group, has completed a "Best Practices" document that clearly sets out the rights and obligations of Members.

The **SPT Project** started in response to a 1997 IATA AGM Resolution on "Passenger-friendly flows through airports".

It has brought together the key parties - airports, airlines, custom authorities, immigration authorities and the users - who play a role in the airline passenger's journey. The idea is to use evolving technology to eliminate passenger 'hassle zones' with a **one-stop check** concept.

IATA has joined with ICAO, Airports Council International, the World Customs Organisation, and the Airline Users' Council, to form a Multi-Sectoral Steering Group, **MSSG**, with the goal of simplifying passenger travel by streamlining departure and arrival processes. Discussions in the MSSG centre on a new project plan, built around five key activities:

- **Providing "Big Picture" Context:** The project vision should be viewed as a way of providing a broad context for individual initiatives, some of which are, like common use self check-in systems, already underway.
- **Expanding Awareness:** Communicating and promoting the vision and the project to build high-level support and an environment for experiment and change.
- **Collecting, Assessing and Disseminating Information:** details of who is doing what, where and with what result. Successful policy or process initiatives could change the very need for some of the steps. This is the heart of the SPT project.
- **Catalyst for Action:** Promoting change and bringing parties together to find common approaches and to resolve potential conflicts.
- **Practical Support:** Identifying and facilitating the provision of standards and best practice guidance material.





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.

### INDUSTRY MONETARY SERVICES

**IATA Clearing House:** The value of claims cleared exceeded a record USD 30.6 billion in 1998 - a 5.1 percent growth over 1997 - with an offset ratio of 81 percent. Ten new members and participants joined during 1998; membership at the end of the year being 289. Ten members now avail themselves of the Clearing House facility for electronic submission of claims data.

**IATA Currency Clearance Service (ICCS):** enables airline treasurers to centrally control, quickly repatriate, or transfer their worldwide sales receipts at low cost, while obtaining attractive interest and market exchange rates. In addition to the facilitation of cash discipline and continuance of operations, ICCS allows airlines to leverage treasury personnel time and resources leading to increased contribution to shareholder value.

During 1998 ICCS cleared USD 10.1 billion, 17 percent more than in 1997. Clearance frequency increased to 82 in 1998 from 67 in the prior year, resulting in faster repatriation of funds to the Member airlines. The 1998 service quality survey gave an overall user satisfaction rating of 100 percent. By the close of 1998, ICCS was operating in 36 countries and regions, with 39 airlines participating.

**The IATA Credit Card Settlement Plan (CCSP):** brand named CardXL, this is a global credit card billing system for the centralised invoicing and electronic transmission of airlines' world-wide credit card sales. Airlines will consolidate their multi-currency credit card transactions from world-wide BSPs through CardXL - which will then deliver the transactions electronically to their chosen credit card acquirers. CardXL is now undergoing live testing, and it is anticipated the service will be available for general use in the third quarter of 1999.

**The IATA Advisory Service for Centralised Card Settlement Agreements:** brand named CardAXS, this is designed to help international airlines take advantage of changes in the global credit card industry that facilitate central settlement of world-wide credit card transactions. CardAXS saves airlines money by helping them through the processes required to consolidate their global credit card transactions with single acquirers, and in the negotiation of individual credit card agreements for central settlement.

**Revenue Accounting:** The Revenue Accounting Panel established a Task Force to study the ways in which developments in



technology and in distribution systems may impact on the revenue accounting function in the future. This task force has identified several opportunities for enhancing the quality, accuracy, timeliness and cost effectiveness of revenue information and proposals for the performance of an industry study are at an advanced stage.

**Interline Data Exchange Centre (IDEC):** The number of airlines in IDEC, which supports revenue accounting by providing electronic transmission of interline billing data, grew to 80 in 1998; 73 million transactions were exchanged electronically.

**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. Guideline Nos. 5 & 6, currently being finalised, relate to Accounting for Maintenance Costs and for Leases of Aircraft Fleet assets respectively. Further guidelines will be developed and work with accounting standards-setting bodies will continue.

**Insurance:** This activity continues to provide independent and objective advice on risk management and trends in world aviation insurance markets and develops strategies to protect the interests of member airlines. Established IATA industry insurance programmes, especially in the US, continue to provide economies and savings to members through joint coverage.

**ATC Enhancement & Financing (E&F):** Formerly known as ATC Billing and Collection, this service has grown to cover 27 ATC authorities, with more expected to join. It has been particularly successful in improving the collection of air navigation charges on behalf of ATC authorities. In turn, this has enabled states and IATA to work together in addressing infrastructure requirements.

