

Article 1

Loss Forecast Increases to US\$9 Billion

IATA revised its [airline financial forecast](#) for 2009 to a global loss of US\$9 billion. This is nearly double the association's March estimate of a US\$4.7 billion loss, reflecting a rapidly deteriorating revenue environment. IATA also revised its loss estimate for 2008 to US\$10.4 billion from the previous estimate of US\$8.5 billion.

"There is no modern precedent for today's economic meltdown. The ground has shifted. Our industry has been shaken. This is the most difficult situation that the industry has faced. After September 11, revenues fell by 7%. It took three years to recover lost ground, even on the back of a strong economy. This time we face a 15% drop—a loss of revenues of US\$80 billion—in the middle of a global recession. Our future depends on a drastic reshaping by partners, governments and industry. We cannot bear the cost of government micro-regulation, crazy taxation and partners abusing their monopoly power," said Giovanni Bisignani, IATA's Director General and CEO in his State of the Industry address to 500 of the industry's top leaders gathered in Kuala Lumpur for the 65th IATA Annual General Meeting and World Air Transport Summit.

Recession is the most significant factor impacting the industry's bottom line. IATA's revised forecast sees revenues declining an unprecedented 15% (US\$80 billion) from US\$528 billion in 2008 to US\$448 billion in 2009.

Air cargo demand is expected to decline by 17%. In 2009, airlines are forecast to carry 33.3 million tonnes of freight, compared to 40.1 million tonnes in 2008. Passenger demand is expected to contract by 8% to 2.06 billion travelers compared to 2.24 billion in 2008. The revenue impact of falling demand will be further exaggerated by large falls in yields—11% for cargo and 7% for passenger.

Bisignani noted risks and challenges.

Fuel bill: The industry fuel bill is forecast to decline by US\$59 billion to US\$106 billion in 2009. Fuel will account for 23% of operating costs with an average price of oil at US\$56 per barrel (Brent). By comparison, the 2008 fuel bill was US\$165 billion (31% of costs) at an average price of US\$99 per barrel. "The risk that we have seen in recent weeks is that even the slightest glimmer of economic hope sends oil prices higher. Greedy speculation must not hold the global economy hostage. Failure to act by governments would be irresponsible," said Bisignani.

Efficiency gains: Over the last decade, labor productivity improved by 71%. Fuel efficiency increased by 20% and load factors rose by 7 percentage points. The dramatic downturn in demand could push non-fuel unit costs higher, which cannot be cut in proportion.

Stronger Cash Reserves: Cash reserves of US\$70 billion (13%) of revenues are much stronger than the 9% reserve that airlines had in 2000. Some of this is being funded by the US\$170 billion industry debt or by asset sales. "We are in a better cash position than when we faced the challenges of September 11. But our pockets are not that deep. A long L-shaped recovery could drain the industry of cash," said Bisignani.

Careful Capacity Management: Global load factors for the first quarter of 2009 are down about 3 percentage points compared to the previous year. This is less than the falls experienced in some recent crises as a result of airlines better matching capacity to falling demand. Nonetheless, the 4,000 aircraft expected to enter the commercial aviation fleet in the next three years will make this an ongoing challenge.

Strong Partnerships: Consolidation within political borders (including Air France-KLM, Lufthansa-Swiss, Delta-Northwest, Cathay Pacific-Dragonair) has created stronger players. But archaic limitations on ownership continue to prevent broader consolidation and partnerships across borders.

Carriers in all regions are expected to report losses in 2009.

- North American carriers are expected to show a loss of US\$1.0 billion. This is significantly better than the US\$5.1 billion loss in 2008. Limited hedging by US carriers exposed the US industry to rising fuel prices in 2008. This turned into an advantage in 2009 by giving US carriers access to lower spot prices. Early capacity cuts are also helping.
- European carriers are expected to post losses of US\$1.8 billion with collapsing demand for premium services in all major markets served by the region's carriers (intra-Europe, North Atlantic and Europe to Asia).
- Asia-Pacific carriers will post the largest losses at US\$3.3 billion. Japan, the region's largest market, is in deep recession. The growth markets of China and India are delivering major losses as export-driven demand slows. This is a slightly better performance than the US\$3.9 billion that the region's carriers lost in 2008.
- Middle East carriers, despite strong traffic growth, will see losses deepen to US\$1.5 billion. The region's intercontinental hubs are vulnerable to recessionary impacts in both European and Asian source markets.
- Latin American carriers are expected to post a loss of US\$900 million, as the impact of the recession in the US and China weakens demand for the region's commodities.
- African carriers are expected to see losses of US\$500 million. This is the result of a loss of market share combined with the impact of the recession.

