



Strategic Partnerships **Partner Brief**

IATA PARTNERS BRINGING SOLUTIONS TO INDUSTRY CHALLENGES • 17TH ISSUE • QUARTER 1, 2006

Setting the agenda for 2006

The crisis in air transport continued in 2005. Airlines posted losses of US\$6 billion, bringing total losses since 2001 to a staggering US\$42 billion. For this year, we expect losses of over US\$4 billion. And in 2007, airlines may return their first profit since 2000.

Change remains critical. The efforts of airlines to re-invent themselves have been impressive. The break-even price for crude oil went from US\$22 per barrel in 2003 to US\$48 in 2005. In 2006, we expect to break-even at US\$50. With a revenue environment that is expected to deteriorate, even this is not enough. Alongside safety, cost efficiency is at the top of the agenda for change.

Air transport remains the safest mode of transport. The accident rate for 2004 was 0.78 per million sectors and we are committed to achieving 0.65 by the end of this year. The IATA Operational Safety Audit is the first global standard for airline safety management and will be a key tool to get us there. By the end of 2007, IOSA will be a condition of membership.

The five Simplifying the Business projects are another IATA-driven priority. The goal is to reduce costs by US\$6.5 billion while making travel and shipping more convenient. Leading this agenda is our commitment to 100% e-ticketing by the end of 2007. We have a target of 70% ET penetration in our BSPs by the end of this year. We will not fail at delivering the US\$3 billion cost saving that e-ticketing will provide.

Savings and increased efficiency must also come from airports and Air Navigation Service Providers. IATA delivered nearly US\$2 billion in savings on rate agreements this year. Our board has set a target of US\$1.3 billion in 2006. While we have many good partners, we cannot tolerate those that take advantage of monopoly positions to gouge airlines.

Governments must also do their part. They must stop their micro management and mis-regulation and afford airlines the basic freedom to do business. The 60-year-old bilateral system denies airlines the ability to fly to markets without government agreements. It denies them the freedom to merge or consolidate where it makes business sense. This must change.

Environment and efficient infrastructure is another area of focus and the high price of fuel is adding urgency to our efforts. In addition to providing consultancy and training, IATA is working with infrastructure providers to shorten routes and optimise procedures. We saved the industry US\$1.1 billion in 2005 and we are targeting US\$1.5 billion in 2006.

With a clear vision and strong agenda, our goal in 2006 — and beyond — is to continue to change the face of aviation by making it safer, more secure, environmentally friendly and profitable. That is good news for the industry, our partners and our customers.

Sincerely,

Giovanni Bisignani
Director General & CEO
IATA



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:: UPCOMING EVENTS

February 2006

12 > 14 February

IATA Legal Symposium 2006
Hong Kong, China
www.iata.org/ps/events/legal2006

April 2006

4 > 5 April

IATA Ops Forum 2006
Singapore
www.iata.org/ps/events/ops2006

4 > 5 April

IATA Airline Insurance &
Risk Management Conference 2006
Bangkok, Thailand
www.iata.org/ps/events/air2006

25 > 26 April

Aviation & Environment Summit 2006
Geneva, Switzerland
www.iata.org/ps/events/AES2006.htm

May 2006

9 > 11 May

IATA Fuel Forum 2006
Lisbon, Portugal
www.iata.org/ps/events/aff2006

16 > 18 May

IATA Simplifying the Business
Conference 2006
Hong Kong, China
www.iata.org/ps/events/stb2006

23 > 25 May

IATA Loyalty Management
Conference 2006
Lisbon, Portugal
www.iata.org/ps/events/rfm2006

31 May > 2 June

IATA Ground Handling 2006
Istanbul, Turkey
www.iata.org/ps/events/IGH2006



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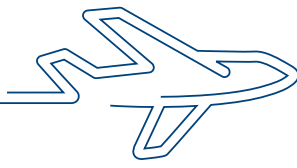
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www.iata.org/ps/events/ops2006

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Safety is our priority

THE INDUSTRY SET A TARGET FOR A 25% REDUCTION IN THE ACCIDENT RATE BY THE END OF 2006 AND A FURTHER 25% BY 2008. THE FORMULA FOR REACHING THAT TARGET HINGES ON IATA'S SIX-POINT SAFETY PROGRAMME AND ITS SAFETY GROUPS AND TASK FORCES. IN ADDITION, WE WILL PLAY A LEADING ROLE IN DEVELOPING A STRATEGIC ACTION PLAN OR ROADMAP FOR THE INDUSTRY IN AVIATION SAFETY.

The Safety Group focuses on optimising airline safety. It monitors aviation safety issues, promotes the importance of digital flight recorder analyses and monitors results.