**Airport Enhancement & Financing:** This brand new service builds on the success of the ATC E&F Service. The Airport E&F provides invoicing and collection services of charges levied by airports worldwide and is designed to improve cash flow and reduce administrative burdens. The service is of particular benefit to airports requiring financing of infrastructure projects.

**The SITA/IATA WorldTracer baggage tracing product** now includes a new claims investigation module. This is a database containing the names, addresses and other matching information of individuals that have filed *previous* claims with carriers for mishandled baggage compensation. The new information is expected to enable carriers to control their costs by improving management of the settlement process.

### **Partnership Programmes**

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

These programmes are a forum for co-operation and exchange of information between IATA, its Members, and suppliers to the airline industry. Cooperation 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; “scheduling



services” was introduced in 1998, covering coordination of industry standards for exchange of airline schedules data.

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 inter-modal 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 190 companies.

## **INFLIGHT SERVICES**

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

**IATA Inflight** is an industry service dedicated to raising the profile and quality of inflight service. It is the industry focal point for inflight issues and promotes the exchange of **best management practices** for cabin crew and inflight service activity.

Its major achievement in the past year has been the publication of **IATA Guidelines for Handling Unruly/Disruptive Passengers**, intended to assist Member airlines with the implementation of comprehensive internal policies for the prevention and handling of disruptive passenger incidents. An IATA Legal Working Group provided expert input to the guidelines and also finalised an IATA position paper and a Memorandum of Understanding, which will be used in lobbying government, airport and law enforcement authorities worldwide for more effective domestic laws and procedures for consistent handling and prosecution of disruptive passengers at points of arrival.

The **IATA Inflight Electronic Catalogue** will be launched on the IATA Website in 1999, an e-commerce concept enabling airlines to source a wide range of inflight products and services from suppliers around the world.

## **TARIFF SERVICES**

**Tariff Services Transformation:** Transformation of the former Tariff Coordination into a comprehensive services unit has been endorsed by the IATA Board of Governors. Revisions to the Membership dues structure will be submitted to the IATA Annual General Meeting in early June.

Implementation of the revised Tariff Services payment structure is planned for 1 January 2000.

Currently, 106 airlines are Members of Tariff Coordinating Conferences.

**Euro:** see “Economic & Monetary Union” under “Currency”

**Airline Passenger Tariff (APT) and the Air Tariff (AT) combined:** IATA and SITA combined the Airline Passenger Tariff (APT) and the Air Tariff (AT) into a single **new publication** called the **Passenger Air Tariff (PAT)**. The PAT will offer more comprehensive coverage, consolidating both industry and carrier specific fares and rules under a single cover. The first issue was published in April 1999.



**Fare Selection:** There is now a '**Fare Selection Rule**' for the industry. Fare selection is a system used by Computer Reservations Systems (CRSs) to select the fare applicable for any given fare component and has resulted in different prices being given for the same routing and carriers within a fare component. The new rule seeks to eliminate these discrepancies by providing that **in any fare component there is only one carrier whose fares will be selected and used.**

## **DISTRIBUTION SERVICES**

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

**ISS Transformation Project:** the Board of Governors last year endorsed proposals for a major re-engineering of the IATA Billing and Settlement Plans (BSP) and Cargo Accounts Settlement Systems (CASS). This includes consolidation and outsourcing of "back-office" functions in order to reduce airline costs, increase efficiency and provide enhanced customer service.

Consequently, ISS was established **within IDS** (IATA Distribution Services) as a **separate business unit** on 1 July 1998, with required changes to governance coming into effect on 1 January 1999. From that date, IDS assumed direct responsibility and accountability for the ISS budgets and all decisions relating to ISS business operations.

The transformation of the ISS will take place over the next 5 years and is being developed and achieved through a comprehensive **Transformation Project Plan**. This plan consists of over 28 sub-projects covering all aspects of ISS operations - both current and future - and has been established to achieve the IDS Goals agreed by the ISS Board of Directors. The Plan is designed to meet the following main objectives:

- To position IDS to assume responsibility for existing ISS operations from 1 January 1999 and progress the transformation project on schedule
- To achieve immediate improvement to costs, efficiency and customer service through a number of initiatives which can be implemented in the short-term
- To transform the ISS through structural re-organisation, operational and process redesign and global sourcing for major services.

**Agency:** The annual Conference held in September '98 agreed changes which **transferred operational and administrative responsibilities** for the running of the worldwide Billing and Settlement Plans (BSPs) to IATA. Significant changes to other aspects of the Agency Programme connected with the BSPs were also agreed, although Conference action was deferred to allow more work and consultations to take place.

A request for a continuing **exemption from EU rules** was lodged with the Commission. Meanwhile dialogue continues with the **European Travel Agency Association** to ensure the Agency Programme is tailored to local needs and requirements. Similar discussions take place elsewhere in the world.

