

- **Message from the Director General**
- **Updates from the EU**
- **The Single European Sky**
- **Europe is sending mixed signals**
- **IATA's Environmental Communications Campaign**
- **European Aviation Summit – Bordeaux**
- **Industry Fast Facts, Fuel Impact on Operating Costs**
- **Upcoming Events**



Giovanni Bisignani
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Bracing for Another Crisis

Oil at US\$110 or more per barrel is re-shaping the industry. Jet fuel prices rose to over US\$180 per barrel in July, which could result in a total industry fuel bill of US\$190 billion this year—36% of our costs. Compared that to 2002, when the US\$40 billion fuel bill was 14% of costs.

We are in a different game altogether. The industry is in crisis. To survive, things must change.

That was exactly the message that came out of our AGM where the leaders of the world's airlines unanimously agreed to the Istanbul declaration. We have six clear demands:

- Governments must eliminate archaic rules that prevent airlines from restructuring.
- Governments must refrain from imposing punitive taxes and other measures that will deepen the crisis.
- State service providers must modernise air transport infrastructure urgently.
- Business partners must become as efficient as airlines are now. If not, regulators must impose tougher regulation.
- Labour unions must refrain from making irresponsible claims and join the effort to secure jobs in aviation and other industries.
- Authorities must enforce the integrity of markets so that the cost of energy reflects true value.

Efficiency has never been more critical. IATA is actively challenging 133 airports, 66 air navigation service providers (ANSPs) and 106 civil aviation authorities to join the airlines in delivering greater efficiencies.

Already we see results. CANSO, the association for ANSPs, pledged to accelerate operational efficiencies while maintaining or reducing charges. And the European Commission adopted the second package of legislation for a Single European Sky (SES). Now national governments must act to deliver what will be a great step forward for efficiency and for the environment.

In parallel we are pursuing greater commercial freedoms for airlines. In October, IATA will facilitate an Agenda for Freedom Summit in Istanbul to help governments modernise the outdated bilateral system.



European Commission's proposal to include aviation in the EU's Emissions Trading Scheme (ETS)

In December 2006 the European Commission drafted a legislative proposal to include aviation CO₂ emissions in the existing European Emissions Trading Scheme (EU ETS). (see IATA Europe News issue number 1 & 3).

In order for an EC proposal to become law, the EU Council (the Governments of the 27 European Member States) and the European Parliament have to approve each other's amendments to the original Commission proposal and agree upon a final text.

Following a series of negotiations, the EU lawmakers have reached an agreement on the details of how to extend the EU ETS to aviation. The main elements of the compromise are as follows:

- Applicable to all flights (by all carriers) to, from and within the European Union
- Effective January 2012
- Cap for each airline in 2012 set at 97% (lowering to 95% in 2013) of each airline's average annual emissions for the years 2004-2006

Airlines will have to buy 15% of their allowances under this cap through an auction; they would initially receive 85% free of charge

- Additional allowances (to cover growth) would also have to be purchased
- No requirement for States to put auctioning revenues back in to the industry or even towards climate change initiatives
- The cap and the amount of auctioning may be changed as a result of the discussions on the general review of the existing EU ETS.

The compromise agreement reached on 26 June was adopted by the European Parliament at plenary on 8 July. It still needs to be formally endorsed by the Council and then introduced into the national laws of each Member State.

EU Airport Charges Directive

In January 2007 the European Commission published a proposal for a directive on airport charges (see IATA Europe News issue number 1 & 3). The EU Council and the EU Parliament have recently reached an agreement. The main elements are as follows:

- The purpose of the Directive is to set common EU standards for the pricing of airport infrastructure, and to impose a set of principles including non-discrimination, consultation and transparency.

- The Directive shall apply to any EU airport with annual traffic of over 5 million passenger movements, and to the largest airport in each Member State.
- Airport users may seek the intervention of an "independent supervisory authority" (to be established in every Member State) in cases of disagreement over a decision on airport charges.
- References in the Directive to ICAO principles on, for example, cost-relatedness and pre-financing and suggests that airports should "endeavour to operate on a cost efficient basis".
- It is up to each Member States to decide whether a single or dual till system will apply.

The legislative procedure should now be finalised by a quick adoption of the compromise text by the European Parliament and the Council in the second semester of 2008 (under the French Presidency of the Council).

Revision of the "third package" of liberalisation measures

The air transport sector in the European Union was liberalised in three successive stages, with the third stage consisting of a "package" of liberalisation measures. In July 2006, the European Commission proposed a revision of that "third package" (see IATA Europe News issue number 2).

The procedure for the adoption of this new regulation is now nearly complete. The new regulation will become effective upon publication in the Official Journal, which is not expected before October. Proposed passenger rights reforms include the requirement that:

- Published tariffs (in all advertising and on web-based fare quote and sales transactions) should include all non-optional taxes, fees, charges and surcharges. The various components that make up the final price have to be specified.
- Passengers should have access to airfares (available to the general public) throughout Europe, regardless of their nationality or place of residence or the place of sale within the European Union.
- The transparency and non-discrimination requirements will apply to all flights from European Community airports worldwide, including flights operated by third country airlines.



The Single European Sky

The Single European Sky (SES) initiative, launched in 2000, aims to reduce fragmentation, operational costs and delays associated with the current European Air Traffic Management (ATM) system. In 2004, the European Union adopted its first 'Single Sky' legislative package (SES I). (see IATA Europe News issue number 3).

