

Article 1

Airline Industry Profitability Improves

IATA announced a [US\\$5 billion projected profitability](#) for airlines in 2007 at their Annual General Meeting in Vancouver. In his keynote State of the Industry address, Giovanni Bisignani, IATA Director General and CEO said, "We expect airlines to make US\$5 billion this year. The industry has changed tremendously in five years. Labour productivity is up 56%. Distribution costs are down 13%. Non-fuel unit costs dropped 15% and load factors are at record highs—76% in 2006. Airlines needed an oil price of less than US\$20 per barrel in 2002 to break even. Today we are profitable at nearly US\$70 per barrel."

While the results are encouraging, Bisignani also gave an important reality check, "Airlines are a US\$470 billion industry. A profit of US\$5 billion is peanuts. We need US\$40 billion just to cover the cost of capital. The industry is moving in the right direction, but with US\$200 billion of debt, the financial hole is deep. The challenge for is to turn peanuts into sustainable profits."

IATA outlined six priorities for the industry:

Safety: "In a decade we cut the accident rate in half. 2006 was our safest year ever, with 1 accident for every 1.5 million flights. And IATA member airlines did considerably better at 1 accident for every 2 million flights. The [IATA Operational Safety Audit](#)—a condition of IATA membership—is crucial to our efforts to make air travel even safer. Already 153 airlines are on the Registry and the industry is on target to improve safety a further 25% by the end of 2008." Not all regions are performing at the same level. "While we are raising the bar on safety, IATA is working with its members to deliver results. IATA's Partnership for Safety has helped 89 airlines across Russia, Africa, the Middle East and Latin America."

Security: "Nearly six years after the tragic events of 2001, we are much more secure, but the system is a US\$5.6 billion uncoordinated mess. Progress has been made on liquids and gels, but with more checked baggage, infrastructure issues must catch up. And governments have forgotten that our success on safety is based on global standards and cooperation. [We need to take the same approach with security](#). It is a government responsibility to provide effective security that is also convenient. Our passengers have been hassled for six years. That's far too much," said Bisignani.

Simplifying the Business: "[Simplifying the Business is a winner](#). In three short years, ET penetration jumped to 80%. E-freight will be a reality in five locations by the end of this year. RFID will be part of a new approach to baggage handling. Forty-eight airlines are using bar coded boarding passes and CUSS is used in 59 airports around the world today. A US\$6.5 billion revolution is taking shape and now we are looking over the horizon to stage two—a strategy for self-service that will define a new age for efficient travel," said Bisignani.

Infrastructure Costs: "Infrastructure providers must also share airlines' obsession with efficiency. While IATA achieved US\$1.9 billion in cost savings from infrastructure partners in 2006, cost increases totalling US\$2.6 billion wiped out the gains. While we are moving in the right direction with air navigation service providers, too many

airports still operate as happy monopolies. Three airports — Bangkok, London and Paris—alone were responsible for US\$1.4 billion of the US\$2 billion of airport cost increases in 2006. Airlines live in a competitive world where commercial discipline is the regulator. Airport regulators are phantoms. Their financial results—with EBITs over 40%—prove that it's a dream world for airports and a nightmare for airlines that pay the bill. The target for 2007 is to give the draft European Directive on airport charges some teeth by incorporating cost efficiency targets for the national regulators that it requires," said Bisignani.

Liberalisation: "This is the Everest challenge for the industry. Airlines compete in a modern world, but live in a time capsule with 60-year-old rules. It's like trying to climb Everest with equipment from 1944. The US-EU agreement is an important step in the right direction, opening up many new opportunities, but we lost a great chance for fundamental change. Governments must understand that we have modern businesses to run. Airlines need the freedom to sell their products where markets exist and to merge or consolidate where it makes business sense. Progressive liberalisation is the only way forward. The bilateral system belongs in a museum, in a display case next to the paper ticket," said Bisignani.

Environment: "[The industry's toughest challenge is the environment.](#) Our track record has limited airlines' carbon footprint to 2% of the global total. By 2050 the UN estimates it will grow to 3%. In today's political reality that is not acceptable—for any industry. We must aim high. Air transport must become an industry that does not pollute—zero emissions. We will not achieve this overnight, but potential building blocks for a carbon-free future are here. Turning this vision into reality will require leadership from governments, a global direction from the International Civil Aviation Organization (ICAO) and a technology leap from manufacturers and fuel suppliers. At the same time, IATA will work with airlines to implement best practice Environment Management Systems that place environmental responsibility alongside safety and security as a core promise to our 2 billion passengers a year.