During the year a number of changes were made to the **Sales**



**Agency Rules** including changes to remittance cycles in the South West Pacific.

Some concerns over the current Programme has been expressed by travel agency representatives from all over the world.

Responding to this general unease - and to update the current Programme to ensure that it is relevant and appropriate to future market place conditions - the Conference has established a **Millennium Group**. This joint airline and travel agency group will review the airline/agent relationship and current business practices with a view towards making **recommendations for change**.

In Latin America and the Caribbean, a plan to implement a **Default Insurance Plan** which benefits both Airlines and Agents is progressing, with a strategy being developed for consideration by the Regional Assembly. This scheme will follow on from the success of the first Agent Default Insurance Scheme which was introduced in Thailand in 1997.

**Accreditation:** At the end of 1998, just over 90,300 passenger agents and some 5,900 cargo agents were accredited. Strongest passenger agency growth was in Latin America, at 7.6 percent. On the cargo side growth was fairly uniform, at just over 4 percent.

Agency Programme **Regionalisation** progressed in certain markets, linking accreditation and settlement operations at existing **Agency Services Offices**. Thus, with implementation of Resolution 814 in Mauritius and Zambia, accreditation services are now carried out at IATA's ASO Southern Africa, based in Johannesburg.

**IATAN** and **CNS**, in the US, consolidated their positions.

**IATAN's** new endorsement program for non airline travel agents - **Travel Service Intermediaries** - continued to grow. Sales of the new data base product **Global Source** were especially strong in the US marketplace. IATAN introduced a "renew by phone" capability for most holders of the Travel Agent ID Card - which made renewing the card quick and easy for the customer and significantly more cost effective for IATAN.

**CNS** completed the CASS-USA conversion - rewarding the industry with over **USD 800,000** in savings and benefits for both airlines and agents. Their nation-wide classroom air-cargo program has **trained almost 3,000 students** - a **unique feat** in the US industry. The quarterly Focus has achieved major status in its specialised area of publishing, standing as the sole publication exclusively serving international air carrier and agent/forwarder interests.

**Products and projects:** The **IATA BSP International Service**, modelled on today's Billing and Settlement Plan (BSP), was developed in 1998 and is being implemented throughout 1999 to provide settlement and other services to all travel and tourism industry service providers.

**IiNET**, the IATA & Industry Network service created to enable electronic data transfer of BSP related ticket information, is currently gaining acceptance with the Industry in facilitating CRS-to-BSP and BSP-to-airline, data transfers.

The **Travel Agent ID Card Programme**, now available in 140





countries and recently endorsed by a new PConf Resolution 880a, has increased its cardholder base during 1998 - and 49,000 cardholders currently benefit from special rates by industry suppliers who recognise the value of this internationally accepted ID credential.

**The IATA Cargo Agent Card Programme** has been implemented in 22 countries and is continuing to expand, with a current cardholder base of 1500 cargo agents.

**Global Source**, an off-the-shelf CD-ROM containing a database of more than 150,000 travel industry sales outlets world-wide, was launched in 1998 by IATA and IATAN. This product has achieved wide market acceptance in the travel and tourism industry as an electronic reference tool with powerful query and report generating capabilities.

**Billing and Settlement Plans (BSP):** At the close of 1998, BSPs in full or partial operation numbered 61. Gross sales in 1998 were USD 110 billion, with 54,500 agents issuing 225 million standard tickets on behalf of 347 participating airlines and 40 non-airline participants. BSP costs per ticket were USc 44 in 1997 and USc 42 in 1998.

**Cargo Account Settlement Systems (CASS):** In 1998 the 28 CASSs processed 14 million air waybills, totalling USD 15.9 billion in revenue. CASS served 174 airlines and 8,000 intermediaries in 14,000 offices. New offices will open this year in P.R. China, Chile and South Africa. Feasibility studies are underway for Thailand, Singapore and Peru.

## **HUMAN RESOURCES DEVELOPMENT**

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

**International Aviation Management Training Institute (IAMTI):** IATA has joined forces with IAMTI, reinforcing IATA's leadership position in aviation industry education. Combining the IATA Learning Centre (ILC), IAMTI and the IATA/Concordia Aviation MBA (AMBA) programmes, IATA now provides training programmes from entry level skills training, specialised management and executive training programmes through to the academic AMBA degree.

The addition of IAMTI to the IATA portfolio also expands the benefits of this family of training programmes beyond the airline and agency community to airports and civil aviation authorities. **IAMTI** is well known for its **advanced airline business simulation model**, which provides accelerated experience in making realistic management decisions and seeing the results from multiple dimensions; commercial, operational, financial, etc. This powerful training tool will now be made available more broadly through IATA's management training programmes.