The industry crisis is making liberalization even more critical. "We cannot manage in these unprecedented times with one hand tied behind our back. Airlines need the same commercial freedoms that every other industry takes for granted—access to global markets and capital," said Bisignani.

In a similar vein, Bisignani urged governments to avoid protectionist policies as they stimulate economies. "The forces of de-globalization are gathering strength. World trade is already suffering with a 15% downturn. Protectionism is the enemy of global prosperity. In the 1930s, it prolonged the recession. And it will not work today. To build a strong global economy, we must fight hard to keep the world trading," said Bisignani.

Article 2

Carbon-Neutral Growth By 2020

Bold Industry Commitment on Environment

IATA announced that the airline industry is committed to achieving carbon-neutral growth by 2020.

“Two years ago we set a vision to achieve carbon-neutral growth on the way to a carbon-free future. Today we have taken a major step forward by committing to a global cap on our emissions in 2020. After this date, aviation’s emissions will not grow even as demand increases. Airlines are the first global industry to make such a bold commitment,” said Giovanni Bisignani, IATA’s Director General and CEO in his State of the Industry address to 500 of the industry’s top leaders gathered in Kuala Lumpur for the 65th IATA Annual General Meeting and World Air Transport Summit.

The commitment to carbon-neutral growth completes a set of three sequential goals for air transport: (1) a 1.5% average annual improvement in fuel efficiency from 2009 to 2020; (2) carbon-neutral growth from 2020 and (3) a 50% absolute reduction in carbon emissions by 2050.

To achieve these goals, all players in the air transport industry are united in their [proactive approach to environment](#). A cross industry four-pillar strategy on climate change that is focused on improved technology, effective operations, efficient infrastructure and positive economic measures is delivering results. In 2009 the carbon footprint of air transport is expected to shrink by 7%. Of this, 5% is due to the recession and 2% is directly related to efficiency gains from IATA’s four-pillar strategy. “No other industry is as united. And no other industry can point to such good results and progress,” said Bisignani.

Bisignani noted that the airlines’ commitment needed to be matched by governments. “We are ambitious, but our success will be contingent on governments acting effectively. ICAO must set binding carbon emissions standards on manufacturers for new aircraft. A legal and fiscal framework to support the availability of sustainable biofuels must be established. And governments must work with air navigation service providers to push forward major infrastructure projects such as a Single European Sky, NextGen in the US or fixing the Pearl River Delta in China,” said Bisignani.

The commitment to carbon-neutral growth by 2020 recognizes that technology, operations and infrastructure improvements alone will not be sufficient to stop growth in air transport’s carbon footprint. “Positive economic measures are needed to bridge the gap until the full benefits of future technologies—including sustainable biofuels—are realized,” said Bisignani.

The timing of the industry commitment to carbon-neutral growth is significant, as governments prepare for the UN climate change meeting in Copenhagen (December 2009) and the post-Kyoto discussions. IATA reiterated its call for a global sectoral approach for aviation in the successor to the Kyoto Protocol. Under such an approach, aviation’s emissions would be capped and accounted for globally, not by state. IATA would work with the International Civil Aviation Organization (ICAO) to ensure compliance. “Airlines should get carbon credits for every cent we pay, whether in taxes, charges or ETS payments. And we should pay only once, not several times” said Bisignani.

“We can be proud of going farther and faster than any other industry. Air transport is a model for environment responsibility for other industries to follow. The challenge will be for governments to catch up,” said Bisignani.

Article 3

Reshaping to Build a Stronger Industry

IATA called for a major resizing and reshaping of the entire air transport value chain as airlines battle the ongoing global economic crisis. Airlines are expected to post losses of US\$9 billion this year with an unprecedented 15% revenue drop that will see industry revenues shrink by US\$80 billion to US\$448 billion.