"Industry leadership is critical. IATA has to set tough targets to meet the tough reality of business. But our biggest challenge is to have all of our members on board. So IATA has an important role in building the industry's leadership so that even small carriers can deliver great results," said Bisignani. IATA is strengthening the International Airline Training Fund (IATF) to help its member airlines on the industry's most critical issues: environment, safety and Simplifying the Business.

"Industry and government leaders must share a common view, addressing climate change with global solutions, tearing down the outdated bilateral system, ensuring cost efficient infrastructure, harmonising security and making travel convenient again. We are a great industry capable of innovation and change. So I am confident in our future: safe, secure, efficient and environmentally responsible," said Bisignani.

Article 2

IATA urged IATA Calls for a Zero Emissions Future

IATA issued four challenges to drive the air transport industry towards its vision of zero emissions.

"The environmental track record of the industry is good: over the last four decades we have reduced noise by 75%, eliminated soot and improved fuel efficiency by 70%. And the billions being invested in new aircraft will make our fleet 25% more fuel efficient by 2020. This will limit the growth of our carbon footprint from today's 2% to 3% in 2050," said Giovanni Bisignani, IATA Director General and CEO.

"But a growing carbon footprint is no longer politically acceptable—for any industry. Climate change will limit our future unless we change our approach from technical to strategic. Air transport must aim to become an industry that does not pollute—zero emissions," said Bisignani. The four challenges are:

1. **Air Traffic Management:** Governments and air navigation service providers must eliminate the 12% inefficiency in global air traffic management. “Cut air traffic inefficiency in half by 2012 and we immediately save 35 million tonnes of CO₂. Three mega-projects could deliver real results: a Single Sky for Europe, an efficient Pearl River Delta in China and a next generation air traffic system in the US,” said Bisignani. “But governments are dragging their feet. The Single European Sky could deliver a 12 million tonne reduction in CO₂. But it has been a 15-year European circus of talks, talks, and more talks—with no results. This is inconsistent and irresponsible,” said Bisignani.

2. **Technology:** The aerospace industry must build a zero emissions aircraft in the next 50 years. “I challenge the US, Europe, Canada, China, Brazil, Russia and Japan to coordinate basic research on a zero-emissions aircraft and then compete to develop products based on this research. Clean fuel is also critical. Governments have cut alternative fuel funding while oil companies are busy counting the US\$15 billion in increased refinery margins that the airline industry is now paying. The first target is to replace 10% of fuel with low-carbon alternatives in the next ten year. And the second is to begin developing a carbon-free fuel from renewable energy sources. It’s time for governments and the oil industry to make some serious investments,” said Bisignani.

3. **A Global Approach:** Climate change is a global issue, requiring a global solution. “The challenge is for the International Civil Aviation Organization (ICAO) and its 190 member States to deliver a global [emissions trading](#) scheme that is fair, effective and available for all governments to use on a voluntary basis. The September ICAO Assembly is an opportunity that cannot be missed. The relevance of ICAO depends on its ability to deliver a global solution on this important issue,” said Bisignani.

4. **Green businesses:** “The final challenge is for airlines to implement green strategies across the business. IATA is developing IATA Project Green to help airlines implement global best practice Environmental Management Systems. This will place environment alongside safety and security as a core promise to our 2 billion passengers,” said Bisignani.

Bisignani noted, “This will not be achieved overnight. And nobody has all the answers. But the airline industry was born by realising a dream that people could fly. We can already see the potential building blocks for a carbon-free future: fuel cell technology, solar powered aircraft and fuel made from biomass. By working together with a common vision, a green industry is absolutely achievable.”

Bisignani cautioned that governments are too easily sidetracked. “Politicians think green and see cash. In the name of the environment, UK Chancellor Gordon Brown doubled the Air Passenger Duty. The environment has not benefited, but airlines and their passenger are paying a billion pounds for his green credentials. And Europe is rushing to include aviation in emissions trading at the same time as governments are looking at carbon offsets. The policies are schizophrenic. We have had enough PR. It’s time to deliver some real results,” said Bisignani.

Article 3

Passenger Demand Strong, Cargo Remains Sluggish

IATA released traffic results for the first four months of the year showing year-on-year international passenger demand growth of 6.7%, freight demand growth significantly slower at 2.6%, with average load factors for the period at 75.4%.