**IATA Learning Centre:** Last year 26,535 participants took advantage of the IATA Learning Centre products and services, nearly 16 percent more than in 1997.



A ten percent increase in the **IATA/UFTAA** Travel Agent Distance Learning Programme took numbers to 15,170.

Today, 221 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 had 5,163 students, up more than 14 percent; 32 IATA Authorised Training Centres in 20 countries offer the programmes through classroom instruction.

Seven airline distance learning products are now available - leading to an IATA **Diploma in Airline Studies**. The 836 student enrolments represent an increase of 140 percent. The IATA Learning Centres in Miami, Geneva, Singapore Beijing and Johannesburg (inaugurated in May 1998), as well as Amman (in partnership with AACO) recorded an overall increase of more than 9 percent, with 164 classroom courses, (85 different products), and with 2,382 students trained; 1998 saw new programs introduced: Aeronautical Communications Infrastructure, Global Navigations Satellite Systems Operations, and Effective Marketing Management for Airline GSAs.

**In-company training:** An all time record increase of 54 percent was recorded in 1998, with 73 individual courses conducted on-site, at the request of 27 airlines, with a total of 1,494 students trained. These **courses are tailor-made and reduce training costs** considerably. At the same time, knowledge is integrated into the workplace, rather than remaining with the individual. A new Management Development Programme focuses on latest business theory and practical airline industry know-how, with emphasis on cross-functional, team-oriented leadership competencies resulting in improved work processes - thus ensuring performance improvements.

**IATA/Concordia Aviation MBA Programme:** The one year IATA/Concordia International Aviation MBA (AMBA) programme had 24 student enrolments in 97/98. A special Distinguished Speakers series, composed of representatives of airlines, airport authorities, civil aviation and other stakeholders in the air transport and travel industry, coupled with industry site visits, has created substantial added-value to the programme.

## **AVIATION INFORMATION & RESEARCH (AIR)**

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

**Statistics, Economics & Forecasting:** Provides strategic information services for the air transport industry ranging from regular updates on the state of the airline industry, statistical services to our airline members as well as many publications.

In 1998 *Monthly International Statistics* was enhanced to provide the industry with the a high performance analytical tool for the examination of airline traffic data. And the *Airline Economic Task Force* together with the IATA Financial Committee developed a



new management information system for benchmarking and analysing airline performance.

In 1998 Statistics, Economics & Forecasting widened the scope of its cargo information products. The first *Air Cargo Annual* was published in 1998, to be followed by a second edition in July 1999. This includes a review of the air cargo market, airline rankings as well as inter-regional freight flows. *The CASS Global Statistics Programme*, now in its second year, provides monthly performance reports to airlines, agents and others.

Other products include *World Air Transport Statistics*, *Airline Annual Reports on CD-ROM* (two per year), and the *Annual Passenger and Freight Five Year Forecasts*.

Aviation Information & Research (AIR) undertakes a wide variety of consultancy projects, in support of the IATA goal to provide high quality services to the aviation community in general, as well as supporting the work of other IATA departments to fulfill IATA's mission to represent and serve the airline industry.

Among the **studies** carried out have been a number of analyses undertaken for **airport clients** - on long term passenger growth forecasts and route development studies.

AIR has also worked jointly with bodies such as the **Air Transport Action Group**, with the publication of a new traffic forecast covering the Americas region, and with ATAG and the **Airports Council International**, on a new publication **Airport Capacity / Demand Profiles**.

**Market Research & Marketing:** 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 across the **Atlantic**, the **Pacific**, between **Europe** and **Asia**, **Europe** and the **Middle East** and **within Europe**. A recent, competitively won project will provide a new global approach to **customer satisfaction benchmarking** between many of the world's leading airlines. **Passenger opinions on airports** are presented 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.

**Benchmarking of cargo shipper and forwarder opinions** will be conducted in 20 countries around the world in 1999 - the fifth year the data has been available. Industry trends covered in the **Cargo Survey** include the use of the internet for information flows.

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



## **KEEPING MEMBERS AND CUSTOMERS INFORMED**

**IATA and the Internet:** IATA is using the Internet to make it simpler for our customers to do business with us, to reduce Member and IATA costs, and to enhance relationships with our Members and customers. We are making progress toward all three objectives but we believe we have only just tapped a fraction of the Internet's full potential.

In 1998 we laid some groundwork - areas such as electronic commerce, including an IATA store to complement our e-mail service ([sales@iata.org](mailto:sales@iata.org)), and building an electronic distribution system for the volumes of IATA documentation produced each year.

