

Customer News

Industry Distribution and Financial Services



Dear Colleagues,

Last month, I wrote to you about two major IATA initiatives aimed at improving service and lowering operational costs for our Members – namely T2005 and Simplifying the Business (StB). One month later I am pleased to report that we have made significant progress on both counts.

T2005 is entering a critical phase in restructuring its BSP and CASS Customer Services as we start to consolidate our activities. We are in the process of developing plans to migrate our Field Offices' customer services activities across Europe to our new hubs and gearing up to announce our migration plans for this year in the very near future.

On StB, industry efforts to simplify are picking up steam. The results of a survey conducted recently by IATA of over 400 airlines on StB are encouraging and show that we are on the right path to improve service.

You will be able to find out more about both T2005 and StB in this newsletter, as well as a more in-depth look at one of the most recent StB projects, e-freight.

Tom Murphy
Senior Vice President, IDFS

ISS Transformation – T2005

T2005 is a project that is critical to our organisation and our member airlines. It is designed to improve efficiency and rationalise processes. It will improve the service you get and reduce your costs. T2005 will also mean significant changes in the way we do business and those changes are now starting in earnest.

The T2005 operational projects are driven by Customer Services. Customer Services has three components:

- The development of a customer services strategy that allows segmentation of customers and contacts.
- Investment in channels to deal with different customer and contact segments – these will include web sites in local languages, email, chat and contact centres.
- The consolidation of existing operations into hubs that provide centres of excellence in customer service.

These projects mean that over the next two years IATA will consolidate its operational support activities at two hubs - a Western European hub based in Madrid and an Eastern European hub yet to be finalized. Our Madrid office is currently expanding to take on the additional resources, skills and expertise required to provide our 'centres of excellence'. We are aiming to migrate one of our Field Offices' customer services to the Madrid hub later this year, and once we are confident that the model we have established is working seamlessly, we will start in earnest with further migrations in 2006.

We are working closely with the ISS Advisory Committee to ensure airline requirements are taken into full consideration in implementing the T2005 strategy. We will also ensure that we communicate with our customers in the local markets before any new migrations take place and will advise customers on a country-by-country basis in due course.

We will continue to keep you and your key staff apprised of developments as well as ensuring there will be no impact on the business during any transition, other than to lower the costs of operation and improve service levels.

Simplifying the Business Update

Results of a survey IATA recently conducted show that industry efforts to simplify the business are picking up steam.

The survey polled over 400 airlines - IATA's 265 member airlines as well as those participating in Multilateral Interline Traffic Agreements - on all five Simplifying the Business initiatives (100% electronic ticketing by end 2007, Common use self service check-in, Bar coded boarding passes, RFID for baggage management, IATA e-freight – freeing cargo of paper by end 2010) to determine their interest and level of readiness to deliver.

Our vision is for a low cost industry that delivers high levels of passenger convenience. Effective use of technology is the only way forward and gathering business intelligence on airline readiness is a key element in our strategy.

Key Findings:

Electronic Ticketing

Electronic ticketing is the top priority Simplifying the Business project with a fast-approaching deadline and US\$3 billion in industry savings at stake. IATA's mandate on e-ticketing is to engage the airlines, determine each airline's level of readiness and support them in achieving the goal.

Survey results reveal that significantly more carriers are either offering electronic ticketing or have plans to do so than last year when compared to the findings of an e-ticketing survey conducted by IATA in November, 2004. The number of carriers that issue electronic tickets has jumped from 20% to 35%. Whilst none of these airlines has yet issued all of its tickets as e-tickets, the overall proportion of travel agent issued tickets, which are now ET, has reached 32% of the world market outside the USA. Airlines are now rapidly advancing their plans to implement ET – with the number of airlines that had neither ET capability nor plans to implement reducing dramatically from 75% to 27%.

This is a promising trend and our goal is to make sure all carriers have plans by the end of this year. The fact that 99% of carriers that either have e-ticketing or have plans to implement it say they will meet the deadline is a strong signal that we are on track.

Not surprisingly, findings also show that larger airlines are ahead on e-ticketing. Smaller carriers that cannot e-ticket now represent only 14% of volumes. E-ticketing capabilities are most advanced in the Americas and Europe and least advanced in the Middle East, North Asia and the Commonwealth of Independent States (CIS).

We will be working closely with these airlines to bridge that gap.

Common Use Self Service – CUSS

As the e-ticketing revolution unfolds, the reliance of passengers and airlines on common use self-service technology will escalate proportionally. Common use refers to several carriers providing check-in through the same 'box'. IATA estimates a total of US\$1 billion in annual industry savings with a market penetration of 40%.

In terms of benefits to the airlines it will result in cheaper self-service applications, reduced training requirements and broadened customer service opportunities.

While there is no comparative data, as the 2004 IATA survey focused on e-ticketing only, results clearly show there is a lot of interest in shared check-in kiosks.

