STRATEGY PAPER
(update from July 2011)

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IATA Simplifying the Business

E-SERVICES (100 % EMD)

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1 IATA e-Services Project Description

1.1 Background and Governance

With multi-billion revenue, double-digit growth rate, the trend of ancillary services has spread over the airline industry. The full potentials are still waiting to be untapped: currently travel agents are unable to sell these services, restricting market access. Moreover, paper miscellaneous documents or proprietary solutions used by airlines to record and sell those ancillary services require legacy paper processes and infrastructure to be maintained. That adds cost and complexity to the industry distribution systems.
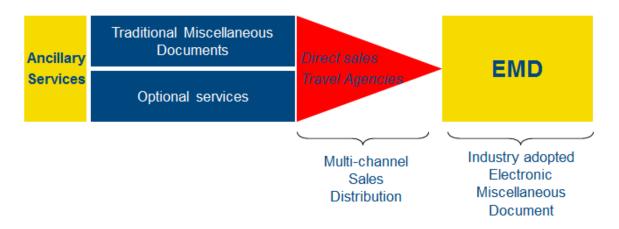
Recognizing the trend of growing airline ancillary services as well as limitation of current solution, airlines CEOs at the IATA Board of Governors approved the IATA e-services (www.iata.org/e-services) project as a Simplifying the Business project in December 2009. During project timeframe, IATA StB Steering Group, including major airlines members worldwide, are setting project strategy direction and monitor progress.

1.2 Vision

IATA e-services project aims to facilitate sales and collection of ancillary services through all distribution channels with the adoption of IATA's electronic miscellaneous document (EMD) standard. Other interim solutions such as vMPD/MCO or airlines proprietary solutions could not deliver a standardized approach to collect and account ancillary revenues, which restricts market access and creates challenge for interlining.

Industry adopted EMD standard and IATA e-services project will enable airline industry growth of ancillaries' services across multiple sales channel.

100% EMD to facilitate sales, fulfillment and collection of ancillary services *through all distribution channels*

1.3 Target

Similarly to the 100% Electronic Ticket (ET) project, airlines CEOs on IATA's Board mandated IATA to deliver this vision for the industry by targeting:

- **Industry EMD capability <u>by end 2012</u>**
- **100% EMD usage in IATA BSPs <u>by end 2013</u>: vMCO/vMPD* will no longer be processed in IATA BSPs by 1st January, 2014.**

* virtual Miscellaneous Charge Order / virtual Multipurpose Document (i.e. current Miscellaneous documents in IATA BSPs)

In December 2012, the IATA Board has re-confirmed 2013 IATA EMD deadline.

The 100% EMD deadline represents the final step of IATA Simplifying the Business delivery after successful completion of 100% ET and 100% Bar Coded Boarded Pass projects, working toward IATA e-travel vision.

1.4 Basic understanding of an EMD

Similar to an Electronic Ticket (ET) used by passengers, EMD is the official IATA standard permitting fulfillment of ancillaries' services or miscellaneous documents to facilitate:

- Airlines Sales: direct or via travel agencies connected to a GDS
- Services delivery at the airport
- Revenue collection by airlines revenue accounting system

Reason for Issuance Code (RFIC) categorizes the EMD document (i.e baggage charges, in-flight or airport services, financial fees, merchandising, etc…). Reason for Issuance sub-code (RFISC) qualifies the actual coupon services usage, aligned with ATPCO optional services fees filing.

Two versions of EMD were developed to accommodate different services types and airlines business requirements:

- EMD - S (Stand Alone; typically used for refund or airport lounge access) requires airline to confirm usage either at issuance or later
- EMD - A (Associated to ET; typically used for baggage charges or in-flight services) is lifted with the ET, facilitating revenue accounting processes.

EMD will replace all types of miscellaneous documents for both agency sales and airline direct sales.