While we develop our site and the distribution technology we are sensitive to the fact that not all our Members are as far along the Internet highway as IATA. In building our site, we have concentrated on utility rather than beauty.

Should you have any questions, suggestion or comments on the IATA website,

**<http://www.iata.org>**

please let us know by contacting **[webmaster@iata.org](mailto:webmaster@iata.org)**.





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 10 May 1999, Membership of IATA stood at 263. Of the total, 225 are Active and 38 are Associate Members.

The following carriers joined IATA since the last Annual Report: ACES - Aerolineas Centrales de Colombia SA, Air Berlin GmbH & Co, Air Bosna, China Xinjiang Airlines, China Yunnan Airlines, DHL International E.C., DINAR Lineas Aereas, Oman Air, Regional Airlines, Shanghai Airlines, Sochi Airlines - AVIAPRIMA and Xiamen Airlines.

\* Denotes Tariff Co-ordination Members (106)

## ACTIVE MEMBERS

VX ACES (Aerolineas Centrales de Colombia S.A.)  
 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)  
 LM Air ALM  
 UU Air Austral  
 BT\* Air Baltic Corp. SIA  
 AB Air Berlin GmbH  
 JA Air Bosna

BP Air Botswana Corporation  
 SB Air Caledonie International  
 AC\* Air Canada  
 CA\* Air China International Corp.  
 AG Air Contractors (UK) Ltd  
 UX Air Europa Líneas Aéreas, S.A.  
 AF\* Air France  
 GN\* Air Gabon  
 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 p.l.c.  
 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  
 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 Air  
 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.)             | EK  | Emirates  |
| AO  | AVIACO (Aviación y Comercio S.A.)              | OV* | Estonian Air  |
| AV* | AVIANCA (Aerovias Nacionales de Colombia S.A.) | ET* | Ethiopian Airlines Corporation                        |
| GU  | AVIATECA, S.A.                                 | EW  | Eurowings AG  |
| J2  | Azerbaijan Airlines (Azerbaijan Hava Yollari)  | FX* | FedEx (Federal Express Corporation)                   |
| LZ* | Balkan Bulgarian Airlines                      | AY* | Finnair Oy  |
| B2  | Belavia - Belarusian Airlines                  | GA* | Garuda Indonesia                                      |
| B3  | Bellview Airlines Ltd.                         | GT  | GB Airways  |
| BG  | Biman Bangladesh Airlines                      | GH* | Ghana Airways Corporation                             |
| BU  | Braathens (Braathens ASA, t.a.)                | GF  | Gulf Air Company G.S.C.                               |
| BA* | British Airways p.l.c.                         | HF  | Hapag Lloyd Flug GmbH                                 |
| BD  | British Midland Airways Ltd.                   | AG  | Hunting Cargo Airlines                                |
| BW  | BWIA International Airways Ltd.                | IB* | IBERIA (Líneas Aéreas de España S.A.)                 |
| UY* | Cameroon Airlines                              | FI* | Icelandair  |
| CP* | Canadian Airlines International Ltd.           | IC* | Indian Airlines                                       |
| CV  | Cargolux Airlines International S.A.           | D6  | Inter Air (Inter Aviation Services (Pty) Ltd.)        |
| CX* | Cathay Pacific Airways Ltd.                    | M4  | Interimpex-Avioimpex                                  |
| OK* | Ceske Aeroline/Czech Airlines (CSA)            | IR* | Iran Air, The Airline of the Islamic Republic of Iran |
| MU  | China Eastern Airlines                         | IA  | Iraqi Airways   |
| CJ* | China Northern Airlines                        | LN  | Jamahiriya Libyan Arab Airlines                       |
| WH* | China Northwest Airlines                       | JD  | Japan Air System Co. Ltd.                             |
| CZ* | China Southern Airlines                        | JL* | Japan Airlines Co. Ltd.                               |
| SZ* | China Southwest Airlines                       | JU* | JAT (Jugoslovenski Aerotransport)                     |
| XO  | China Xinjiang Airlines                        | JY  | Jersey European Airways                               |
| 3Q  | China Yunnan Airlines                          | KQ* | Kenya Airways Ltd.                                    |
| WX  | CityJet  | KL* | KLM Royal Dutch Airlines                              |
| MN  | Comair (Pty.) Ltd.                             | UK* | KLM U.K. Ltd.   |
| XK  | Compagnie Aérienne Corse Méditerranée          | KE* | Korean Air  |
| CO  | Continental Airlines Inc.                      | KU* | Kuwait Airways Corporation                            |
| CS  | Continental Micronesia, Inc.                   | 7Z  | L.B. Limited  |
| CM  | COPA (Compania Panamena de Aviación S.A.)      | LB  | LAB (Lloyd Aéreo Boliviano S.A.)                      |
| OU* | Croatia Airlines DD                            | LR  | LACSA (Linéas Aereas Costarricenses S.A.)             |
| X5  | Cronus Airlines                                | TM* | LAM - Linhas Aéreas de Moçambique                     |
| LX* | Crossair, Ltd. Co. (for Reg. Eur. Air Transp.) | LA* | LAN-CHILE (Linea Aérea Nacional - Chile S.A.)         |
| CU* | Cubana de Aviación S.A.                        | MJ  | LAPA (Lineas Aéreas Privadas Argentinas S.A.)         |
| CY* | Cyprus Airways Ltd.                            | NG* | Lauda Air Luftfahrt AG                                |
| DL* | Delta Air Lines Inc.                           | TE* | Lithuanian Airlines                                   |
| DI  | Deutsche BA Luftfahrtgesellschaft mbH          | LO* | LOT (Polskie Linie Lotnicze)                          |
| ES  | DHL International E.C.                         | LT  | LTU (Lufttransport-Unternehmen GmbH & Co.)            |
| D7  | Dinar Líneas Aéreas S.A.                       | LH* | LUFTHANSA (Deutsche Lufthansa A.G.)                   |
| KA  | DRAGONAIR (Hong Kong Dragon Airlines Ltd.)     | LH* | Lufthansa Cargo A.G.                                  |
| QY  | EAT (European Air Transport)                   | LG* | Luxair (Soc. Lux. de Navig. Aérienne)                 |
| EU  | ECUATORIANA (Ecuadoriana de Aviación S.A.)     | DM  | Maersk Air A/S  |
| MS* | Egyptair                                       | VB  | Maersk Air Ltd.                                       |
| LY* | El Al Israel Airlines Ltd.                     | MH  | Malaysia Airline System Berhad                        |
|     |  | MA* | <b>MALEV</b> (Hungarian Airlines Public Ltd. Co.)     |





