Passenger and Cargo Security Update

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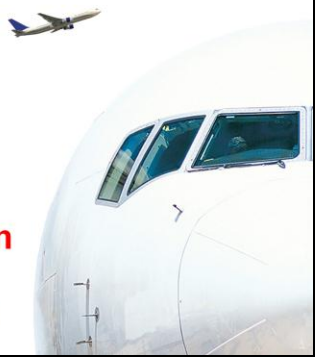
To represent, lead and serve the airline industry



•Today I would like to discuss IATA initiatives on the passenger checkpoint and update you on cargo security.

•Why the checkpoint?

•IATA believes there is a need for a new concept in passenger security screening that emphasizes enhanced security and more efficient throughput.

•Today's global screening paradigm tends to be "one size fits all."

•Elevated risk passengers use the same lanes as the frequent fliers, which use the same lanes as everyone else

•Passenger data is not used at the checkpoint to make intelligent screening decisions.

•This paradigm has created long lines, inconvenienced passengers, and generally not resulted in higher detection levels of threatening objects.

•We think that that future lies in a new paradigm

•And that's looking for bad people and not just bad objects.

•Certainly cargo security has come to the forefront in light of the failed bombings in October

•Air cargo is the life blood of the global supply chain

•30% of the value of all goods shipped travel via air

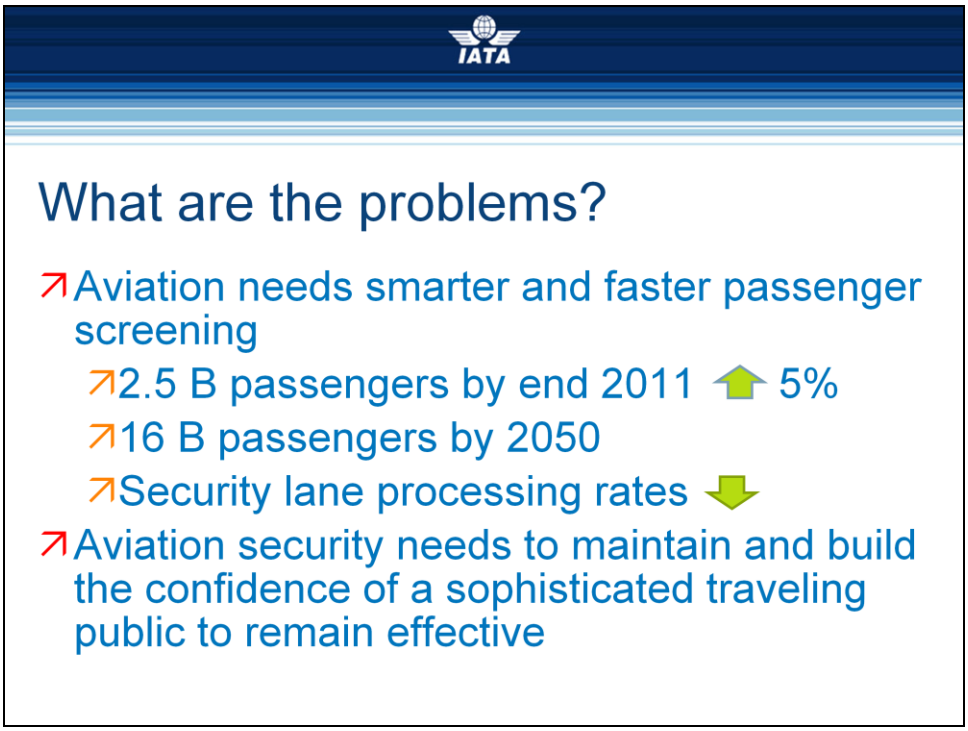
•just-in-time inventory management, requires it

•Now it is under attack and our response needs to involve not only airlines but the entire supply chain

•The wrong solutions or bending to knee jerk regulations could damage the

global economy

- IATA has ideas that can enhance security and prevent economic disruption
- I would like to share these with you
- But first the passenger checkpoint



•What are the problems and why is IATA interested in the passenger checkpoint?