1.5 EMD Standard adoption benefits:

Main benefits of EMD implementation across the industry will be:

- A global industry standard for issuance, fulfillment and collection of ancillary services
- A common sales process across all channels, online or travel agents via a GDS
- Can replace airlines proprietary solutions and all miscellaneous documents
- Can be interlined to partners and compatible with different systems
- Considered as an integral part of the business model where carriers sell ancillary services (e.g. ATPCO - Optional Service Fee Product)
- Provides a means for audit and control of collection and payment of ancillary services
- Increase visibility in airlines Revenue Accounting and Revenue Management systems

2 IATA e-Services: a "win-win-win" project

Since 2005 IATA Simplify the Business initiative like 100% ET or BCBP were focusing on cost reductions initiative. With E-services, IATA is not only focusing on improving back-office processes, but increase customer access to ancillaries via all sales channels.

This represents a "win-win-win" within the air travel value chain:

2.1   For Airlines:

- Increased revenue by selling more services through more channels: a mix of traditional channels (GDS's and travel agents), direct and new channels (web, mobile phone)
- Lower costs due to simplified revenue accounting, fraud reduction and back office processing.

2.2   For Passengers:

- More flexibility. EMDs allow passengers to customize their journey, purchasing only the services they value, from fast track security to wifi access
- Easier access. Passengers will be able to purchase services on the web, at a kiosk, on mobile phones, at check-in desks or from travel agents
- Less hassle. These services can now be offered across multi-leg journeys, even those that involve multiple airlines, making life simpler for passengers traveling on alliance or interline partners
- Less stress. No more pieces of paper to lose. And just as ET made changes to tickets easier, e-services will make changes to these services easier

2.3   For travel agents:

- Access to new opportunities to sell additional services
- Capability to issue and track EMDs via their own systems providing increased productivity, market intelligence, and more efficient corporate billing and control
- Support corporate requirements for tracking and travel budget follow-up
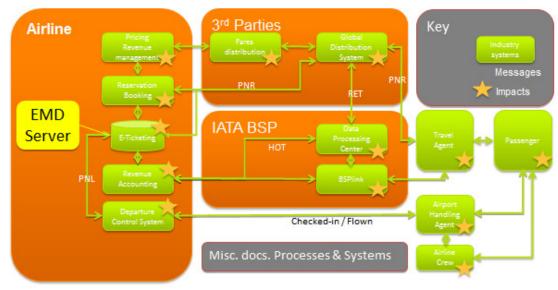
3 IATA e-Services Delivery Strategy

3.1 Scope

3.1.1 Project key stakeholders

IATA e-services project involves the following main stakeholders:

- Airlines – IATA and MITA members or any airlines participating in IATA BSP with vMCO/vMPD
- EMD System Provider – the company that will provide EMD functionalities to the airlines
- GDSs – providing ET and EMD functionality to their connected travel agencies
- Industry settlement systems (IATA BSP, ARC) reporting EMDs in their respective country of sales
- Other system providers involved in EMD process such as ATPCO (fees filing and pricing), Departure Control Systems (airport services delivery) and airlines revenue accounting systems (charges collection)

3.1.2 Systems impacted

The figure below is highlighting the key systems impacted with the introduction of EMD:

3.2 Stakeholders engagement strategy

3.2.1 Airlines

IATA e-services project team engaged all airlines in scope:

- At a minimum, all Top 200 airlines in scope in 2010 (representing 99.7% of these 346 airlines seat capacities and 95.7% vMCO/vMPD usage in IATA BSP) were engaged by IATA country representatives to present the project and get a commitment to the IATA deadline
- For some of the remaining airlines not yet engaged (mainly very small airlines), in February 2011, a letter signed by IATA were sent to notify the end 2013 project deadline (no vMCO/vMPD in BSP)

As a priority IATA is mobilizing the Top 200 airlines. Those airlines represent a critical mass enabling the cutover to 100% EMD in IATA BSP by end-2013. Other airlines will be informed and supported, provided they declare their intention. Airlines declaring having no intention to use EMD with GDS and settle in IATA BSP were put out of engagement scope: these airlines were requested by IATA to ensure that alternatives processes were in place to ensure that by end-2013, no more vMCO/vMPD remains in IATA BSP for these airlines.

