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Making it Simple

*A conversation with Bryan Wilson,
project director for the International Air
Transport Association's 100 percent
electronic ticketing initiative.*



Since its inception in 1945 in Havana, Cuba, the International Air Transport Association has created various standards, practices and procedures to provide the world's travelers with safe, reliable, secure and economical air service.

Growing from 57 members to 265 spanning 140 nations around the world has been anything but simple, yet the prime organization for inter-airline cooperation strives to bring simplicity to its members through its most recent and, possibly, most influential industry initiative — Simplifying the Business. Simply put, the project is designed to bring conveniences to the traveling public while keeping costs to a minimum through less complex practices.

One of the most pressing aspects of the five-pronged plan is the aim at moving the global airline industry to electronic ticketing by the end of 2007, saving the industry up to US\$3 billion a year — approximately US\$9 per ticket.

Recently, Bryan Wilson discussed the progress on reaching the 2007 100 percent e-ticketing goal.

Question: 100 percent electronic ticketing is an ambitious target, and IATA has mapped stages to reach this goal. You recently announced that the adoption percentage for electronic ticketing had risen from 25.4 percent to 40.7 percent, meaning you beat the 2005 target of 40 percent. What was your main challenge in achieving this, and how was it overcome?

Answer: In 2005, our biggest challenge was to create the awareness that the electronic ticketing challenge was a reality — that meant getting it onto the top of the to-do list at every airline. Overall, we've significantly improved the market penetration of electronic ticketing as big airlines have surged forward

with implementation. This was largely driven by growing customer acceptance. Travelers in mature markets have seen electronic ticketing as a step forward. This, in turn, created the momentum for some smaller airlines to move rapidly toward 100 percent adoption where electronic ticketing was already being used across their sales and route networks. But the success of electronic ticketing really reflects the commitment of airlines to implementation projects that are a win for themselves (better service, lower costs), a win for agents (removing logistical complexity and associated costs) and a win for passengers (eliminating lost tickets and the need to collect paper tickets as well as avoiding the stress of queues at airport ticket desks). Good products sell themselves.

Q: This year's target includes achieving 70 percent electronic ticketing. What are your key strategies to achieve this objective?

A: To achieve 70 percent by the end of this year, we have a different type of challenge. To a certain extent, we've picked the low-hanging fruit; now we've got to crack the more difficult parts of the electronic ticketing puzzle. We have to quickly address airlines whose systems don't support electronic ticketing or that have not prioritized electronic ticketing, countries with regulatory hurdles, airports where ground handlers are choosing to ignore electronic ticketing, interline electronic ticketing, and, inevitably, those customers or agents who may still be resistant to going electronic.

This year, we intend to build upon the relationships we have developed with the electronic ticketing managers at the 350 airlines around the world that use IATA Billing Settlement Plans. We have extensive data detailing the progress carriers have made in rolling out electronic ticketing, including

their status with respect to interline electronic ticketing agreements. We intend to keep a regular channel of communication with them via our 100 country managers, who have been well briefed on the essentials of electronic ticketing. Depending on their responses, we will come back with more expert advice on how to move forward or help where they have problems with third-party vendors.

Q: What has been the response to your Simplifying the Business initiative across the industry?

A: The Simplifying the Business — StB — initiative was launched with the full support of our board of governors and annual general meeting in May 2004. It will contribute US\$6.5 billion in annual industry savings through process change. Our industry is still relying on standards and procedures built up during the past 50 years. Many of these consequential processes fail to embrace opportunities provided by newer technologies. So StB projects are designed to bring modern technologies into practice in ways that will simplify and enhance the customer experience while reducing airline costs.

Airlines are delighted at the opportunity to lower costs and improve the customer experience, particularly at a time when no-frills carriers are not burdened by equivalent paper-based practices.

It is true that some airlines see the requirement for technology change as a real challenge, but the vast majority recognizes the need to move forward. In this day and age, standing still is not an option.

Q: Many countries have government ownership or influence over airlines or airports. Has this created any specific issues for the electronic ticketing mandate?



A: I can think of very few examples of government ownership of airlines or airports being in itself a problem for electronic ticketing. But there are several examples where government policies are a hindrance.

There are a few countries where legislation actually requires a paper ticket to be issued to the customer for air travel. Governments need to understand that allowing an electronic ticket to be issued and kept by the airline while providing an itinerary receipt to the passenger should fulfill the same need. Other countries have fiscal procedures that currently make use of paper tickets for receipts or foreign currency control. Some require the ticket for security procedures at airports. We believe there are fairly simple workarounds for these problems. However, airlines, regional airline associations and IATA have to make the right representations to governments. The key argument is that if the rest of the world is moving to 100 percent electronic ticketing, why can't this country as well?

