

Article 1

Alarming Drop for September International Traffic

IATA announced global international traffic results for September. Passenger traffic declined 2.9% while cargo traffic dropped 7.7% compared to the same month in 2007. International load factors tumbled by 4.4 percentage points from August to 74.8% in September.

"The deterioration in traffic is alarmingly fast-paced and widespread. We have not seen such a decline in passenger traffic since SARS in 2003," said Giovanni Bisignani, IATA's Director General and CEO. "Even the good news that the oil price has fallen to half its July peak is not enough to offset the impact of the drop in demand. At this rate, losses may be even deeper than our forecast US\$5.2 billion for this year," said Bisignani.

Passenger

- This is the first time since the SARS crisis in 2003 that global passenger traffic has shrunk. Capacity cuts were not able to keep pace with the fall in demand. September load factors in all regions fell compared to August.
- For September, all major regions reported that passenger traffic shrank, with the exception of Latin American carriers which saw an increase of 1.7%. Even this is shockingly down from the 11.9% growth of the previous month.
- Up to August, the drop in international passenger traffic was isolated to Asia Pacific carriers. The economies of the region's two major growth markets - China and India - slowed and Japan saw industrial production drop 5% in August. The sharp downturn in world trade disproportionately impacted Asia-Pacific carriers with a 6.8% drop in traffic in September.
- The steady 5% international growth of North American carriers turned into a 0.9% contraction.
- European carriers saw traffic drop from last year (-0.5%) as the region's economies head for recession.
- After years of double-digit growth, passenger traffic by Middle Eastern carriers turned to a negative 2.8%. While the region's oil-based economy remains strong, the large portion of transit traffic exposes the region's carriers to the global economic weakness.
- African carriers posted the largest decline in traffic (-7.8%), a continuation of the previous month's trend.

Cargo

- This is the worst decline since the technology bubble burst in 2001.
- Declines in air freight have slowed year-to-date growth to 0.1%, with all regions except the Middle East and Africa reporting negative results.
- The most alarming drop was with Asia Pacific carriers - the largest players in the market. The region's carriers reported a 10.6% decline.
- Europe and North American carriers, which had seen flat growth through August saw cargo traffic fall 6.8% and 6.0% respectively.

“The industry crisis is deepening - along with the crisis in the global economy. Airlines, like all other businesses, are facing enormous challenges. But unlike other companies, they are denied some basic commercial freedoms - access to markets and to global capital - that could help them manage their business in this difficult time,” said Giovanni Bisignani.

The web of 3,500 bilateral air service agreements that govern international air transport denies market access until specifically agreed. And the ownership clauses that are contained in these agreements preclude mergers across borders.

“Look at what the banking industry is doing. They are taking government handouts. They are accessing global capital. And we have seen mergers without anybody asking to see the investors’ passports. Airlines are not asking for handouts. But today’s crisis highlights the need for airlines to be able to run their businesses like normal global businesses,” said Bisignani from Istanbul on the eve of the Agenda for Freedom Summit.

IATA took the extra-ordinary step of facilitating a discussion among 15 progressive governments on the future regulatory structure of international air transport. IATA circulated a paper among these governments examining solutions within the bilateral system that could be quickly implemented to expand opportunities for access to markets and to global capital.

[View full September traffic results](#)

Article 2

Successful Agenda for Freedom Summit Concludes

IATA successfully concluded the Agenda for Freedom Summit. A total of 14 nations plus the European Commission attended the weekend meeting in Istanbul which focused on ways to further liberalise market access and ownership and control rules governing international civil aviation.

“This has been an extra-ordinary year for airlines. From oil prices that peaked at US\$147 in July, to today’s global financial crisis, the need for airlines to have the commercial tools that other industries take for granted has never been more critical,” said Giovanni Bisignani, IATA’s Director General and CEO.

The goal of the Agenda for Freedom Summit was to find ways to expand the commercial freedoms of airlines, namely access to markets and to global capital. The meeting did not set out to sign any agreements or declarations.