The Cabin Safety Task Force is comprised of cabin safety specialists from Member airlines and Strategic Partners. It recommends best practices and focuses on issues such as reducing turbulence-related crew injuries and inadvertent slide deployments and enhancing operational efficiency in systems and equipment.

The Accident Classification Task Force prepares the IATA Annual Safety Report, identifies trends, develops prevention strategies and recommends cost-effective implementation methods. The issues relate to all operational aspects, including design.

The aim of the Emergency Response Planning Task Force is to establish industry standards and practices for emergency response planning. The task force meets twice yearly and organises an annual Crisis Management Conference and Exhibition, which takes place 26-28 September 2006 in Warsaw, Poland.

IATA Six-Point Safety Programme

This programme focuses on operational safety and unique regional challenges that impede global safety. The Six-Point Safety Programme is configured as follows:

- Safety Auditing: Implementing IOSA as well as an audit process for ground handling services.
- Infrastructure Safety: Mitigating ATM-related safety risks and minimising aircraft ramp damages.
- Safety Data Management and Analysis: Developing data driven safety solutions.
- Cargo Safety: Reducing accident and incident rates.
- Safety Management Systems: Improving organisational-related safety risks.
- Flying Operations Safety: Responding to approach and landing accident threats.

IATA Ops Forum 2006

THIS NEW OPERATIONAL SAFETY FORUM TAKES PLACE AT THE SWISSÔTEL THE STAMFORD HOTEL IN SINGAPORE ON 4-5 APRIL 2006.

The conference is an opportunity for airlines, service providers, manufacturers and government regulators to gain indispensable insight into the latest operational and safety trends through an integrated and multidisciplinary approach.

You can network with key players in Safety and Operations and learn about future operational requirements directly from the industry's senior executives. Discover efficiencies and strategies that lower costs and increase profits.

Join us at this inaugural event in Singapore and participate in shaping the future of the aviation industry.

For more details about the event, click on www.iata.org/ps/events/ops2006.htm.



IATA Simplifying the Business Update

To date, StB has conducted two Phases of activity including seven industry-wide campaigns. All StB communication channels are now in place and the 2006 strategy has been defined. Phase III is now underway.

E-ticketing

- ET penetration reached 40.7% in November, achieving the 2005 target.
- 40 airlines issued ET through BSPs for the first time.
- 680 people attended 11 ET workshops.
- Standards set at the Passengers Services Conference for irregular operations, infants, blocked space code share and third party ticket issue.
- ET Buddy programme launched: Member airlines without ET receive 15 free consultation days with ET experts.
- Standards objectives for 2006: group tickets, staff travel and remaining paper documents

CUSS (Common Use Self-Service Kiosks)

- Seven additional airports went live as of October 2005.
- Over 40 airports in 2005 committed to implementing CUSS.
- Six MOUs signed with airports in Doha, Geneva, Lisbon, Singapore, San Francisco and Toronto.
- 2006 target: 15 implementations.

IATA restructures Cargo

AFTER ASSESSING FEEDBACK FROM A WIDE RANGE OF EXTERNAL STAKEHOLDERS, IATA'S CARGO INDUSTRY FUNCTION HAS BEEN RESTRUCTURED.

"The common message is that external stakeholders would like to see a much stronger profile and voice for cargo in IATA and IATA Cargo within the air cargo industry," said Aleks Popovich, Global Head of Cargo. Stakeholders consulted included the heads of cargo carriers on the IATA Cargo Committee, executive members of Freight Forward International and the Cargo 2000 Board.

IATA strengths in cargo range from IATA e-freight, now well established within the Simplifying the Business Programme, CASS (Cargo Agents Settlement System), the network version CASSlink and Cargo Network Services (CNS), to name but a few.

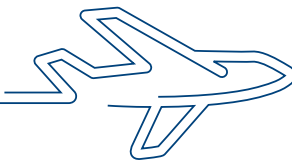
IATA also possesses valued and well-regarded traditional strengths, such as in-depth cargo expertise, professional facilitation and the establishment of air cargo standards. In addition, IATA is well respected for its neutrality.

However IATA is perceived as looking at cargo primarily through the lens of a passenger airline, Mr. Popovich said. "IATA must break through this image and become a strong, new proactive force for change and issues resolution, championing the challenges of integrators, pure cargo carriers and combination carriers. Moreover, we must engage and partner with forwarders, customs authorities, suppliers, government and regulatory bodies involved in the air cargo supply chain if we are to be effective in delivering change."

Cargo accounts for 12% of the industry's total revenues with stakeholders that include 20 industry bodies, 200 national customs organisations, 265 airlines and more than 15,000 freight forwarders.