"I am a realist and I don't see facts to support optimism. The industry is in survival mode. Whether this crisis is long or short, the world is changing. Travel budgets have been slashed and consumers will need to reduce their debt. It will not be business as usual in the post-crisis world. Governments, partners and airlines must use this crisis as an opportunity to build a stronger industry. That means resizing and reshaping," said Giovanni Bisignani, IATA's Director General and CEO in his State of the Industry address to 500 of the industry's top leaders gathered in Kuala Lumpur for the 65th IATA Annual General Meeting and World Air Transport Summit.

IATA's Simplifying the Business program has given the industry a head start on cost cutting. In 2008, US\$4 billion in cost savings were achieved with 100% e-ticketing and the deployment of Common Use Self-Service (CUSS) kiosks. "This was only the beginning. We have our eyes set on another US\$10 billion in savings by improving baggage management, travel processes and with e-freight," said Bisignani.

Bisignani noted that the burden of change must be shared across the industry value chain. "Resizing and reshaping is not just a problem for airlines. Everyone in the value chain lives off our revenues. All must contribute to industry change," said Bisignani.

Labor: "We cannot reshape without flexibility. This is not the time for salary increases. To protect jobs, we must modernize work practices and we must all do more with less," said Bisignani.

Travel Agents: "The clock cannot be turned back. To survive in the global online market, travel agents need to reshape services and business models to provide greater value that travelers are willing to pay for," said Bisignani.

Monopoly Suppliers: "Every supplier—monopolies included—must reshape products and services to reduce their costs and ours. When demand drops, they cannot simply divide the same costs among fewer customers," said Bisignani. An IATA Wall of Shame gave special mention to the most serious cases of infrastructure providers not keeping pace with the industry's need for improved efficiency: BAA and the UK Civil Aviation Authority for agreeing an 86% increase in London Heathrow charges for 2008-2013; Airports of Delhi and Mumbai for their 207% increase in charges; Quiport in Ecuador for increasing charges by 79% since 2005 to pre-finance a new airport that may never be built; Air Traffic and Navigation Services (ATNS) South Africa for proposing a 44% increase in charges in 2010/2011 and the EUROCONTROL States of Denmark, the Netherlands and Poland for proposing charges increases between 27% and 32%.

GDSs: "We cannot accept that Western GDSs charge around US\$4 per transaction when China TravelSky does the same job for US\$0.50. This must change," said Bisignani.

Bisignani also urged a resizing and reshaping of the relationship between airlines and governments. "Our relationship with governments must move from punitive micro-regulation to joint problem solving," said Bisignani who cited four areas for enhanced cooperation.

Making Aviation Greener: Aviation's emissions will fall by 7% in 2009—5% from the fall in demand and 2% as a direct result of the industry's united four-pillar strategy to address climate change. "Airlines have taken a monumental decision. Today we have committed to achieving carbon-neutral growth by 2020," said Bisignani. Airlines have set three important sequential goals: (1) 1.5% annual improvement in fuel efficiency until 2020; (2) carbon-neutral growth in 2020 and (3) a 50% reduction in emissions by 2050. "We cannot achieve these ambitious targets alone. Governments must move from punitive taxation to actions that support reductions in CO2. That means establishing a global sectoral approach for aviation emissions under Kyoto 2 and supporting improvements in technology, operations and infrastructure, particularly the development of aviation biofuels and the implementation of important infrastructure projects such as a Single European Sky and NextGen in the US," said Bisignani.

Protecting citizens with better security: “We must spend the US\$5.9 billion that airlines and their passengers pay for security more wisely by focusing on the threats, rather than the 99.9% of travelers who are not a risk,” said Bisignani. He challenged governments to coordinate security measures and standards across borders to avoid the double checking of the nearly one million passengers a day who make connections. “Europe is progressively doing this with One-Stop Security. It’s time to push this much further,” said Bisignani.

Improving efficiency by reducing delays: Airlines are investing billions in new avionics to fly more efficiently, reduce delays and improve environmental performance. Bisignani noted significant progress on a Single European Sky and urged President Obama to make NextGen a reality in the United States. “The trillions of dollars being spent in stimulus programs are a great opportunity to improve infrastructure. The combined benefits of NextGen and a Single European Sky in 2030 would be 41 million tonnes of CO2 reduction and US\$21 billion in fuel savings. To achieve these, we need the investments now,” said Bisignani.