“While we saw slight changes in April, the story for the first four months of the year is stability. For passenger traffic, demand is better than expected, supported by a relatively strong global economy. Freight demand is showing much

more price sensitivity than previously. The cargo business is still growing, but competition with other modes of transport is severe. And sea shipping is taking a greater proportion of the benefits from the economic boom,” said Giovanni Bisignani, IATA’s Director General and CEO.

Over the first four months of the year, the Middle East remained the fastest growing region recording a 17.6% year-on-year passenger demand increase. African airlines saw demand growth of 10.1% boosted by improved economic performance and growing links with Asia and the Middle East. Asia Pacific and Europe grew relatively equally at 6.2% and 6.0%. North American carriers were slightly lower at 5.4% reflecting the weakening US economy. Latin America demand declined (-1.6%) due to industry restructuring.

For air freight, strong economic growth, route expansion and an increase in perishable goods shipments helped Middle Eastern airlines record 12.2% demand growth over the first four months of the year. Asia Pacific at 3.9% was next in line. This is low when compared to the trade expansion in the region. Europe saw a slight contraction of -0.1%, North America was flat at 0.9% demand growth and Latin America demand dropped -5.5%.

“There is lots of good news in the industry. Airlines are emerging into profitability after six years and US\$42 billion in losses. Air transport is safer than ever. Simplifying the Business is delivering real results. Liberalised agreements between the US and Europe and the US and China are opening up important markets. And new aircraft on the horizon will create new fuel-efficient opportunities for both hub and point-to-point traffic,” said Bisignani.

“But we also face some big challenges. We cannot take our foot off the gas on the drive for efficiency—internally and with our infrastructure partners. Climate change needs a global solution for aviation. And governments must keep pace with a quickly changing industry with leadership on the core issues of security and liberalisation. These are the leadership challenges that will dominate this year’s Annual General Meeting,” said Bisignani.

[View full April 2007 Traffic Results](#)

Article 4

IATA Eagle Awards for DGAC Chile and Vancouver Airport Authority

IATA recognised the outstanding achievements of the Dirección General de Aeronáutica Civil (DGAC) de Chile and Vancouver Airport Authority with Eagle Awards.

The Eagle Awards honour airports and air navigation service providers (ANSPs) for outstanding performance in customer satisfaction, cost efficiency and continuous improvement. The awards were presented at IATA’s Annual General Meeting and World Air Transport Summit taking place in Vancouver, Canada, based on the recommendations of the independent Eagle Award Panel.

“Today’s winners have one thing in common. They put the customer first, delivering value for money. Airlines and our customers pay a big bill for infrastructure—US\$43.5 billion a year, or 11% of our costs. So it is critical that airports and ANSPs are transparent and consult with their customers to achieve both cost-efficiency and high service standards. I congratulate Vancouver Airport Authority and DGAC Chile for their great achievements,” said Giovanni Bisignani, IATA’s Director General and CEO.

DGAC Chile: “DGAC communicates openly and promptly with its customers on its investments and improvements. And, in stark contrast to other ANSPs in the LATAM region and elsewhere, it has maintained competitive pricing with no increase in charges for the past five years. It is a tribute to DGAC that its airline customers strongly supported its candidature for the Eagle Award,” said Bisignani.

Vancouver Airport Authority (YVR): Despite a CAD 1 billion capital expansion programme, YVR froze its aeronautical rates at the 2007 level until 2010. Throughout the expansion programme, YVR has been rigorous in engaging its customers in reviews of priorities and cost efficiency. And in 2007 the airport significantly lowered international landing charges, saving airlines over CAD 6 million.

“We congratulate Vancouver Airport Authority on its award. Its cost control efforts, combined with a reduction in Crown Rents, have enabled the airport to reduce its charges, while improving profitability. The Canadian Government should take careful note of the YVR example and abolish Crown Rent altogether to build an even more competitive air transport sector,” said Bisignani.

Honourable Mentions: IATA gave two honourable mentions. Tocumen Airport in Panama was recognised for its open consultation with airlines, its competitive charges and its good relationships with its airline customers. And Austro Control was also given an honourable mention for strong improvements in cost efficiency since 2003. It has developed a pioneering industry partnership agreement that forms the basis of a fully integrated customer-supplier planning process over five years.