"Cargo within IATA needs a stronger vision, profile, direction and identity," Mr. Popovich said. "It is imperative IATA develops a strong, clear identity — integral to One IATA — to drive the air cargo agenda of IATA e-freight, Cargo 2000, safety, security and CASS. IATA Cargo must become renowned for speed: speed of action, speed of decision-making, speed of information flow and speed of delivery."





The new Structure

IATA'S NEW CARGO STRUCTURE WILL REFLECT THE NEED TO RAISE ITS PROFILE WITHIN THE INDUSTRY

The emphasis will be on strengthening cargo within IATA. As part of the new structure, three new functions were created: Cargo Security, Cargo Safety and Standards and Cargo Industry Solutions.

An IATA e-freight project team has also been set up in Geneva under Simplifying the Business to strengthen the e-freight programme in close collaboration with Cargo 2000.

IATA cargo governance will be renewed into a simpler, task-oriented structure driven by metrics and focussed on achieving industry targets. The new Geneva-based Cargo Programmes function will coordinate overall delivery of the cargo agenda, reporting regularly to the Cargo Committee and promoting its achievements to the industry.

To meet the demand for innovative, total cargo solutions especially in the rapidly growing markets of China and India, a new neutral Cargo Consultancy function will be formed. Its business model will be similar to IATA's Passenger Business Consultancy. A new Cargo Solutions function will also be established in Montreal to deliver innovative cargo products to the market place. Its first phase will focus on Dangerous Goods.

CNS, currently an IATA subsidiary, is a successful business model for IATA in the U.S. air cargo industry. CNS will be added to IATA's new cargo structure and its best practices and cargo services will be extended across all regions. Its value-added products include CASS USA, market intelligence, facilitation services, publications and industry networking events.

"It's time for air cargo to take on a fresh and much more open approach," Mr. Popovich said. "For 2006, I have instituted a challenging set of objectives for IATA Cargo in order to become much more relevant to the air cargo business."

IATA Simplifying the Business Update *(continued)*

Bar coded boarding passes (BCBP)

- Eight airlines now use the PDF 417 standard.
- Toronto and Doha airports signed MOUs to implement the standard.
- 70 more airlines will implement the standard in the next two years.
- 2006 target: 25 airlines will offer 2D BCBP.

Interline Baggage RFID (Radio Frequency Identification)

- MOUs signed with Toronto and Narita airports.
- IATA Recommended Practice adopted by Passenger Services Conference.
- Trials are ongoing at six airports for completion by June 2006.

E-freight

- Two technical solutions identified: common data exchange (CDX) platform and multiple interconnected data platforms.
- Business process and data standards are set.
- Legal and regulatory challenges have been mapped out.

In the last edition we omitted to introduce Kale Consultants as an STB Preferred Partner.





:: New Partners

Welcome to these new Strategic Partners.

Through their initiatives and activities, they support IATA and its Member airlines in providing solutions to their industry's challenges and Simplifying the Business priorities.

We look forward to working with you.

Strategic Partnerships

We value your feedback

Your suggestions and comments are welcome. They help us to ensure the program and the newsletter meet your business objectives.

Contact us. We aim to please.

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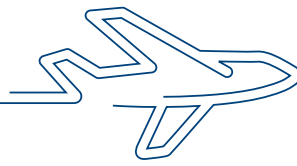


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Fingerprint boarding

LUFTHANSA SYSTEMS HAS DEVELOPED THE FIRST PROTOTYPE THAT LINKS THE BIOMETRIC IDENTIFICATION OF PASSENGERS TO THE PASSENGER HANDLING SYSTEM.

The SecBoard solution consists of two components.

At the registration or enrolment station, passengers disclose their personal information and their fingerprints are recorded, digitised and transferred to a smart card. The personal information is recorded onto this card as well as the passenger's photo. A serial number is then assigned to the smart card, which is issued only once but can be reused for all future flights.

At check-in, the serial number on the smart card is linked with the data provided by the passenger.

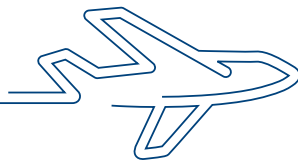
The second component of SecBoard takes place at the boarding gate. The fingerprints of passengers are recorded again and compared with the fingerprint data stored on the card. A verification is also carried out to determine whether the passenger has checked in for this particular flight. If the results correspond in both cases, the passenger can board the plane.

With this procedure, SecBoard ensures the passenger who checks in and the passenger who boards the aircraft is the same person. This process closes the security gap that exists in current procedures.

In the SecBoard project, Lufthansa Systems is working closely with a security technology associate company. Through this company's undertaking in switching over German passports to the ePass, it gained a great deal of experience in recording biometric data. The procedure used to record data for the new passports is also being implemented for SecBoard.



Lufthansa Systems



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