Saving jobs and stimulating the economy: “We don’t want bailouts. All that we ask for is access to global capital. If we cannot pay the bills, saving the flag on the tail will not save jobs,” said Bisignani in asking governments to progressively liberalize access to markets and capital. “This would be a cheap stimulus. Liberalizing key routes would create US\$490 billion in economic activity and 24 million jobs. The next logical step would be for the US and Europe to expand Open Skies to Open Aviation,” said Bisignani. IATA continues to push for similar progress globally with its Agenda for Freedom—a group of 15 key government players in aviation policy. “Later this year, IATA’s Agenda for Freedom will deliver an important policy tool with governments signing a Multilateral Statement of Policy Principles,” said Bisignani.

“Air transport is a responsible industry—in good times and in crisis. Today’s situation is unprecedented—the most difficult ever. Governments and partners must understand that we are struggling to survive in a new and harsh reality. We are, however, resilient and capable of great change. Together we must turn challenges into opportunities to be safer, greener and profitable,” said Bisignani.

[Access Bisignani's full speech](#)

Article 4

Cathay Pacific’s Tyler is New IATA Chairman

FedEx’s Bronczek to Follow in 2010

IATA announced that Cathay Pacific Airways CEO Tony Tyler started his one-year term as the Chairman of the IATA Board of Governors. Tyler succeeds Samer Majali, CEO of Royal Jordanian Airlines, who served as Chairman from June 2008.

Tyler is a 32-year veteran of the air transport industry who has served as Cathay Pacific CEO since 2007. He worked for Cathay Pacific and the Swire Group in many cities across the globe and has been on the airline’s leadership board since 1996. During that time he helped navigate the airline through several challenges including the Asian financial crisis, the SARS outbreak, and the post September 11-recovery. Tyler takes on the IATA Chairman duties at a difficult time as the airline industry works to weather a global economic recession, which has affected passenger and cargo demand.

“The global economic meltdown is hitting the aviation industry hard. A toxic combination of low fares, a large drop in premium travel, and weak cargo loads is hitting the bottom line hard. IATA has some critical roles to play. It must protect the US\$350 billion in industry cash flowing through its financial systems. It must also find even more efficiency gains—not just by airlines but throughout the industry value chain,” Tyler said.

Tyler noted that 2009 will be a critical year in the environmental debate. "As we move towards the climate change treaty negotiations in Copenhagen in December, our industry's united four-pillar strategy on climate change makes us part of the solution. The industry is committed to achieving carbon-neutral growth by 2020, but to achieve this, we need to focus on bringing governments on board. That means turning their support for improved technology, effective operations and efficient infrastructure into action, as well as reaching agreement on a global sectoral approach to economic measures in a post-Kyoto climate framework," Tyler said.

Giovanni Bisignani, IATA's Director General and CEO said, "First, we must thank Samer Majali for a job well done. His leadership over the past year helped us navigate the industry through many challenges from record high fuel prices to today's economic crisis. Under Samer's leadership we had some major achievements. The deadline for IOSA registration was met by 225 IATA airlines and we built an even stronger consensus and commitment on the environment. I look forward to working closely with Tony in the coming year to meet our growing challenges with continued strong industry leadership."

IATA also announced that the Board of Governors agreed to appoint David Bronczek, President and Chief Executive of FedEx Express, to serve as Chairman following Tyler. Bronczek will bring a unique perspective from the air cargo industry when his term commences in June 2010.

The announcements were made as the 65th IATA Annual General Meeting and World Air Transport Summit concluded in Kuala Lumpur today. The 500 industry leaders gathered for the event discussed the industry's most important issues, with executive briefing sessions on the environment and ways to manage through the crisis.

Article 5

IATA Announces Eagle Winners

IATA recognized the outstanding achievements of Vietnam Air Navigation Services Corporation, the Civil Aviation Authority of Singapore, Geneva International Airport and Malaysia Airports Holdings Berhad with IATA's prestigious Eagle Awards.

Eagle Awards honor air navigation service providers (ANSPs) and airports for outstanding performance in customer satisfaction, cost efficiency and continuous improvement. They are based on the recommendations of the independent Eagle Awards Panel.

The awards were presented by Dr. Assad Kotaite, Chairman of the Eagle Awards Panel, in front of 500 top industry leaders gathered for the 65th IATA Annual General Meeting and World Air Transport Summit in Kuala Lumpur.