A full 87% of airlines are either active or interested in implementing CUSS. Of those, 12% of carriers have CUSS compliant applications, 11% are testing these with the remaining 63% planning development. While Europe and the Americas are clear leaders among the regions, strong interest is now emerging from Asia Pacific and North Asia.

Bar Coded Boarding Passes

This product is emerging on the market due to its potential to ease travel by allowing passengers to print their own boarding pass at home and cut industry costs by US\$500 million per year makes it an interesting prospect for airlines. The survey findings back that up with 10% of carriers reporting an implemented solution, 14% testing a solution and 63% indicating they are planning to develop one.

Last year IATA established an industry standard for its application and is actively promoting its use within the industry.

Radio Frequency Identification (RFID) for Baggage Management

Whereas 20-30 years ago bar code was touted as the baggage solution, RFID is the wave of the future. We have developed a standard that will be signed off later this year. But we still have to build the business case to prove its value to airlines.

The survey results show that only 1% of airlines have implemented RFID, 8% are testing and 71% are investigating further. If fully implemented RFID would improve baggage delivery and track and tracing performance and yield US\$760 million in annual savings.

IATA e-freight*

Only recently launched, IATA e-freight survey results show that 9% of airlines are testing a solution but 64% of all airlines, while interested, have taken no action to this point.

A key launch point for the project will be the IATA e-freight conference scheduled for November 1-3 in Geneva, Switzerland.

*See more detailed article later in this newsletter

Simplifying the Business - Next Steps:

IATA now has 140 staff members, including headquarters staff, regional offices and country representatives, fully mobilised for the Simplifying the Business effort, with first priority assigned to making e-ticketing universal. The initiative is being led by StB Programme Director Philippe Bruyère.

With the next wave of IATA activity, our aim is to get carriers that still lack plans or e-ticketing systems to move toward implementation.

In what will become a quarterly exercise, IATA will again meet face-to-face with all IATA carriers and their non-IATA airline partners at airline head offices to see what progress has been made on all projects, where the roadblocks are and develop solutions to overcome them. Part of the solution lies in IATA's matchmaking efforts – bringing carriers the solutions or expertise they need. To that end we have signed MOUs with six leading solution providers – Air France, Amadeus, Lufthansa Systems, Sabre, SITA, Travelsky and Worldspan. We have also set up an StB Preferred Partner programme with other key suppliers. Most recently IATA has launched an ET Buddy System that provides airlines without electronic ticketing up to 15 days of free consultation with experts from ET-enabled carriers.

IATA will also focus on removing some of the barriers to delivering simplifying the business initiatives including skills gaps, regulatory and legal issues and implementation costs.

To provide additional support, online tools have been developed to make business intelligence readily available to airlines as well as to provide quarterly reports and an industry scorecard to track progress. Also, over the next three months, ten two-day workshop sessions will be held on Electronic Ticketing - Mexico City, Amman, Sydney, Moscow, Budapest, Kuala Lumpur, Dakar, Nairobi and Mumbai to help bridge knowledge gaps. These follow successful workshops held in Johannesburg and Bangkok.

We will continue to measure progress, move quickly and focus our efforts to help airlines and their partners eliminate roadblocks and develop solutions. With this approach and with the ongoing support of airlines across the globe, we are confident we will simplify the business – for the benefit of customers, the profitability of airlines and the overall health of our industry.

Keep up to date on all StB developments by visiting www.iata.org/simplibiz.

IATA e-freight

Working in partnership to free Air Cargo from paper

Air cargo is a profitable US\$ 40 billion industry. Yet, its customer time-definite delivery and information transparency can be improved if air cargo supply chain participants including shippers, forwarders, customs, and

carriers, join together to simplify industry processes and eliminate the long standing dependency on paper across the cargo supply chain.

This is a message, which is being strongly driven by Aleksander Popovich, IATA's Global Head of Cargo and Guenter Rohrmann, Member of the DHL Board, DHL-Danzas.

Responding to a request from IATA's Board of Governors, late last year IATA launched a global cargo paperless environment programme – IATA e-freight - designed to implement simpler, electronic, paper-free air cargo shipping worldwide by 2010, with a fast track capability for stakeholders that can do so, by 2007.

The case for IATA e-freight is clear as the industry moves to simplify its complex processes to reduce cost, and seek to compete more effectively with other modes of transport by increasing information transparency and reducing time needed to move cargo to its destination.

One of the major causes of complexity is that air cargo processes are highly paper dependent. An average cargo consolidation shipment travels with 38 documents per master Air WayBill at a cost of US\$30. Over the course of the year, the industry ships the equivalent of 39 747-400s full of paper. While electronic records for a paper air waybill have been accepted as a legal substitution since 1988 (Montreal Protocol No 4), only 15% of today's AWBs are electronic.

On top of that, IATA research conducted in 1972 showed that the average end-to-end transport time for a consignment was 6.5 days (excluding flight time). Nearly a quarter of a century later, based on a Unisys commissioned study that analyzed 2,000 international shipments, transport time remains at about 6 days.

