

CEO BRIEF

SPECIAL AGM EDITION - May 2007

Dear colleagues

Preparations are well advanced for our Vancouver AGM, June 3-5 2007. It will be an opportunity to review progress on some of our projects such as IOSA and e-ticketing.

The June 2004 AGM endorsed the goal of 100% ET in IATA Billing and Settlement Plans by end 2007. Great progress has been made. Interim targets have been met: 40% ET by end 2005 (41% achieved) and 70% ET by end 2006 (74% achieved).

The Board of Governors has the mandate to track progress on the road to 100% ET. As we enter the "home stretch", the Board will be carefully examining progress, problems and obstacles and reporting to the AGM in Vancouver.

This special CEO Brief contains the key data that will be reviewed by the Board as they undertake their review.

As in the past, our IATA experts will be available to meet with you in Vancouver. You can be sure of IATA's commitment to support your efforts in the final push.

I look forward to seeing you in Vancouver.

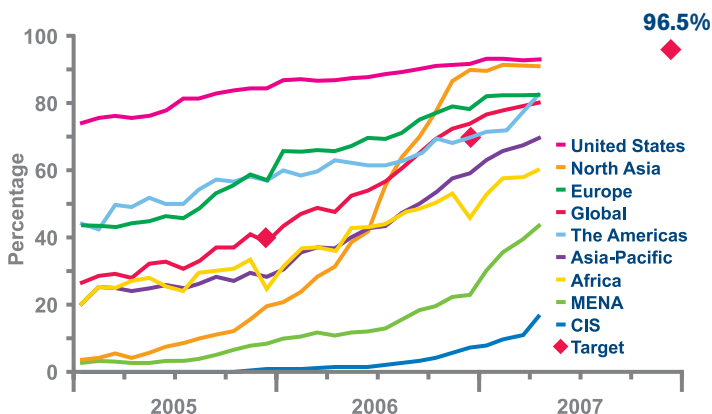


Giovanni Bisignani

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Director General & CEO

STATUS

- ET penetration is growing steadily. A total of 218 airlines were issuing ET in IATA BSPs in April 2007. These airlines issued 96% of all BSP tickets. The overall ET penetration in the BSPs for April was 80.3%.
- For other airlines, 12 are issuing ET in their direct sales and IATA expects an additional 82 airlines to begin issuing ET in BSPs. It will take several months, however, to see if these newly launched ET projects are on track to deliver as planned.
- According to an April 2007 survey, of the 279 BSP participants, airlines are forecasting an overall industry ET penetration of 96.6% by December 2007. About half of their responses forecast 100%. However an IATA assessment of this forecast, taking into account actual BSP data indicates a year-end penetration rate closer to 92%. Data over the coming months will clarify the reasons for this difference.



THE REAL TARGET: 96.5%

For a number of reasons, 100% ET can only be achieved when paper stock is removed from agent use:

- Some BSP airlines have consciously decided to stay with paper and will seek alternative distribution channels when paper is removed. This is 0.1% of BSP volume
- Some travel agents continue to issue paper even when an ET is possible; they will switch to ET once paper documents are no longer available. This is estimated at 1.0% of BSP volume.
- Some airlines do not intend to replace all their paper interline agreements with electronic agreements. Of the 8,000 paper interline agreements actively used, airlines plan to e-enable 2,300, covering 80% of their interline traffic. The industry is changing: the traditional practice of making interline agreements with everybody is disappearing. The remaining interline agreements account for about 20% of BSP volume.

The tickets associated with the above are estimated to amount to 3.5% of BSP volume. In other words the maximum ET penetration that can be expected in the BSPs before the paper stocks are removed is 96.5%.

Estimated ET Penetration by Airlines in IATA BSPs

Airlines based in:	April 2006	April 2007	Airline forecast Dec. 2007	IATA Est. Dec. 2007
M.East/N. Africa	11%	43%	97%	89%
N.Asia	32%	91%	97%	96%
Asia Pacific	37%	69%	96%	89%
Africa	36%	60%	91%	84%
Europe	66%	83%	97%	93%
Americas	64%	83%	96%	89%
USA	87%	93%	97%	97%
CIS	1%	16%	87%	66%
Total	48%	80%	96.6%	92%

CHALLENGES TO 96.5% ET

- ET use for interline traffic is currently 44% - lower than for online traffic. In April 2007, 1,100 Interline ET agreements had been concluded. The rate of completion of Interline ET agreements is accelerating, making it difficult to project how close the end-2007 number will be in relation to the 2,300 interline agreements that airlines anticipate e-enabling.
- Some airlines advise that they have difficulty in getting commercial attention from potential interline ET partners to develop the required technical interface. This difficulty reflects the changing structure of the industry as airlines choose their interline partners more carefully.

Other challenges

- Despite standards being finalised in September 2005 by the Passenger Services Conference, several airlines are still using paper for certain types of passengers (e.g. infants, large groups etc.) or journeys (e.g. passive sectors, blocked-space codeshares, tickets above 16 sectors etc.) until their systems or procedures are fully adapted for ET.
- Many airlines report problems in persuading Ground Handlers to offer full ET capability. However, most of these problems have been solved through persistence or through a willingness to use second best solutions.
- There are now no external regulatory showstoppers to reaching that 96.5% ET in the IATA BSPs by end 2007. The last remaining regulatory hurdle was removed in the Russian Federation in February 2007.

ALTERNATIVE SOLUTIONS

For airlines that will not achieve 100% ET, several alternative solutions are available to distribute their product through travel agents.

- All travel agents will be able to issue passengers with a "Multi Purpose Document" for airlines to exchange for a paper ticket in their own office. This would enable interline tickets where both carriers agree to maintain paper.
- Airlines will still be able to sell tickets through their website or phone sales and issue a ticket in their own office. In addition, travel agents will still have the option of making the reservation via the GDS, even if they do not have ticketing capability for some tickets. These tickets can also be issued by airlines through their own offices.
- A proposal will be made to the Passenger Agency Conference in June 2007 to allow all airlines to place their own ticket stock in an Accredited Agent on 1 January 2008. Airlines which are not 100% ET will be then be able to place their own tickets in agent locations, providing an additional capability.
- Airlines opting for the above workaround methods will not enjoy the full benefits of ET in a BSP environment. The alternatives will, however, allow airlines to maintain a sales presence in the market until fully ET enabled. External Counsel advise they also play an important role in overcoming any possible legal concerns.
- In short, great progress has been made in moving towards ET. For some carriers, challenges remain. The Board of Governors will be reviewing all these issues in detail and report to the AGM in Vancouver.

HELPING MAKE ET HAPPEN

Since the launch of the ET project, IATA has engaged 420 airlines, including the 360 BSP customers, as well as numerous other stakeholders. Support is being provided through several channels:

- The ET Buddy system has supported 49 airlines.
- "Match Maker" has allowed 141 airlines to establish contact with other carriers to set up Interline Electronic Ticketing agreements.
- GBR Generator is now used by 63 airlines to agree their General Business Requirements (GBR) for Interline ET (IET).
- More than 20 ET workshops have been held around the globe, to build awareness and share solutions to common problems.
- IATA experts are providing one-on-one advice to more than 25 airlines to address specific problems.
- IATA has signed 7 MoUs with system providers, to secure commitment on ET.
- Dedicated IATA extranet sites provide airlines with information to track their ET and Interline ET performance.