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.  
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  
FM Shanghai Airlines  
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  
MF Xiamen Airlines

## Operating Cost per ATK by Item 1998 IATA International Scheduled Services

|  | US cents<br>per ATK | Percent<br>change over<br>1997 | Percent<br>of total |
|--|---------------------|--------------------------------|---------------------|
| Cockpit Crew   | 2.8                 | -9.7                           | 7.2                 |
| Fuel and Oil   | 4.9                 | -9.3                           | 12.5                |
| Flight Equipment Insurance, Depreciation and Rentals | 5.0                 | -5.7                           | 12.7                |
| Maintenance and Overhaul                             | 3.9                 | -2.5                           | 10.0                |
| Landing Charges                                      | 2.1                 | -4.5                           | 5.4                 |
| En-Route Charges                                     | 1.8                 | -                              | 4.6                 |
| Station and Ground Costs                             | 4.7                 | -4.1                           | 12.0                |
| Cabin Crew and Passenger Service                     | 5.3                 | -1.9                           | 13.6                |
| Ticketing, Sales and Promotion                       | 6.4                 | -5.9                           | 16.4                |
| General and Administrative                           | 2.2                 | -15.4                          | 5.6                 |
| <b>Total</b>   | <b>39.1</b>         | <b>-5.7</b>                    | <b>100.0</b>        |

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

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

## Accredited Agents as at 31 December 1998

| Areas                              | PASSENGER                 |                          | CARGO                    |                          |
|------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
|                                    | Approved<br>Locations     | Growth over<br>1998<br>% | Registered<br>Agents     | Growth over<br>1998<br>% |
| The Americas (excl. U.S. & Canada) | 7,580                     | 7.6                      | 613                      | 4.3                      |
| Canada                             | 4,034                     | -0.2                     | 148                      | 1.4                      |
| Europe, Middle East & Africa       | 32,227                    | 6.3                      | 2,430                    | 4.1                      |
| Asia Pacific                       | 8,415                     | 2.5                      | 1,278                    | 4.6                      |
| <b>Total</b>                       | <b>52,256</b>             | <b>5.3</b>               | <b>4,469</b>             | <b>4.2</b>               |
|                                    | IATAN Endorsed<br>Agents* |                          | CNS Endorsed<br>Agents** |                          |
| U.S.                               | 38,070                    | -2.3                     | 1,440                    | 2.9                      |
| <b>Grand Total</b>                 | <b>90,326</b>             | <b>2.0</b>               | <b>5,909</b>             | <b>3.8</b>               |