•First, you heard from Brian Pearce this morning that air travel is rebounding thanks recovering economies and there is significant growth in developing regions such as China and India and we question whether today's checkpoints can handle the job of processing this number of passengers.

•We expect 2.5 B passengers to fly by year end 2011, an increase of 120M (1) and a steady 5.5% annually through 2013 (3)

•But as more people return to the skies, the evidence shows that the throughput of today's checkpoints are decreasing. Our systems just can handle the traffic. In some places, we'll see a drop of as much as 50% in two years.

•Some of the decrease was the result of the new security measures put in place after the Christmas Day 2009 attempted bombing

•But the rest we believe is the result of a passenger screening system showing its age

•Second, the aviation security system needs to maintain the confidence of a sophisticated traveling public and the signs of discontent are growing.

•This global phenomenon shows no signs of letting up

•(1) Source: IATA: IATA Industry Outlook, December 2010

•(2) Source: IATA Launches Vision 2050, 7 June 2010, No. 24

•(3) Source: IATA World Air Transport Statistics 2010

•Passengers are increasingly more vocal about the inconvenience of security measures

•We are starting to see protests online driven by social media sites

•Passenger rights groups called for a US national opt out of body scanning on November 24, the day before the busy Thanksgiving Holiday

•Just last month, German and US passengers have begun to protest in airports over the intrusiveness of security screening technology

•For now, the US appears to be the focal point of the discontent. But we are concerned that this may be the canary in the coal mine.

•Let me be clear, we have good systems and the flying public is safe.

•But we also need a confident public who trusts the authorities

•Good systems combined with distrustful passengers make for a toxic combination and a less secure system

We must also **modernize**

- New technology does not fit in an old checkpoint paradigm,
- "Object finding" checkpoint has served us well, but should not mask the need for a new checkpoint philosophy

•Third, new technology has a role in security screening, but it can be put to best use in a redesigned checkpoint system

•You just can't put a new radio in a car and claim that you have a new car. What you have is an old car with a new radio.

•Which brings me to the topic of body scanners. They don't fit in the current 40 year old checkpoint paradigm

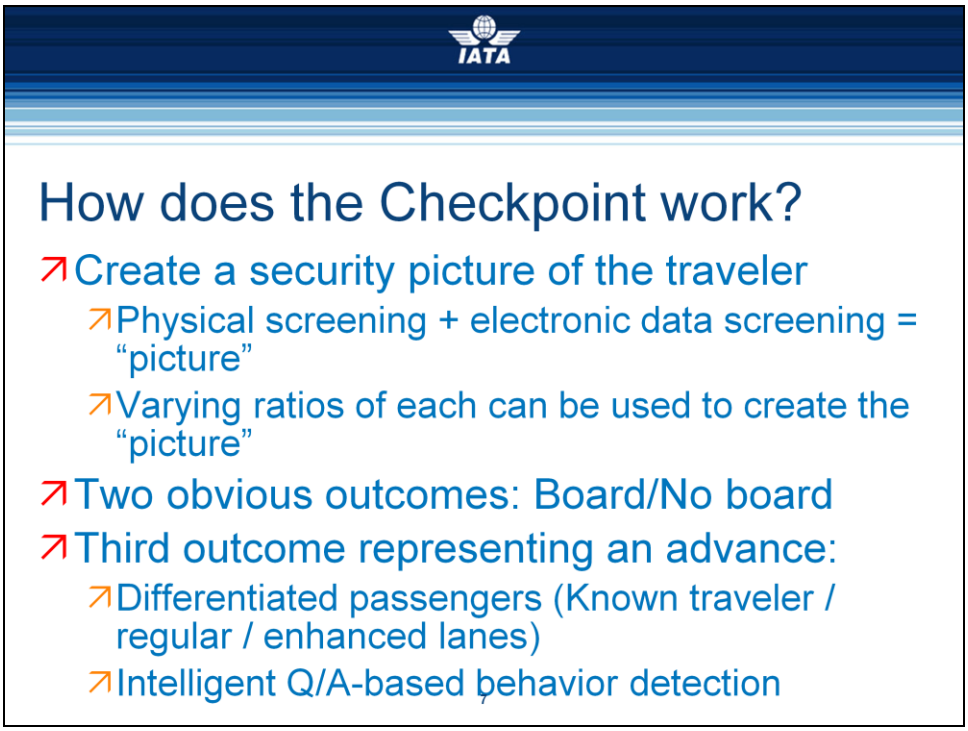
•They are too slow to use as a primary screening systems, and should be left for secondary screening