"Eagle Awards are highly-prized recognitions of airports and ANSPs who strive for excellent service, better cost efficiency and continuous improvement. All parts of the aviation value chain must play their part in meeting the intense challenges of this economic crisis," said Kotaite. He noted that the panel paid special attention not only to good performance but also to proactive responses to the economic downturn.

"All four winners today have gone beyond the strict and challenging criteria of the Eagle Awards for high service standards and cost efficiency. They have also responded effectively and innovatively to the needs of their airline customers at this time of unprecedented financial turmoil. They put the customer first and delivered value for money. I congratulate all four of this year's winners for their great achievements. These industry partners are role models for all infrastructure providers," said Giovanni Bisignani, IATA's Director General and CEO.

Most Improved ANSP – Vietnam Air Navigation Services Corporation (VANSCORP)

VANSCORP has invested in modern technology in line with the ICAO Roadmap for Air Traffic Communication, Navigation and Surveillance. "VANSCORP has improved greatly in its 15 year history characterized by a strong culture of reliability, efficiency and customer orientation. In addition to maintaining strong relationships with its airline customers, VANSCORP also takes an active role in regional initiatives," said Bisignani.

Best ANSP – Civil Aviation Authority of Singapore (CAAS)

CAAS is widely recognized as a global leader in the efficient implementation and reliable delivery of air traffic control procedures and technologies. It actively engages its customers to understand better the needs of each airline as well as industry trends. "CAAS plays a key leadership role in regional and global air traffic management initiatives by sharing its expertise. It is acknowledged across the industry for its contributions to enhancing safety and efficiency," said Bisignani.

Most Improved Airport – Geneva International Airport (AIG)

AIG's sustainable commercial activities have enabled it to maintain reasonable airport charges even as it invested in expansion projects and adapted to new security requirements. AIG found a constructive and fair way of helping airlines during the economic downturn with a US\$2.5 million cash back contribution shared among airlines in proportion to their 2008 traffic. "AIG's commitment to cost-conscious management and partnership with its airline customers makes it a role model for other airports on both a regional and global scale," said Bisignani.

Best Airport – Malaysia Airports Holdings Berhad (MAHB)

Since opening in 1998, Kuala Lumpur International Airport (KLIA), the flagship airport of MAHB, has been a leader in service levels, industry and environmental initiatives, operational improvements and cost efficiency with a strong customer focus. "Sustained by strong commercial revenues, MAHB has maintained some of the lowest aeronautical charges in the world. MAHB responded to the global economic meltdown with a 50% discount on landing charges for two years. This is a magnificent contribution from a great industry partner," said Bisignani.

Honorable Mentions: The independent panel gave an honorable mention to BULATSA, Bulgaria's air navigation service provider for its continued improvement in the areas of charges, cost efficiency, service quality and consultation. BULATSA agreed to a five-year pricing plan with significant reductions in en-route charges. In response to the economic crisis, BULATSA reduced en-route charges by 5.5%, which was beyond its original commitment. BULATSA has also made progress in operational areas such as route optimization.

"Congratulations to all the Eagle Award winners. You continue to lead the way in setting the standards for performance, cost efficiency and continuous improvements for others to strive for," said Bisignani.

Article 6

IATA GALA Award Honors Singapore's Minister Mentor Lee

IATA honored Singapore's Minister Mentor Lee Kuan Yew with its Global Aviation Leadership Award (GALA) at the 65th IATA Annual General Meeting and World Air Transport Summit which opened today in Kuala Lumpur.

The IATA GALA was established in 2002 to commemorate the 100th Anniversary of the Wright Brothers' first flight. It is given to outstanding individuals for exceptional contributions that have helped shape air transport.

“Air transport has been built by the hard work of women and men who have been able to turn dreams into reality. We have a rich history of truly amazing people with vision, passion and great leadership. It is a privilege to honor Minister Mentor Lee with a GALA that recognizes the great contribution his political leadership and foresight has made to global aviation,” said Giovanni Bisignani, IATA’s Director General and CEO.

“Minister Mentor Lee’s unique vision and leadership founded one of our industry’s strongest carriers and most efficient airports. This became a shining example of how aviation—with effective government policies—has played an important role in building the foundations of a country respected for its efficiency and economic achievements. His unwavering commitment to liberalization and free market principles was ahead of its time in 1972. These are principles that are critical to the industry’s development even today. We need more leaders with Minister Mentor’s vision and deep understanding of aviation and the economic benefits that it catalyzes,” said Bisignani.