“Congratulations to all the Eagle Award winners. You continue to set the standards for performance, cost efficiency and continuous improvements for others to achieve,” said Bisignani.

Article 5

IATA Extends ET Deadline

IATA's Board of Governors and member airline CEOs passed a resolution at the association's 63rd Annual General Meeting in Vancouver to [extend the ET deadline](#) by five months to May 31, 2008. The decision was based on IATA's projections for 92% ET by the end of 2007 based on the current project status and pace. At the end of April, industry ET penetration in IATA's Billing and Settlement Plan (BSP) was at 80%.

The maximum long term ET penetration achievable for the industry is 96.5% as 3.5% of paper tickets will not be converted to ET: 0.1% for airlines not intending to ever convert to ET; 1% for agents and passengers' preference to paper versus ET and 2.4% for interline agreements which are rarely used and will not be converted to ET.

The resolution helps airlines behind schedule due to late starts, system enhancements or regulatory limitations (eg. Russia) complete their ET implementation. The one-time 5 month extension also avoids year-end system provider bottlenecks, acknowledges the many airlines representing the majority of ticket volumes and that are on track for 100% by year-end and allows airlines additional time for the conversion of interline ET agreements.

As well as extending the deadline the AGM resolution calls for IATA to continue work to assist all airlines in meeting the new deadline and support individual airlines that wish to complete the elimination of paper tickets earlier in 2008. It also urges airlines to clearly communicate their plans for future electronic interline relationships with all their existing interline partners.

Article 6

TAP Portugal Pinto is New IATA Chairman

IATA announced that TAP Portugal CEO, Fernando Pinto, has begun his one-year term as the Chairman of the Association's Board of Governors. Pinto immediately vowed that the environment, security and safety would top IATA's agenda over the next 12 months.

Pinto brings a unique perspective to the position as he successfully led airlines in two regions – Latin America (Varig) and Europe (TAP). He started his term at the close of the 63rd Annual General Meeting in Vancouver, Canada, today and succeeds Chew Choon Seng, CEO of Singapore Airlines.

"The agenda for the year ahead has some extraordinary challenges for which industry-wide leadership is critical," Pinto said. "Our 243 members face some crucial deadlines in the next year that can't be missed, in order to make the industry safer and more efficient. We need to keep the momentum moving in the right direction and work aggressively with our IATA airlines to support industry objectives in key areas from environment to safety and e-ticketing."

"Even though airlines and their markets vary based on regions, I have seen first hand on two continents the benefits of progressive liberalisation and greater efficiency. We need to remind our partners and industry stakeholders of the need to keep pace with industry change. I look forward to working closely with the IATA team—shouting politely to achieve change," said Pinto.

Giovanni Bisignani, IATA Director General and CEO said, "First, we must thank Choon Seng for a job well done. His leadership over the past year—particularly on environment issues—has helped to define a critical leadership role for IATA on this important issue. I am confident that Fernando will drive us still further to achieve even greater results. The agenda is full, but I am confident that we will continue to deliver the important results that the industry needs."

The IATA Annual General Meeting and World Air Transport Summit concluded in Vancouver today. The 650 delegates gathered for the event discussed the industry's most important issues, with executive briefing sessions on security and environment. The briefings featured industry leaders including Chew Choon Seng (CEO, Singapore Airlines), Leo Van Wijk (President and CEO, KLM), Steve Ridgway, (CEO, Virgin Atlantic), Maurice Flanagan (Vice-Chairman and Group President of Emirates), Samer Majali (CEO, Royal Jordanian), Marion Blakey (Administrator, US FAA), and Michael P. Jackson (Deputy Secretary US Department of Homeland Security). Full content of the briefings is available on www.iata.org/events/agm/2007/.

Among the last orders of business at the 2007 AGM was approval of the next World Air Transport Summit and IATA Annual General Meeting to be held in Istanbul, Turkey in June 2008.

Article 7

Mark your calendar – coming events

- [41st Revenue Accounting Meeting, September 04 - September 06, 2007 Warsaw, Poland](#)
- [IATA Executive Financial Summit 2007, September 11 - September 12, 2007 - Paris, France](#)
- [4th Annual Conference on Electronic Invoicing, September 13, 2007 - Paris, France](#)
- [IATA Cargo in Emerging Market Series – Eastern Europe 2007, September 18 - September 19, 2007 - Warsaw, Poland](#)