•IATA believes there is a better way to screen passengers than exclusively relying on "object finding" as we have for 40 years

•We believe that there should be a next generation checkpoint that focuses on looking for "bad people" and not just "bad things."

•If we have learned anything from the last decade, it is that a passenger with toe nail clippers is not automatically a threat to aviation.

•Or, conversely finding toenail clippers doesn't mean you have found a terrorist



•How does all this work? Let me provide some context and illustrations.

In our vision, the next checkpoint should rely on

•Creating a total security picture of the traveler (not just a naked one)

•That picture consists of hysical screening (at the airport), combined with electronic data pre-screening (by governments before flight)

•Varying ratios of each can be used to create the "picture"

•Two obvious outcomes occur when that picture is analyzed first either a "board/no board" decision is made

•But a third outcome represents the advance and what we believe is the future

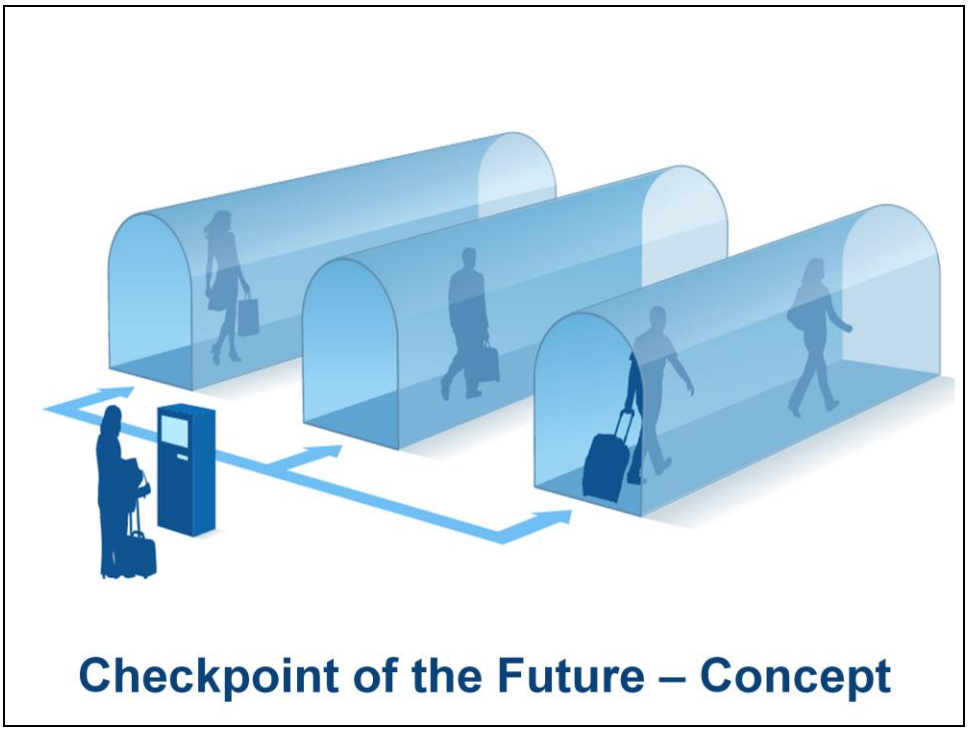
•Passengers can be differentiated at the checkpoint and directed to different lanes

•Known traveler / regular / enhanced lanes

•Screeners can employ advanced behavior detection through intelligent questioning of passengers based on information.