“The conference was a success. The states had a very frank and open discussion on ownership and market access. We had gathered 15 of the most liberal players in aviation policy and three key outcomes emerged. The participants asked IATA to continue to facilitate this discussion with a second meeting in early 2009 to turn the discussion into action. They also asked IATA to facilitate the development of a multi-lateral statement of policy that would be a powerful tool expressing the common thinking and approach of the group of states. Finally, the group agreed to spread best practices in liberalisation by making more openly available to all states the most liberal agreements that are being negotiated,” said Bisignani.

Bisignani emphasised the need for states to act with urgency. “Look at what happened to the banking system. In a week it became a state enterprise in many countries. We have already seen the re-nationalisation of Aerolineas Argentinas. This is not the solution that we want. We are not asking for bailouts or more government involvement in

our business. Governments have a critical role in regulating safety, security, monopolies and environmental standards. What we were asking for this weekend was simply the ability to act like any other global business,” said Bisignani.

“The industry is in crisis and the message for change is critical. I believe that our message resonated with governments. We have started a process that I am confident will help to build a more stable financial future the air transport industry,” said Bisignani.

The Agenda for Freedom Summit was a follow-up to the Istanbul Declaration, signed by IATA’s 230 member airlines, which, among other things, called for expanded commercial freedoms. The meeting was chaired by Mr. Jeffrey Shane, former Under-Secretary of Transport for the United States of America and is currently Partner, Hogan & Hartson.

[Giovanni Bisignani's opening remarks](#)

[Chairman's Summary of proposals \(pdf\)](#)

[IATA's summary of the Agenda for Freedom Summit](#)

Article 3

IATA Blasts European Union ETS Decision

IATA blasted the decision of the European Council of Justice and Home Affairs Ministers for rubber stamping - and sealing into law - Europe’s decision to bring air transport into the European Emissions Trading Scheme (ETS) from 2012.

“Crisis is not the time for rubber stamps. But that is exactly what the Council of Justice and Home Affairs Ministers used today - without a word of debate - to seal into law the EUR 3.5 billion cost of bringing airlines into the European ETS. It’s Brussels acting in a bubble - even in the middle of a global economic crisis,” said Giovanni Bisignani, IATA’s Director General and CEO.

“IATA does not oppose emissions trading. Positive economic measures are part of the industry’s four pillar strategy to address climate change. Along with economic measures, we need to improve efficiency with technology, operations and infrastructure. While Brussels has been fast to introduce its regional ETS scheme, it has been slow to improve efficiency. We need the same urgency to deliver an effective Single European Sky that would save billions of Euros in cost and 16 million tonnes of CO2 annually. That we have been waiting decades for this is Europe’s biggest environmental embarrassment,” said Bisignani.

Bisignani highlighted the need for a global approach that is fair and effective. “In the most recent G8 declaration, Prime Minister Berlusconi, Prime Minister Brown, Chancellor Merkel and President Sarkozy supported ICAO’s leadership to deliver a global solution for aviation and the environment. Now we need to see some supporting action. The best way to a global solution is through ICAO’s Group on International Aviation and Climate Change (GIACC). Brussels must support the success of this process,” said Bisignani.

IATA also noted the inclusion of aviation in Europe’s general review of its ETS programmes. “Reviewing the effectiveness of emissions trading where programmes have been operational has value. But what enlightened decisions can we expect from a review that will conclude even before today’s decision takes effect in 2012?” questioned Bisignani. “Far better that we address this on the basis of experience than speculation.”

Article 4

AERA is a Step in the Right Direction -Urgent Action on Taxation Needed-

The International Air Transport Association (IATA) welcomed the passing of the Airport Economic Regulatory Authority (AERA) bill by both houses of the Indian Parliament.

“AERA has an important role to play. Now that the parliament has approved, there is no time to waste in quickly setting-up and staffing the agency,” said Giovanni Bisignani, IATA’s Director General and CEO.