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

## Clearing House Statistics 1998

At 31 December 1998 the Clearing House was providing settlement facilities to 207 IATA Members, 37 non-IATA members, 25 subsidiary ledger participants, 11 special accounts and 9 sponsored air carriers; 6 IATA Members, 8 non-IATA members and 2 subsidiary ledger participants joined the Clearing House in 1998. The agreement allowing settlement with the members of the Airlines Clearing House, Inc. in the US gave a total of 410 participants. The amount submitted for clearance in 1998 was USD 30,631 million.

| Parties for which clearance was provided at December 31, 1998 |            | Amounts submitted for clearance | 1997          |     | 1998          |     |
|---|------------|---------------------------------|---------------|-----|---------------|-----|
|   |            |                                 | USD millions  | %   | USD millions  | %   |
| Direct Participation  |            | <b>Increase 1998/1997: 4.9%</b> | <b>29,204</b> |     | <b>30,631</b> |     |
| IATA Members  | 207        |                                 |               |     |               |     |
| non-IATA members  | 37         |                                 |               |     |               |     |
| Subledger participants  | 25         | Sources of Claims               |               |     |               |     |
| Sponsored Air Carriers  | 9          |                                 |               |     |               |     |
| Other participants  | 11         | Claims by IATA Members          | 24,240        | 83  | 25,117        | 82  |
|   | <u>289</u> | Claims by non-IATA airlines     | 2,336         | 8   | 2,757         | 9   |
|   |            | (including subsidiary ledgers)  |               |     |               |     |
|   |            | Claims by ACH                   | 1,752         | 6   | 1,838         | 6   |
|   |            | Claims by other parties         | 876           | 3   | 919           | 3   |
|   |            |                                 | <b>29,204</b> | 100 | <b>30,631</b> | 100 |
| Participation through Airlines Clearing House, Inc.           |            |                                 |               |     |               |     |
| IATA Members  | 11         |                                 |               |     |               |     |
| Other ACH Members   | 110        |                                 |               |     |               |     |
|   | <u>121</u> |                                 |               |     |               |     |
| <b>Total Participation</b>                                    |            |                                 | <b>410</b>    |     |               |     |

## BSP Operations 1998

|   | Agent Locations Reporting via BSPs 31 Dec 98 | Participating Airlines 31 Dec 98 | 1998 Net BSP Sales Volume in USD/millions |
|---|--|----------------------------------|---|
| 1 | Argentina/Uruguay***                         | 36                               | 1,255                                     |
| 2 | Australia***                                 | 68                               | 3,390                                     |
| 3 | Austria                                      | 79                               | 715                                       |
| 4 | Bahamas/BVI                                  | 22                               | 81  |
| 5 | Belgium & Luxembourg                         | 86                               | 1,227                                     |

|              |                             |               |              |               |
|--------------|-----------------------------|---------------|--------------|---------------|
| 6            | Bermuda                     | 17            | 13           | 60            |
| 7            | Brazil***                   | 3014          | 36           | 2,418         |
| 8            | Canada***                   | 4001          | 99           | 4,418         |
| 9            | Central & West Africa       | 84            | 13           | 96            |
| 10           | Central America             | 535           | 38           | 402           |
| 11           | Chile/Bolivia               | 523           | 40           | 513           |
| 12           | China-People's Rep of***    | 642           | 50           | 664           |
| 13           | Colombia                    | 629           | 28           | 326           |
| 14           | Cyprus                      | 134           | 32           | 122           |
| 15           | Czech Rep & Slovakia        | 119           | 31           | 136           |
| 16           | Dominican Rep/Haiti         | 258           | 30           | 139           |
| 17           | Eastern Africa              | 166           | 35           | 172           |
| 18           | Eastern Caribbean           | 217           | 29           | 248           |
| 19           | Ecuador***                  | 256           | 25           | 148           |
| 20           | Egypt                       | 513           | 36           | 216           |
| 21           | Finland                     | 322           | 47           | 646           |
| 22           | France***                   | 3159          | 113          | 5,697         |
| 23           | French Overseas Territ.     | 28            | 11           | 55            |
| 24           | Germany***                  | 4691          | 135          | 8,091         |
| 25           | Greece                      | 332           | 52           | 433           |
| 26           | Gulf Area***                | 220           | 50           | 466           |
| 27           | Hong Kong                   | 242           | 48           | 1,601         |
| 28           | Hungary                     | 215           | 32           | 149           |
| 29           | India                       | 711           | 32           | 479           |
| 30           | Indonesia                   | 332           | 41           | 337           |
| 31           | Ireland                     | 427           | 53           | 541           |
| 32           | Italy***                    | 4249          | 92           | 4,484         |
| 33           | Jamaica/Cayman Isl          | 83            | 15           | 131           |
| 34           | Japan                       | 799           | 66           | 14,735        |
| 35           | Jordan***                   | 151           | 20           | 72            |
| 36           | Korea                       | 386           | 41           | 1,094         |
| 37           | Kuwait***                   | 141           | 30           | 373           |
| 38           | Lebanon*                    | 234           | 23           | n/a           |
| 39           | Malaysia                    | 704           | 46           | 596           |
| 40           | Malta                       | 62            | 12           | 40            |
| 41           | Mexico***                   | 2465          | 41           | 2,056         |
| 42           | Micronesia                  | 70            | 7            | 88            |
| 43           | Morocco                     | 169           | 20           | 72            |
| 44           | Netherlands                 | 511           | 87           | 1,947         |
| 45           | New Zealand***              | 775           | 38           | 697           |
| 46           | Peru                        | 203           | 28           | 126           |
| 47           | Philippines                 | 206           | 45           | 467           |
| 48           | Poland                      | 238           | 26           | 227           |
| 49           | Portugal                    | 602           | 53           | 605           |
| 50           | Puerto Rico/USVI            | 563           | 34           | 377           |
| 51           | Kingdom of Saudi Arabia***  | 679           | 35           | 765           |
| 52           | Scandinavia                 | 1370          | 83           | 4,730         |
| 53           | Singapore                   | 192           | 50           | 1,174         |
| 54           | Southern Africa             | 1050          | 60           | 1,566         |
| 55           | Spain***                    | 5024          | 98           | 3,044         |
| 56           | Switzerland & Liechtenstein | 868           | 91           | 1,928         |
| 57           | Taiwan                      | 370           | 36           | 1,221         |
| 58           | Thailand                    | 251           | 55           | 460           |
| 59           | Turkey                      | 339           | 48           | 347           |
| 60           | United Kingdom***           | 4739          | 120          | 12,267        |
| 61           | Venezuela***                | 728           | 29           | 373           |
| <b>Total</b> |                             | <b>54,613</b> | <b>**347</b> | <b>91,305</b> |