•This checkpoint should look somewhat familiar…some of this same of processing occurs everyday at customs and immigration inspection areas at every airport in the world.

•But that's not all. IATA envisions an interruption free passenger transit from curb to aircraft. Combining biometrics, stand-off screening, and passenger data, travelers should walk uninterrupted through a "tunnel of technology" where security and customs processing occurs in a transparent manner

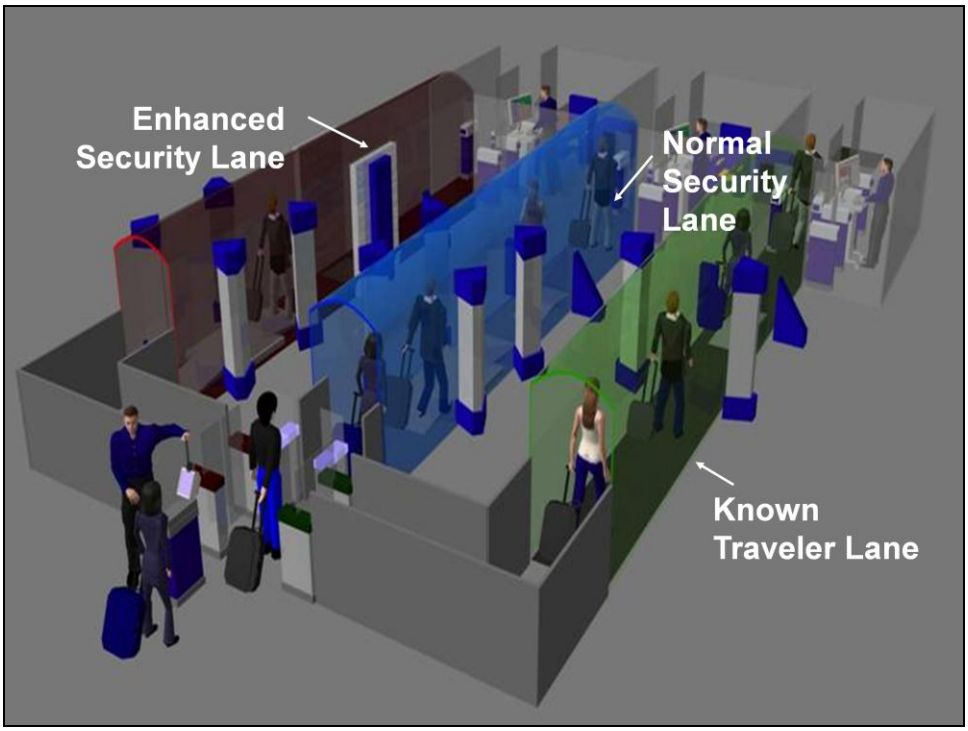


•Let me show you what I've been talking about with a few graphics

•In this basic illustration we see a passenger identifying himself or herself with a biometric, just like at Disney World or other theme parks

•Then the passenger is directed to one of three screening tunnels: known traveler, enhanced security, or regular lanes

•Each of these lanes would screen a passenger to a base level, but tailor the ratio and amount of screening based on the security picture we previous discussed.



•Here's what a passenger would likely see at the airport

•This checkpoint is the focus of IATA's activities over the past year with airlines, states, and ICAO and our vision

•So where are we and what have we done?