AERA’s role is to ensure that India’s aviation infrastructure meets cost-efficiency and service-level targets with charging policies in line with ICAO principles. “Timing is critical. First, the industry crisis makes cost-efficiency throughout the value chain more important than ever. And second, the increased role of private-public partnerships for infrastructure developments requires both solid ground rules and the ability to enforce them,” said Bisignani.

“ICAO principles call for transparency, non-discrimination and user-consultation. Even though India has a seat on the ICAO Council, today many of these principles are being ignored back in Delhi. There is a big gap to cover with little or no transparency in charges and differential pricing practices. Our best estimate is that the air navigation service provider over-collects by 20%. And the 33% price differential for international landings has no cost justification,” said Bisignani.

Bisignani also reiterated the need for reasonable taxation in India.

“The global crisis in aviation is deepening. India is one of the epicenters with potential losses of US\$1.5 billion this year. AERA is a step in the right direction, but it is only part of the solution. To help reverse the state of the Indian air transport sector, we need a comprehensive policy approach in addition to establishing AERA. The most urgent is to address taxation, which is crippling the industry,” said Bisignani.

“The service tax on premium class tickets, air navigation charges, and landing & parking charges is contrary to ICAO’s resolution calling for a reduction of taxes. Taxing overflight charges also breaches India’s international obligations,” said Bisignani.

“We welcome and commend the Ministry of Finance for scrapping the 5% import duty on fuel, and hope the Ministry will quickly address all the other taxation issues, including the 8% excise duty. State governments must also understand that the situation is desperate, and deliver a fair solution on the excessive sales tax, which is as high as 30%. If not, they will need to share responsibility for the broader economic consequences of a failing industry,” said Bisignani.

Article 5

Arab Carriers Urged to Focus on Efficiency and Commercial Freedoms

IATA urged Middle East and North Africa (MENA) airlines to focus on an agenda of efficiency and expanding commercial freedoms.

“The oil price is falling, but what we save in fuel, we lose in revenue. This industry will lose US\$5.2 billion this year. Even the Middle East is not immune. The region’s carriers posted 18.1% traffic growth in 2007. This year, August growth plummeted to 4.3%,” said IATA Director General and CEO, Giovanni Bisignani, in a speech at the Annual General Meeting of the Arab Air Carriers Association (AACO) in Tunis.

“Profits of Middle East carriers will fall from US\$300 million in 2007 to US\$200 million this year. Only a handful of carriers will be profitable, while the majority bleed red ink. The region’s fleet is set to double to 1,300 aircraft over the next decade as we enter a period of global economic uncertainty. The challenge of matching capacity to demand will be difficult,” said Bisignani.

Bisignani urged the region to adopt an agenda focused on efficiency -Simplifying the Business, fuel and infrastructure - and expanding commercial freedoms.

Infrastructure: MENA is beginning to experiment with airport privatisation. Jordan, Saudi Arabia and Egypt have given concessions to run their airports to management consortiums. Bisignani issued a stern warning to avoid the monopoly abuse that occurred in other regions when similar moves were made. “Just look at what happened in Quito. The concessionaire ignored ICAO principles and raised rates by 128% to pre-finance airport construction. You don’t want this type of monopoly abuse here. As you privatise, strong independent regulators to enforce ICAO principles and deliver cost-efficiency are a must,” said Bisignani.

Simplifying the Business: “MENA carriers met the e-ticketing deadline with a jump from 16% e-ticketing to 100% in just 18 months. This great effort shows what the region can achieve,” said Bisignani. Bisignani warned that the region must speed up in order to enjoy the cost-efficiencies of e-freight. Only 10 out of 22 states in MENA have ratified the international conventions needed to recognise electronic invoicing - the starting point for e-freight. Bisignani called on MENA to be a leader in IATA’s Fast Travel and Baggage Improvement programmes. “The region is investing US\$46 billion in infrastructure. This is a golden opportunity to build in leading edge processes and technology,” said Bisignani.