Through the life cycle of the project, airlines have been engaged on a monthly basis by IATA country representatives to track EMD implementation progress or identify issues requiring IATA guidance or assistance.

Also to drive airline EMD implementation in 2011 and 2012, IATA organized a series of EMD regional workshops (www.iata.org/whatwedo/stb/e-services/Pages/workshops-2011.aspx in:

- Europe / Middle-East / Africa: Madrid, 23 & 24 March 2011
- Americas: Miami, 13 & 14 April 2011
- Asia / Pacific: Singapore, 04 & 05 May 2011
- North Asia: Beijing, 06 & 07 July 2012
- Africa: Nairobi , 28 Mar 2012

These workshops were set to accelerate implementation within the industry and IATA will continue to organize similar events during life cycle of the project, when required: more than 400 delegates attended these workshops.

3.2.2 GDSs

Major GDS linking worldwide travel agencies were engaged constantly since 2010 to ensure their EMD readiness. The 6 major GDSs handling 95% of passengers bookings – namely Amadeus, Travelsky, Worldspan, Galileo, Sabre, Abacus – were visited in priority. Some support to local GDS, such as Axess in Japan, was also provided.

It is important to note that GDSs that are issuing EMD on behalf of airlines must be connecting to airline Host EMD server (see paragraph 3.2.3). GDSs and Host System providers could sometime be from the same company (like Amadeus or Sabre), therefore leveraging on better integrated systems compatibility for both hosted airlines and travel agencies. EMD industry standard will greatly facilitate connectivity between different airlines EMD Host System provider and all GDSs.

To ensure this, every year since 2010, a specific IATA e-Services meeting took place in order to bring together major EMD system providers, GDS and leading EMD airlines to:

- Review and discuss technical implementation standards issues
- Understand challenges in implementation and prioritize development phases
- Understand system providers and GDSs functionalities development roadmap and align with industry targets/priorities, especially 100% EMD target in IATA BSP
- Discuss processes, risks and challenges likely to occur when VMCO and VMPD will be eliminated from BSPs end-2013.

On GDS EMD deployment target side, IATA required 6 major GDSs to be live in IATA BSP in 2011: i.e a travel agency connected to the GDS has issued one EMD for one airline, reported in IATA BSP.

In 2012, IATA BSP reported more than 500'000 EMDs from 28 airlines in 35 BSPs: a key milestone toward 100% EMD in IATA BSP by end of 2013.

With roll-out of EMDs within travel agency community, GDSs will make sure appropriate EMD training is done for their connected agencies.

3.2.3 EMD Host System providers

EMD Host System providers are playing a major role in this initiative and need to be aligned in order to reach IATA's Board mandate of industry capability by end 2012 and 100% usage in IATA BSPs by end 2013.

In 2010, IATA visited majors System Providers to ensure that EMD servers were under development. During 2011 EMD regional workshop, a detail EMD functionality roadmap were provided by main system providers – namely Amadeus, HP, Travelsky, SITA, Sabre, Farelogix, Hexaware, Mercator, Travelport, Resiber/Unisys. These presentations re-assured 120+ airlines attending the different workshops of full alignment and readiness of their host system provider with IATA deadline.

A regular update from EMD Host System provider is available on www.iata.org/e-services. Based on latest IATA e-services meeting held in Geneva in January 2013, below is the latest roadmap.

Host System	Airline IT Clients		EMD Server Solution		Distribution via			2 Airlines Interlining	
	Activated	Contracted	EMD - S	EMD - A	Direct Sales	"Own" GDS	3rd party GDSs	Using Same EMD Server	Using different EMD Server
HP(AxsRes or SHARES)	1	3	(green)	Q2-13	(green)	N/A	Q2-13	2014	
Hexaware	0		(yellow)	(yellow)		N/A			Waiting partner
Mercator	6		√	√	√	N/A	√		Waiting partner
Resiber / Unisys	3		√	√	√	H1-13	√		project mode
SITA	10	13	√	H2-13	√	N/A	2013	H2-13	
Amadeus	44	30	√	√	√	√	√	√	project mode
Farelogix	1		√	√	N/A	√	N/A	N/A	
Sabre	3	18	√	√	√	Q2-13*	Q2-13	2013	
Travelsky	9		√	√	√	√	2013	H1-13	
Travelport	2**		√	H1-13	√	H2-13	H2-13	H2-13	