On 25 June 2008, the European Commission adopted its proposals for the second package of legislation for a Single European Sky (SES II). The package is based on the following four pillars:

1. Regulating Performance

- The legislative proposal that updates the existing Single Sky legislation (SES I), which deals specifically with performance and environmental challenges and which includes:
- The establishment of performance targets in the fields of safety, capacity, flight and cost efficiency and the environment;
- A European network management function to ensure the convergence of national ATM systems;
- A commitment date for the Member States to improve performance by using Functional Airspace Blocks by 2012.

2. Technology: the SESAR (Single European Sky ATM Research) programme that brings together (in a public-private partnership) all pertinent aviation stakeholders. It has been created to develop the pan-European ATM system of the future. It should help drive the development of future technology.

3. Safety: the European Commission proposes to extend the competence of the European Aviation Safety Agency (EASA) to aerodromes, air traffic management and air navigation services.

4. Capacity: the European Commission intends to implement the 'action plan for airport capacity, efficiency and safety' that it adopted in January 2007.

http://ec.europa.eu/transport/air_portal/traffic_management/ses2/index_en.htm



Europe is sending mixed signals.

Extract from Airlines International magazine

The new Commissioner for Transport, Vice President Antonio Tajani, has made a Single European Sky (SES) his top priority. This is good. The Commission accepted the SES second package with the ambitious goal of saving 10% on fuel and emissions. There is a lot of political ground still to cover. National governments must still put aside self-interest to support what is best for Europe and the environment. But after decades of discussion this is an important step in the right direction.

At the same time, Europe's approach to emissions trading took a big step in the wrong direction. Its fixation on unilaterally bringing aviation into the European emissions trading scheme (ETS) cannot deliver results. Our US\$190 billion fuel bill is already the biggest incentive of any industry to save fuel. It is illegal. Already 130 states have vowed to oppose it. And it's the wrong time. Why rush to make EUR 3.5 billion decisions in the middle of crisis for a programme that starts in five years?

IATA is delivering results. Last year our strategy on the environment delivered 10.5 million tonnes of CO₂ savings. And it reduced the fuel bill by US\$2.1 billion.

As this crisis re-shapes the industry, IATA is taking responsibility to lead broad industry change. We will provide members with services and product offerings that will help them to achieve even greater efficiencies. And we will be constantly reminding governments, labour and partners that they must also play their role. Thirty-two million jobs and US\$3.5 trillion of global business depend on our success.

Giovanni Bisignani



IATA's Environmental Communications Campaign

From A to Z, from Amsterdam to Zurich the airport campaign rolls out

The IATA environment exhibition is being rolled out across European airports. The original pilot stand at Geneva Airport has been modified and the new stand was installed in Istanbul's Ataturk Airport May to August. This stand is now at Izmir Airport to catch the high season holiday traffic. A second stand is now at Amsterdam's Schiphol Airport (can be seen in "Lounge Three" airside departures and arrivals until end October). The stands will then be moved round other European airports.

The stands consist of two curved, panels forming a 'tunnel', suggestive of an aircraft engine. They show the journey from the inception of powered flight to the present day, illustrating the technology, operations and infrastructure elements of IATA's four-pillar strategy on the environment. Our journey then extends to the future, exploring new technologies such as algae-based bio fuels, solar power and fuel cells that could provide the building blocks for developing a carbon emission-free plane in the next 50 years.

The stands are 3 metres by 6 metres and are 2.1 metres high. The base language is English along with a second language that is changed for each location. Touch-screens and interactive models explore and explain issues such as alternative fuel sources, revolutionary concepts in airframe and engine design, the shortening of routes and operational improvements in the airline industry. The stand includes "Destination Zero" – essentially, 'the film of the stand.'





European Aviation Summit

Bordeaux, France 18-19 November

The French Government is organising, in coordination with the European Commission, a European Summit focused on “aviation and environment”. This event will bring together EU Directors General of civil aviation, representatives of the European Commission, the European Parliament, and other industry notables.

IATA will be present at the Summit highlighting IATA's Four Pillar Strategy, the vision of carbon neutral growth in the short term and a carbon free industry by 2050. IATA is confident that the Summit discussions will shed light on how best to manage aviation's environmental impact without compromising its positive economic and social benefits.



Industry Fast Facts

Fuel Impact on Operating Costs

	% of Operating Costs	Average Price per Barrel of Crude	Break-even Price per Barrel	Total Fuel Cost
2003	14%	US\$28.8	US\$23.2	US\$44 billion
2004	16%	US\$38.3	US\$34.5	US\$61 billion
2005	22%	US\$54.5	US\$51.8	US\$90 billion
2006	26%	US\$65.1	US\$64.8	US\$111 billion
2007	29%	US\$73.0	US\$76.5	US\$136 billion
2008 F consensus view on oil	34%	US\$106.5	US\$105.1	US\$176 billion
2008 F futures market view on oil	36%	US\$122.0	US\$118.2	US\$189 billion

Updated: 6/2008 Next Update: 9/2008 Source: Industry Financial Forecast Table (IATA Economics)

Upcoming Events – Mark your calendar

- [IATA Executive Financial Summit 2008, September 16 - 17, 2008 - Hong Kong, People's Republic of China](#)
- [IATA Cargo Claims & Loss Prevention Conference 2008, September 17-19, 2008 - Bangkok, Thailand](#)
- [IATA Cabin Health Conference 2008, October 1-2, 2008 - Geneva, Switzerland](#)
- [The 2008 Annual Industry Cash Management Service Meeting & Conference, October 6-7, 2008 - Rome, Italy](#)
- [IATA Air Transport IT Symposium 2008, October 13-15, 2008, - Las Vegas, U.S](#)

To stay ahead in the air transport industry, sign up to IATA's Virtual Lounge