“To Minister Mentor Lee, operating an airline just to show the flag on the tail was not an option. The airline had to be competitive and self-supporting or be shut down. This has shaped Singapore Airlines into a commercial success without government assistance,” said Bisignani.

Minister Mentor Lee’s approach to industry regulation was similarly visionary. Under his leadership, Singapore implemented an aviation policy based on free and open competition, positioning Singapore as an important hub for global aviation. Singapore’s Changi Airport is among the most efficient airports in the world and has received multiple IATA Eagle Awards.

Minister Mentor Lee is only the third GALA recipient. The first GALA was awarded in 2003 to Dr Assad Kotaite for his outstanding service as the International Civil Aviation Organization (ICAO) Council President for more than 30 years. The second GALA was awarded in 2005 to Minister Yang Yuanyuan of the Civil Aviation Administration of China (CAAC) for his strong vision and leadership on progressive liberalization in aviation.

Article 7

TAP launches IATA’s carbon offset program

IATA launched its global Carbon Offset Program with TAP. The IATA-administered industry-wide scheme is a ready-made tool enabling airlines to offer their passengers the ability to compensate for their carbon emissions with contributions towards carbon reduction projects in developing countries.

“I am delighted that TAP is the launch airline for the IATA carbon offset program,” said Giovanni Bisignani, IATA’s Director General and CEO.

The air transport industry is committed to environmental responsibility with a comprehensive four-pillar strategy including improved technology, effective infrastructure, efficient operations and positive economic measures. “The IATA Carbon Offset Program sets a good example of industry leadership in economic measures. The industry standard approach is a cost-effective means for all airlines to offer their customers the option to offset emissions resulting from their air travel,” said Bisignani.

Transparency is critical to ensure that monies collected result in reduced emissions. The IATA Carbon Offset Program only invests in the most credible projects. These are UN approved Certified Emissions Reductions (CER) projects and voluntary credits which comply with the recognised Gold and or Voluntary Carbon Standards. Airlines participating in the IATA Carbon Offset Program pay for all administration costs. The passenger contribution therefore goes to the sponsored project.

“These are important reassurances that will help build passenger confidence in carbon offsets,” said Bisignani.

The IATA program calculates carbon emissions based on a methodology developed by the International Civil Aviation Organization (ICAO). The system utilises the efficiencies and reliability of IATA's US\$350 billion financial systems to enable airlines and their passengers to purchase their ticket and their offset at the same time. IATA administers the process on behalf of airlines. This includes advising on project selection, arranging the purchase of carbon credits and managing and providing offset tracking.

Fernando Pinto, CEO of TAP, said, "We at TAP are deeply concerned about the environment and feel it is our responsibility to summon up all possible energies and resources to preserve it and protect our planet. Therefore, we are enthusiastic to be the launch airline for the IATA carbon offset program. With it, we will be able to offer our customers the option to offset their emissions by saving an equivalent amount of CO2 with high quality projects. Offsetting is not a cure for climate change. But it is a responsible measure until technology can make us carbon-free. It is a voluntary scheme, but we are confident that it will be popular with our passengers as we believe that the protection of the planet is everybody's concern."

The offset project chosen by TAP is a renewable energy project in Brazil: the Aquarius Hydroelectric Project. Aquarius is a grid-connected run-of-river hydropower plant. It partly replaces fossil fuel-based electricity generation and already reduces greenhouse gas (GHG) emissions by approximately 15,000 tonnes CO2 equivalent per year.

Article 8

Mark your calendar – coming events

- [124th Schedules Conference, 18-21 June - Montreal, Canada](#)
- [Webinar - Safety Management Systems for Airports - 18 June - 10am EDT \(Click to register\)](#)
- [IATA/ATW Webinar - Fast Travel - 23 June - 10AM EDT \(click to register\)](#)
- [Webinar - Selling travel in a weak economy - 30 June - 10am Mumbai Time UTC/GMT +5:30 hours \(click to register\)](#)
- [5th IATA Cargo Claims and Loss Prevention Conference, 9-11 September 2009 - Mexico City](#)