\* BSP Lebanon pilot started Nov 98

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

\*\*\* BSP also services other agents.

n/a Not applicable (BSP Pilot only started Nov 98).

## Cass Operations 1998

| Country                   | Airlines     | Agents       | Offices       | Total Settled 1998<br>(USD Million) |
|---------------------------|--------------|--------------|---------------|-------------------------------------|
| Australia                 | 38           | 150          | 459           | 261.5                               |
| Belgium/Luxembourg        | 71           | 108          | 121           | 178.2                               |
| Canada                    | 30           | 148          | 794           | 189.8                               |
| Costa Rica                | 20           | 34           | 40            | 14.0                                |
| Ecuador                   | 24           | 26           | 67            | 66.5                                |
| Fiji                      | 7            | 7            | 12            | 11.0                                |
| France                    | 64           | 206          | 757           | 661.2                               |
| Germany                   | 89           | 220          | 880           | 964.4                               |
| Greece                    | 12           | 41           | 74            | 15.1                                |
| Ireland                   | 23           | 58           | 168           | 60.0                                |
| Italy                     | 56           | 272          | 495           | 547.5                               |
| Japan                     | 42           | 82           | 665           | 3,694.0                             |
| Korea, Rep. of            | 27           | 58           | 284           | 603.0                               |
| Mexico                    | 40           | 81           | 211           | 121.5                               |
| Netherlands               | 93           | 81           | 177           | 382.3                               |
| New Zealand               | 22           | 43           | 73            | 96.5                                |
| Panama                    | 27           | 41           | 66            | 18.5                                |
| Papua New Guinea          | 4            | 7            | 8             | 1.4                                 |
| Philippines               | 20           | 81           | 81            | 116.5                               |
| Portugal                  | 18           | 64           | 196           | 54.0                                |
| Scandinavia               | 28           | 107          | 326           | 78.2                                |
| Spain                     | 31           | 194          | 612           | 187.6                               |
| Switzerland/Liechtenstein | 40           | 103          | 280           | 202.4                               |
| Turkey                    | 22           | 121          | 121           | 72.6                                |
| United Kingdom            | 104          | 252          | 2,481         | 886.8                               |
| Venezuela                 | 21           | 34           | 80            | 5.0                                 |
| USA                       | 68           | 1,441        | 4,704         | 2,226.9                             |
| <b>Total</b>              | <b>1,041</b> | <b>4,060</b> | <b>14,232</b> | <b>11,528.8</b>                     |



**Text:**

IATA Corporate Communications Department, Geneva

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GENERAL MEETING  
WORLD AIR  
TRANSPORT SUMMIT

RIO DE JANEIRO, 31 MAY - 1 JUNE 1999

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International Air  
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