Fuel: “Fuel efficiency reduces costs and improves environmental performance,” said Bisignani. Already this year, IATA’s fuel campaign had identified and saved US\$4.6 billion, equal to 13.5 million tonnes of CO₂. IATA’s Four-Pillar Climate Change Strategy is focused on CO₂ reductions with (1) investment in technology, (2) effective operations, (3) efficient infrastructure and (4) positive economic measures. Bisignani urged MENA governments to challenge Europe’s illegal and unilateral plan to incorporate aviation into its regional emissions trading scheme (ETS). “Europe’s governments have discovered a pot of green gold with aviation taxes. MENA must be tough in defending the vision of Kyoto which is a global solution for aviation brokered through ICAO. That means driving ICAO’s success through Saudi Arabia’s participation in the ICAO Group on International Aviation and Climate Change, challenging Europe’s unilateral action and delivering efficiencies in line with the four-pillar strategy,” said Bisignani.

Commercial Freedom: Bisignani urged MENA governments to support IATA’s efforts to facilitate greater commercial freedoms for air transport. “Airlines need to operate like any other business - with a level playing field, and the freedom to access markets and global capital,” said Bisignani. IATA is facilitating this discussion among

progressive governments at the Agenda for Freedom Summit this weekend in Istanbul. "In MENA, we have seen pockets of progress, including open skies agreements and domestic liberalisation. Now the region's governments must think bigger and act faster," said Bisignani.

"The industry crisis highlights the need for change. MENA has some great advantages - strong oil economies, top-notch infrastructure and fuel-efficient fleets. The crisis is a turning point. We must deliver significant change with efficiency and commercial freedoms. If we can do that, I am confident that we can weather this perfect storm and emerge as a stronger and more profitable industry," said Bisignani.

[Access Bisignani's full speech](#)

Article 6

Collective Madness: Travellers to Help Bail Out Bankers with New Departure Taxes

IATA criticised budget plans in Belgium and Ireland that mimic British and Dutch departure taxes as "collective madness".

"Collective madness is the only way to describe the EUR 150 million Irish and EUR 132 million Belgian departure tax proposals. Filling budget gaps or financing government investment in the banking industry with gratuitous travel taxes is policy myopia at its worst," said Giovanni Bisignani, IATA's Director General and CEO.

On Tuesday, the Belgian and Irish governments announced plans to implement departure taxes in their new budgets. Combined with the proposed UK Aviation Duty and the recently implemented Dutch departure tax, by 2010 air travellers could face a tax burden of up to EUR 3.8 billion annually in these four countries alone.

"The timing could not be worse for governments to make mobility more expensive. Look at what has happened in fuel, the biggest cost item for airlines. Even with the recent drop, today's price is still over 300% more expensive than it was only a few years ago," said Bisignani.

"Rather than collective action to squeeze taxpayers, Europe's governments should be looking to improve European competitiveness. An effective Single European Sky would save 16 million tonnes of CO2 annually and improve the competitiveness of Europe's skies by over EUR 5 billion," said Bisignani.

Article 7

US Airport Slot Auctions Illegal And Unjustified

IATA condemned the final rule issued by the Bush Administration on October 9, which allows the government to confiscate and auction airport take-off and landing slots at New York's airports as an ineffective and illegal way to alleviate flight delays.

"Today's decision is incredibly disappointing. Rather than addressing the root-causes of congestion at New York's airports, the Bush Administration is spending its last days in office single-mindedly pursuing an alleged free-market

experiment at some of the globe's most important aviation gateways," said Giovanni Bisignani, IATA's Director General and CEO.

"The Department of Transportation (DOT) is out of touch with reality. Substantially raising airline costs with an illegal scheme in the middle of a perfect storm of high oil prices and falling demand makes no sense. Consumers, airlines, airports and local communities all stand to lose from today's decision," said Bisignani.

