

CEO BRIEF December 2008

2009 will be another challenging year. We are forecasting industry losses of US\$ 2.5 billion. With crude oil now in the US\$ 40 per barrel range, the biggest question facing the industry is how to survive a recession.

Efficiency is the first part of the answer. IATA's cost and fuel campaigns are delivering results - with over US\$ 5 billion in savings in 2008. IATA will take the Simplifying the Business programme to the next level with greater convenience for passengers and expanded cost savings for airlines. The next target is 100% bar coded boarding passes (BCBP) by 2010. And we are determined to achieve billions of dollars more in cost savings by expanding self-service options with Fast Travel, improving baggage handling and broadening e-freight.

The financial crisis highlights the need to provide airlines with access to markets and to global capital. The Agenda for Freedom Summit in October was an important step forward. IATA is facilitating a multilateral statement of policy principles and tools to communicate best practices in liberalisation in preparation for a follow-up meeting in 2009.

Air transport is a resilient and exciting industry. IATA is at your side, fighting the fires of the current crisis and leading change for an even more solid future.

With best wishes for 2009.




Giovanni Bisignani
Director General & CEO

HIGHLIGHTS - IATA BOARD OF GOVERNORS

The 188th IATA Board of the Governors meeting took place in Geneva on 5 December, chaired by Samer Majali of Royal Jordanian. The members noted and agreed the following:

IATA's response to the crisis

IATA developed a three-pronged strategy, based on the Istanbul Declaration approved by the AGM in June.

1. Protect IATA financial systems

- IATA and the Financial Committee conducted a risk management study and developed a contingency action plan.
- Measures were taken to strengthen operating procedures, including: an increase in security deposits; possibility to offset an airline's unpaid amounts in one financial service against another.
- Despite banking turmoil, IATA delivered all remittances on time and in full. Bad debt ratio continues to be extremely low at 0.032%. Remittance cycle in China has been shortened to 3 days.
- The Board expressed appreciation for IATA's actions to protect industry revenues and urged IATA to continue monitoring the situation closely

IATA financial systems in 2008 – processed a total of US\$ 360 billion

| | | |
|--|-------------------------------|------------------|
| IATA Clearing House | 450 members | US\$ 50 billion |
| IATA Settlement Systems = 85 BSPs – 54 CASSs | 430 airlines 90,820 agents | US\$ 278 billion |
| IATA Currency Clearance Service | 240 airlines | US\$ 32 billion |

2. Reduce fuel burn and operational costs

- Infrastructure and procedural initiatives, including 214 air routes, airports and RVSM in Africa, produced US\$ 843 million in cost savings (nearly 3.9 m tonnes CO₂ reduction).
- The Green Teams provided implemented savings to 65 airlines of US\$ 2.1 billion (7.4 m tonnes CO₂), an average of 2.2% of fuel budgets.

3. Cost Crisis Campaign – 2008

Cost savings

| US\$ m | Airports | ATC | Fuel | Taxation | Jan-Nov 08 |
|-------------------------------|----------|-----|-------|----------|------------|
| Total Savings | 411 | 272 | 1,274 | 833 | 2,840 |
| Of which real cost reductions | 194 | 89 | 1,234 | 82 | 1,599 |

IATA's action secured total savings of nearly US\$ 3 billion, with the successful conclusion to some key campaigns:

- **Brazil:** elimination of the PIS/Cofins tax on fuel for international flights - savings of US\$ 411 million.
- **India:** the Government cut the custom duty on jet fuel - savings of US\$ 382 million.
- **Colombia:** VAT exemption on international fuel - savings of US\$ 213 million.