At airports, our primary concern is where a government is backing a single ground handler that is only using a departure control system that does not support electronic ticketing. During the course of this year, IATA will be working with those airports to ensure that flights can continue to be handled to the satisfaction of airlines and passengers.

Q: Where can airlines and ground handlers go if they need help achieving IATA's mandate, and what has IATA done to support them?

A: Airlines and ground handlers are offered considerable support by IATA:

- We have a StB support portal at <http://www.iata.org/whatwedo/simplibiz1> that provides a wealth of information about all the StB projects — more extensively about electronic ticketing.
- We offer workshops to explain electronic ticketing and other StB projects — again listed on the Web site.
- We continue to stay in close contact with airline StB managers at a local level and offer direct advice as needed.
- We encourage airlines and ground handlers to approach their system providers to ask about the electronic ticketing compliant versions of their systems.

Q: Today, many airlines have more than 200 interline ticketing agreements. Will this be sustainable in a world of 100 percent electronic ticketing?

A: Through the years, many airlines have gradually increased the number of interline agreements. And, as you say, some large airlines have well in excess of 200. But let's be clear that the reduction in interline agreements

during recent years is happening independent of electronic ticketing. Some airlines, for example Aer Lingus, have reduced the number of partners they have or actively prioritized some partners over others. This is almost always true for airlines in an alliance. In the last few months, we have certainly seen some airlines, such as Alaska Airlines and Air Canada, declare their intentions to only convert a fraction of their interline agreements into interline electronic agreements. The stated reasons reflect a desire to consolidate their partnerships in general and a realization that it is not cost effective to build and maintain an IET for a low volume of customers.

At IATA, we assess that airlines could still carry the vast majority of their existing interline passengers with only a small portion of their interline partners. The 80/20 rule seems

HIGHLIGHT

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to apply. If airlines choose to only implement IET agreements with their preferred partners, they will still support the majority of the interline activity today.

Q: The recent economics of the industry have resulted in a shortage of investment funding. How can electronic ticketing be activated globally in such a constrained environment?

A: Running an airline continually requires investment — in people, planes and processes. The returns from implementing electronic ticketing are significant. Apart from the obvious areas such as paper stock, printers and supporting ticket on departure at airports, we advise airlines to consider how electronic ticketing moves them toward cheaper distribution channels and self service for passengers at airports.

But the cost to an airline of not implementing electronic ticketing is also an important consideration. Without electronic ticketing, airlines will need to distribute their own paper tickets, and they will inevitably lose the majority of interline traffic as other airlines will simply be unable to accept paper from 2008. In a nutshell, there are savings to implementing electronic ticketing and costs to not implementing it. Each on its own would probably more than justify the business case.

Q: There have been accusations that electronic ticketing only really benefits larger airlines. Who really benefits from electronic ticketing, and why?

A: It is certainly true that electronic ticketing offers huge savings to big airlines, especially if they have simple route networks and few interline partners. But many of these big carriers have had to make large investments in system changes as they tend not to use industry system providers that can spread the electronic ticketing cost across many customers. So we have also seen many small airlines simply upgrade to the electronic ticketing versions of their passenger service systems and roll out electronic ticketing very quickly and cheaply. Both groups are very happy with electronic ticketing — and their customers and agents are even more delighted.

For airlines running their own systems, and especially those that are smaller and have not maintained a regular stream of upgrades to support electronic ticketing component technology such as EDIFACT messaging, an electronic ticketing upgrade seems a large and expensive project. However, sorting out their systems so they can compete in the 21st century with efficient processes will bring much more benefit than just electronic ticketing.

In some ways, I see electronic ticketing as driving all airlines toward investing in modern technology to become more productive, which is what the aviation industry requires.

Q: How do you intend to celebrate New Year 2008?

A: Well, that's a good question. I don't know yet, but I am confident it will involve celebrating the achievement of 100 percent electronic ticketing!

I think it will become quite clear several months earlier whether we have achieved a high enough electronic ticketing penetration and have removed the remaining obstacles. Inevitably, there will be some airlines that will still be implementing more interline electronic agreements in 2008, but I am committed to making sure the IATA challenge is complete. Of course, there is much more to do in this dynamic and exciting industry, including completing the other StB projects. **F**