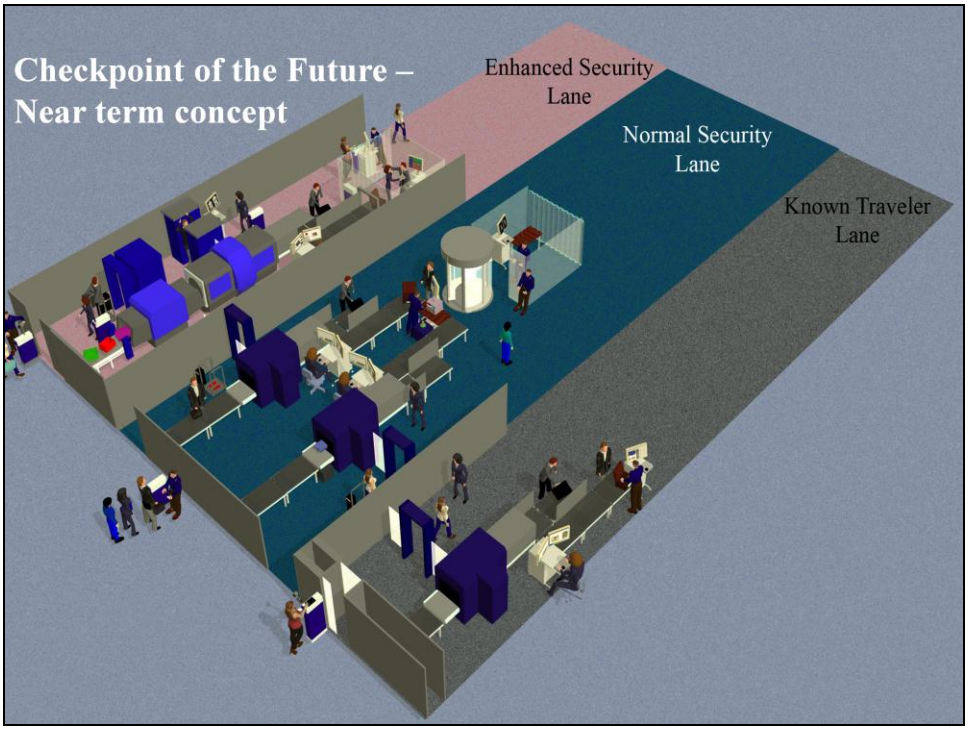
•IATA has developed blueprints and a roadmap for the way forward and our Board of Governors have agreed to move forward.

•We are working with like-minded associations, manufacturers, academics, and airlines to refine this concept. This needs to be a global effort.

•To date, we have endorsement from ICAO of the need for a global effort to study a future checkpoint.

•We've shared our concepts with states and are encouraged that we have support to test components with them

•As we work toward this new checkpoint and wait for some of the needed technologies to mature, we are pursuing intermediate steps



•One of these steps is to repurpose and reintegrate existing technology into an intermediate checkpoint that is possible in the next 2-3 years.

•This reworked checkpoint uses existing hardware and integrates several central elements of checkpoint of the future including passenger data, behavior analysis, and the creation of new screening lanes.

•IATA is committed to making air travel safe, secure, and more enjoyable

•We believe new passenger checkpoint paradigm is mandatory and needs to be brought to airports at an accelerated pace

•In summary we won't settle for anything less than a revolution in the way passengers are treated at the airport

•Cargo security is at the forefront of the industry in light of the failed bombings in October

•As we work on learning from the lessons of this attack, we need to keep certain things in mind.