Slot confiscation is almost universally opposed. "DOT has made it abundantly clear that it will ignore the nearly universal opposition to this slot confiscation plan by the international airline and airport community as well as the U.S. Congress. The U.S. Government Accountability Office has already concluded it is an illegal scheme. The industry is now forced to use the U.S. judicial system to get the Government to accept its own advice," said Bisignani.

Proven methods to manage congestion exist. "DOT ignored 60 years of internationally accepted and proven slot management procedures contained in the IATA Worldwide Scheduling Guidelines (WSG). Over 140 airports around the world use these guidelines to effectively manage congestion while maintaining a level playing field for airlines to compete," said Bisignani.

Article 8

Environment Still a Top Priority Even in Times of Crisis

IATA reiterated its commitment to its environmental programme at the inauguration of an aviation and environment display at Amsterdam's Schiphol Airport on October 13.

"Environment remains a top priority, even in the middle of the current crisis hitting the air transport industry" said Giovanni Bisignani, IATA's Director General and CEO. "Interests are aligned. Saving fuel improves environmental performance. And, in this crisis, every drop of fuel saved helps the bottom line," said Bisignani.

IATA is leading the air transport industry's efforts to address climate change and improve aviation's environmental performance with a four pillar strategy: invest in new technology, fly planes effectively, build and use efficient infrastructure and implement positive economic measures.

"Our vision is to achieve carbon-neutral growth on the way to a carbon-free future. More importantly we are delivering results towards this vision. Shortening routes, sharing best practices in fuel management and improving air navigation contributed to enormous CO₂ savings. Between 2004 and 2007 IATA saved 44.5 million tonnes of CO₂ emissions, equal to US\$7.7 billion in fuel costs. Already this year we identified and saved a further 13.5 million tonnes of CO₂ equal to US\$4.6 billion."

The exhibition looks at innovations that airlines are implementing to improve fuel efficiency. It also looks to future innovations, including biofuels and revolutionary concepts for airframe and engine design.

Bisignani noted that while the industry is delivering significant improvements to address its 2% contribution to global CO₂ emissions, governments could do much more to facilitate even better results. "Governments think green and see cash. So we get tax after tax, conceived in the name of the environment, which rob the industry of the cash to invest in technology. And there is no guarantee that any of the funds collected will be invested in environment-related projects. Examples include the Dutch departure tax or Europe's plan to bring aviation into its regional emissions trading scheme that will distort markets and create an international legal mess," said Bisignani.

“Positive economic measures are one pillar of our strategy - provided they are globally coordinated, fair and voluntary. The focus must be a global solution coordinated through the International Civil Aviation Organization (ICAO). That’s what the drafter of Kyoto envisaged. Now governments - including those in Europe - must make the ICAO process deliver successful results,” said Bisignani.

“This stand is a reminder of the potential for technical and operational achievements. The ‘to do’ list for governments is long. For Europe, at the top of the list is a Single European Sky. It could deliver 16 million tonnes of CO2 savings annually and shave over EUR 5 billion off the fuel bill. The technical solutions exist. But we’ve been waiting decades for governments to sort out the politics. It’s time for results,” said Bisignani.

Article 9

Mark your calendar – coming events

- [IATA 123rd Schedules Conference, November 13-16, 2008 - Athens, Greece](#)
- [Aviation Fuel Forum, November 18-20, 2008 - Shanghai, Peoples Republic of China](#)
- [IATA Airline Marketing Session, December 2-4, 2008 - Las Vegas](#)
- [IATA Alliance and Network Session, December 2-4, 2008 - Las Vegas](#)
- [IATA Commercial Strategy Symposium, December 2-4, 2008 - Las Vegas](#)
- [IATA Revenue Management and Pricing Session, December 2-4, 2008 - Las Vegas](#)
- [IATA Airlines Commercial Executives Summit, December 2-4, 2008 - Las Vegas](#)