IATA e-freight will reduce costs for the industry, an estimated US\$1.2 billion per year when fully implemented, by eliminating duplication, accelerating processing times and improving overall data quality. This in turn will expedite security and customs' compliance. Sub-projects will tackle messaging standards, legal protocols and common data exchange. Critically, the programme will extend beyond the airline community to all stakeholders involved in the movements of goods by air.

The time is ripe for IATA e-freight

The timing is perfect in that there is an acute need to get costs down, with Customs authorities (e.g. USA and Canada) increasingly requiring carriers to transmit advance electronic manifest data for security review prior to flight arrival. This data has to be electronic, timely, and accurate, and there is a significant penalty cost for not complying.

Such security driven change is appropriate but will be costly to the industry if it is not embraced as part of a well coordinated industry drive for business process simplification. The US General Accounting Office estimates the total annual cost to USA air carriers of

advanced electronic presentation of cargo information, is anywhere between US\$422 million and US\$ 2.2 billion.

The force for change is also coming from customers who want easy electronic access to timely, accurate and seamless information, from supply chain partners for end-to-end tracking and cost control.

Involving and aligning the energies of key stakeholders is critical

Both Popovich and Rohrmann see the industry task as a major challenge.

"The task is enormous, and to deliver we must align existing energy in the industry, engaging many industry players including shippers, forwarders, carriers, airports, governments, and regulatory authorities" (Popovich).

Indeed, fully recognizing investment and resource constraints, they are both taking action to ensure that existing forwarder and carrier industry energies are aligned to achieve shared objectives. One significant example is the increasingly active cooperation between IATA e-freight and Cargo 2000.

"There is a strong and natural fit between the objective of Cargo 2000, which is to deliver a common quality management system based on common industry standards and metrics, and that of IATA e-freight which is to build a simpler, electronic, paper-free air cargo supply chain to complement such a system. I am very pleased to see a close working relationship being established between Cargo 2000 and the IATA e-freight programme" (Rohrmann).

An Industry Action Group, comprised of British Airways, Cargolux, Emirates, Fedex, Lufthansa Cargo and Singapore Airlines Cargo, along with IATA was formed in April to spearhead the initiative. Since its inception, and understanding the critical need to involve all key stakeholders, the group has expanded to include the World Customs Organization, and representation for Freight Forwarder International. There has also been regular and positive dialogue between FIATA and the IATA e-freight programme team.

During June and July, the IATA e-freight programme team held business process workshops to determine IATA e-freight vision, scope, process simplification objectives, deliverables and milestones. The workshops were facilitated by IATA, with active participation by the World Customs Organisation (WCO), Exel, Geologistics, Cargo 2000, DHL / Danzas Air and Ocean, Kuehne & Nagel, UTI, Emirates, Singapore Airlines Cargo, Air France Cargo, KLM Cargo, and Cargolux.

The watershed IATA e-freight conference, designed to formally kick-start industry action, is slated for November 1-3 in Geneva, Switzerland. At this conference will be gathered over 400 delegates, and industry experts, representing airlines, freight forwarders, shippers and customs organizations, engaging with the need for e-freight and how to make it happen. Presentations, case studies and workshops will highlight why e-freight is

needed from an industry, customer, and security perspective, how air cargo supply chain participants can join together to make it happen, and what will be the longer term vision for e-freight, including enabling technologies. (<http://www.iata.org/ps/events/ef2005.htm>).

"This conference will be a tremendous opportunity for air cargo supply chain participants to join up and get behind united action for delivering e-freight: a simpler, electronic, paper-free air cargo industry" (Popovich)

IATA has identified 16 potential pilot countries that are currently being surveyed to determine where local customs, as well as carriers and forwarders with significant local presence, would be willing to participate in IATA e-freight type trials during 2006.

News in Brief

- **Gaby Back** has been appointed Director, Accreditation reporting to Tom Murphy effective 1 June 2005.
- **Marie-Pierre Rogers** has taken over from Gaby as IDFS Regional Director, **Europe** effective 1 September 2005. A Spanish national, Marie-Pierre holds a MBA-GSB from the University of Chicago. Before joining IATA, she was the CEO and Board Director of CPGmarket.com. She has also previously worked for Citibank, where she held the position of Head of Operations and Technology EMEA and for Federal Express where she was the VP, International Operations Southern Europe. Marie-Pierre speaks English, French and Spanish fluently.
- **Sherif Attia**, formerly Regional Manager Gulf Area, moves to the Middle East and Northern Africa (MENA) regional office located in Amman as Assistant Director, Field Office Management.
- **Ibrahim Kamal** is appointed Country Manager, Gulf Area, located in Sharjah. His area includes UAE, Oman, Bahrain, Qatar and Kuwait where he is presently located. **Ashraf Sobhi**, Assistant Manager, Kuwait will supervise the Kuwait office.