•Air cargo is the life blood of the global supply chain

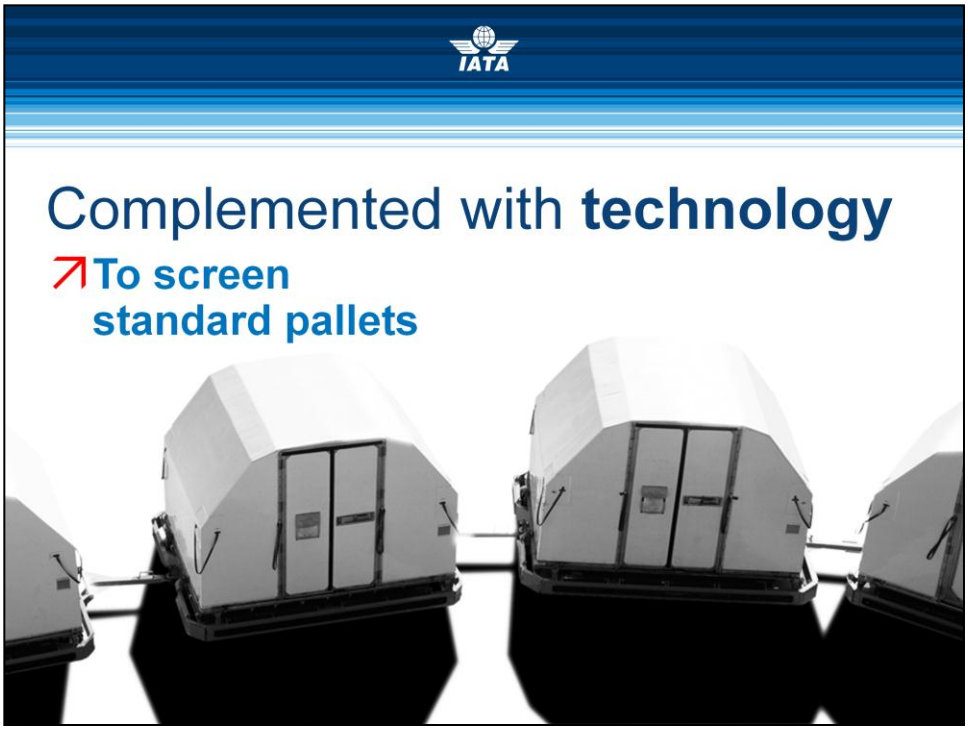
•Air transport is designed for items that you need today or tomorrow and not next week

•The wrong solutions or bending to knee jerk regulations could damage the global economy

•IATA believes that effective cargo security must be based on a combination of measures.

•First, we need a supply chain approach. That is an assurance process whereby
•From the moment a box is packed until the moment it arrives at the aircraft, train, truck or ship it is protected from tampering
•It is based on the premise that shippers, forwarders, manufacturers, and airlines all should have a responsibility for maintaining the security of air cargo
•Most importantly, it allows the flexibility for cargo to be screened at an appropriate point on its journey to the airport or dock and then transported securely
•This has several advantages.
•it prevents creating choke points where cargo might be stalled or backed up,
•Which would certainly be the case of relying on airports where space constraints and facility limitations are common
•it allows for security tailored to the commodity being shipped, rather than one-size fits all inefficient security
•it makes for multimodal security. This makes land and sea shipping secure as well.
•This is a system used by many countries. For example the UK has a Known Consignor program, the US has introduced the Certified Cargo Screener Program, and the EU security regulations have been changed along similar principles.
•IATA has been committed to supply chain security for many years, our secure freight program is a supply chain solution that we believes work. It is being

piloted in Malaysia now and in Egypt in 2011.



•Screening technology is also important.

•Screening can complement effective intelligence and supply chain solutions.

•However, we need governments to test and certify technology that can screen pallets and oversize items.

•There is some promising technology but it is taking far too long to move from the laboratory to the airport.

•We also need governments to work together to recognize each others screening systems.

•Finally, IATA is advocating the accelerated use of electronic data to help identify suspicious cargo

•IATA has created a global message standard for cargo data transmission

•This can be used by states to evaluate cargo passing through their borders

•This complements our e-freight program which is replacing paper shipping forms , which can amount to more than 20.

•IATA believes these three methods represent significant steps forward way to secure cargo

•IATA is working with states and ICAO to make these three items integrated into the global response to the October incident.

•To date, ICAO has endorsed supply chain security as a standard for states beginning in July 2011

•We have agreements that ICAO will serve as the focal point for continuing improvements in the security of the global supply chain

•We are working with the UK, EC, Canada, Australia, and US to provide

industry perspective on a way forward.