Source: IATA e-Services Project Team 15th January 2013 (subject to update)

1+ airline EMD activation	√
Contracted	(green)
Product ready	(yellow)
Risk on IATA 2013 deadline	(red)

*Sabre GDS has deployed EMD-A with some airlines having their own Host system
** 5 airlines hosted on SITA use Travelport IT's EMD Server

Notes:- Distribution in "Own GDS" is when IT provider is also a GDS (1A, 1S, 1G/W, 1E)
- Farelogix distributes through FLX Direct Connect Platform

3.2.4 IATA BSP

IATA BSP Reporting team is coordinating the introduction of EMD in various BSPs countries through clear GDS/Airlines testing plan and formalized roles and responsibilities. A single point of contact is available with the following e-mail address EMDTesting@iata.org .

In addition, IATA is developing the E-services Matchmaker to facilitate EMD deployment between airlines, GDS and BSP, as well as future interlining of EMD. This will provide:

- An interactive platform for EMD participated airlines/stakeholders to communicate and facilitate the implementation of the project
- A summary and report to track EMD penetration by GDS, airlines and BSP country

The matchmaker web application is available under www.iata.org/e-services.

3.2.5 Other system providers

IATA will engage other key stakeholders impacted by EMD introduction like ATPCO, revenue accounting system providers, DCS providers and ground handlers. IATA e-services team members are participating to key industry meetings such as ATPCO Optional services , Revenue Accounting Meeting (RAM) or IATA Ground Handling Council (IGHC).

IATA will engage these other system providers through the entire life cycle of the project, either on face to face meeting or by inviting them to provide EMD update in e-services project events.

3.3 Communication Strategy

3.3.1 External Communication

A central project information page is available on internet under www.iata.org/e-services posting regular updates about project reference document and EMD industry implementation status.

The goal of IATA communication strategy is to build awareness that the industry adopted EMD standard and IATA e-services project is an enabler to the industry growth of ancillaries' services across multiple sales channel.

IATA's main communication strategy is also including the following actions:

- Issue monthly information via IATA StB newsletters (www.iata.org/whatwedo/stb/newsletter) reporting latest EMD capable airlines, GDS live or any major project milestones
- Events participation to build awareness about EMD and provide latest e-services update such as Innovation in Airline Distribution with Airlines Business, CASMA conference or IATA World Passenger Symposium.
- Webinar with industry media

Regular update are posted on project website (www.iata.org/e-services) , especially latest list of airlines having implemented EMDs and BSP having reported EMDs.

IATA e-services (EMD Implementation)

The IATA e-services project aims to facilitate sales and collection of ancillary services through all distribution channels. Using IATA's electronic miscellaneous document (EMD) standard will also help take the remaining paper out of the airline ticketing processes.

Key benefits

- Easier access: Both airlines and travel agents can sell these services quickly and easily, including sales through online and mobile channels

- More services: By creating a paperless environment, the project enables a whole range of services across the industry - from fast track security to on-board wifi access to limo transfers

- Customer satisfaction: Offer ancillary services across journeys, even those that involve multiple airlines, making life simpler for passengers travelling on alliance or interline partners

IATA Board target

- 100% usage in IATA BSPs by end 2013
- vMCO/vMPD* will no longer be processed in IATA BSPs by 1st January, 2014

Project update

- IATA e-services Project Update (pdf)
- IT Provider Status (pdf)

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**AIRLINES IMPLEMENTED
IATA EMD STANDARD**
CLICK HERE FOR MORE DETAILS

35
BSP EMD LIVE
CLICK HERE FOR MORE DETAILS

Screenshot of project website (status Jan-2013)

3.4 EMD Implementation Guide and reference documents

Key reference technical documents to be used in e-services project are the following:

- The Airline Guide to EMD Implementation can be downloaded for free at: www.iata.org/whatwedo/stb/e-services/Pages/guide.aspx

- IATA EMD Standard - Resolution 725fgh (Part of PSCR Manual): http://www.iata.org/ps/publications/Pages/pscrm.aspx

- Reason For Issuance Sub Codes (RFISC) - maintained by ATPCO, free download at: http://info.atpco.net/download/OptionalSubCodes.pdf

4   2013 EMD Industry Deadlines

4.1   2010 – 2012 EMD industry adoption

IATA ensured that 12 "early adopter" airlines from several regions in the world were EMD capable end of 2010. By EMD capable, IATA understands that airlines have issued a 1st EMD in accordance with IATA resolution 725f in one of their distribution channel.

In 2011, IATA reported that more than 40 airlines became EMD capable.

IATA defined end 2012 as the target for industry EMD capability to ensure a smooth transition of legacy system sun-set date on 31st of December 2013 in IATA BSP: by end 2012, 80 airlines were EMD capable representing 75% of traffic volume of airlines in scope. This milestone was confirming that EMD standard adoption was at a point of no return for the industry as it has now reached a critical mass.

In December 2012, the IATA Board has re-confirmed 2013 IATA EMD deadline.

4.2   100% EMD in IATA BSP: 2013 action plan

IATA set-up a clear action plan for 2013:

- In February 2013, all IATA airline CEOs having issued vMCO/vMPD in IATA BSP in 2012 will receive an **official notification e-mail letter from Tony Tyler – IATA DG & CEO** regarding 2013 EMD deadlines in IATA BSPs. This communication is aiming to ensure that airlines have taken all necessary actions to reach the deadline of 31 December 2013 for 100% EMD in BSP, or that alternative method for replacing vMCO/vMPD issuance with your travel agents are in place.
- IATA is publishing a guideline document "The road to 100% EMD in IATA BSP", to support implementation in BSP including possible alternatives if airlines have not replaced all vMCO/vMPD by end 2013.
- EMD-vMCO-vMPD statistics by airlines, GDS, BSP and Agents are available in IATA EMD Matchmaker and specific ad-hoc requests
- IATA local team will follow-up with each airlines as part of EMD industry campaign is planned for Mar-Jun 2013 period.
- Communication to travel agents via IATA BSPlinks
- Participation in trade show
- At end 2013, IATA will "pull the plug" on legacy miscellaneous documents (vMCO / vMPD): IATA BSP will only support the new EMD standard within the BSP.

4.3 Sunset vMCO/vMPD in IATA BSP on 1st January 2014

On 1st of January 2014, no vMCO/vMPD will be available in IATA BSP.

It is important to note that vMCO/vMPD annual transactions in BSP are not huge (4 or 5 millions) compared to ticket (approx. 450 millions).

IATA has formalized the "endgame" with the high-level key actions as follow:
- Stakeholder management and communication plan with carriers and GDSs (travel agencies awareness campaign)
- Monitoring EMD penetration BSP by BSP, airline by airline via EMD Matchmaker
- Tracking new EMD vs. historical vMCO/vMPD usage in order to forecast vMCO/vMPD usage for the Jun-Dec 2013 period.
- Progressive switch-off serial number allocation of vMCO and vMPD
- Define final usage policy of vMCO/vMPD in collaboration with GDS, airlines and IATA BSP reporting team.

4.4 No deadline imposed on Interline EMD

Similarly than during IATA 100% Electronic Ticket project in 2005-2008, IATA is expecting that airlines start interlining EMD during the life cycle of the project. To facilitate Electronic Miscellaneous Document (EMD) interlining, IATA issued the first General Business Requirements (GBR) in May 2011: www.iata.org/whatwedo/stb/e-services/Documents/interline-electronic-miscellaneous-documents-may11.doc. Using this document will allow carriers to formalize acceptance of each other's EMDs, in the same way as interline electronic tickets.

IATA is not imposing any deadlines regarding interlining EMD.