

Article 1

Passenger Traffic Growth Hits Five-Year Low

04 August 2008 – GENEVA - The International Air Transport Association (IATA) released international traffic data for June that showed a continued slowing of demand growth for air transport. Cargo contracted by 0.8% compared to June 2007. Passenger demand growth fell to 3.8%, the lowest level since 2003. Passenger load factors dropped to 77.6%, 1.2 percentage points below the 78.8% recorded for June 2007.

“The global economic turbulence clearly shows in the 0.8% drop in freight volumes compared to last year. Although the passenger demand grew by 3.8%, this is the slowest growth that we have seen since the industry was hit by the SARS crisis in 2003. With consumer and business confidence falling and sky-high oil prices, the situation will get a lot worse,” said Giovanni Bisignani, Director General and CEO of IATA.

Passenger

- Global passenger traffic growth of 3.8% is well below the 5.4% recorded year-to-date.
- Capacity growth of 5.5% outstripped demand, pushing the passenger load factor down to 77.6%
- North American airlines saw demand growth drop to 4.4% (sharply down from the 8.2% growth recorded in May). Domestic traffic in the US contracted by almost 4%.
- European airlines saw demand drop to 2.1% (compared to 4.1% in May). Declines in business confidence and industrial production in key European economies may well drive this further down.
- Asia Pacific airlines saw their international passenger traffic growth fall to 3.2% in June from 4.5% in May, influenced by weakening long haul destination economies and inflation concerns.
- Middle Eastern carriers saw their traffic growth slow to 9.6% June from 12.8% in May. This is sharply down from the 18.1% recorded in June 2007.
- Latin American carriers turned in the strongest performance with 12.5% growth. Strong commodity-driven economic growth in Latin America is the driving force.

Cargo

International freight traffic declined -0.8% in June. This is the first decline seen since May 2005 and follows several months of falling manufacturing sector confidence indicators.

- Asia Pacific airlines led the contraction with a -4.8% year-on-year decline for June traffic.
- Latin American airlines recorded the largest contraction (12.7%) as the region's cargo sector continues to re-structure its capacity.
- European carriers saw freight demand growth fall to 0.7% in June from 1.4% in May.
- North American carriers also saw freight demand growth slow to 4.0% in June from 4.6% in May.
- Middle Eastern carriers delivered the strongest performance with 12.1% growth (up slightly from the 10.7% recorded in May).
- African airlines recorded a -1.9% year-on-year decline in June.

“The airline sector is in trouble. Losses this year could reach US\$6.1 billion, more than wiping out the US\$5.6 billion that airlines made in 2007. Falling demand and rising costs are re-shaping the industry,” said Bisignani. “To survive the crisis, urgent action is needed. Airports and air navigation service providers must come to the table with efficiencies that deliver cost savings. Labour must understand that efficiency is the only path to job security. And governments must stop crazy taxation and give airlines the freedom to merge and consolidate where it makes business sense.”

Notes for editors:

- IATA (International Air Transport Association) represents some 230 airlines comprising 93% of scheduled international air traffic.
- Explanation of measurement terms:
 - RPK: Revenue Passenger Kilometres measures actual passenger traffic
 - ASK: Available Seat Kilometres measures available passenger capacity
 - PLF: Passenger Load Factor is % of ASKs used. In comparison of 2008 to 2007, PLF indicates point differential between the periods compared
 - FTK: Freight Tonne Kilometres measures actual freight traffic
 - ATK: Available Tonne Kilometres measures available total capacity (combined passenger and cargo)
- IATA statistics cover international scheduled air traffic; domestic traffic is not included.
- All figures are provisional and represent total reporting at time of publication plus estimates for missing data. Historic figures may be revised from what was previously published.
- International passenger traffic market shares by region in terms of RPK are: Europe 32.8%, Asia Pacific 32.5%, North America 19.0%, Middle East 9.1%, Latin America 4.4%, Africa 2.3%
- International freight traffic market shares by region in terms of FTK are: Asia Pacific 45.0%, Europe 27.3%, North America 16.9%, Middle East 7.7%, Latin America 2.0%, Africa 1.1%

Article 2

Taxes Don't Reduce Emissions

IATA called on governments to abandon punitive environment taxes and instead support global environment solutions that will actually reduce aviation's 2% of global carbon emissions.

“Taxes don't reduce emissions. Only better operations and technology can do that,” said Giovanni Bisignani, IATA's Director General and CEO, addressing the Farnborough International 2008 Sustainable Aviation Briefing.

“The airline industry is in crisis. With a fuel bill of US\$190 billion - one third of its costs - saving fuel is a matter of survival. Still Europe is fixated on punitive measures supposedly designed to reduce emissions. There is a rush to implement taxes, taxes and more taxes. They all have an environment label, but do nothing to reduce emissions,” said Bisignani. He took aim at two punitive measures in particular:

UK Air Passenger Duty (APD): “By 2010 APD could be a GBP3.5 billion pot of honey for the UK Treasury. That's enough to offset four years of the UK's civil aviation emissions. The UK proposal will lead to market distortions. And

governments - including the UK - are double counting. On top of APD, other countries such as the Netherlands also apply taxes. If this weren't enough, the European Union emissions trading proposal will add another layer of penalties. What will all this do for the environment? Precious little. It's time for some political honesty about where the billions are going and what they will achieve," said Bisignani.

European Union Emissions Trading Scheme (ETS): "We support emissions trading, but Europe's unilateral approach is wrong. Instead of cleaning up the environment, this will create an international legal mess. States outside Europe are already threatening legal action. Why should a US carrier have to pay Europe for emissions over US territory? Going global is the only way to success. The drafters of the Kyoto Protocol understood this and tasked the International Civil Aviation Organization (ICAO) to deal with aviation and the environment. But this wisdom did not make it to the European Parliament. Even as France, Germany, Italy, the UK and the EU signed a G8 declaration reconfirming ICAO's role in delivering a global solution, the European Parliament moved in the opposite direction by voting for a regional ETS. Good sense has been hijacked by uncoordinated green policies," said Bisignani.

"States - including Europe - will make or break the ICAO process. ICAO strengthened its political leadership on the issue with a high level Group on International Aviation and Climate Change (GIACC). Europe, which can take the credit for placing climate change on the international aviation agenda, must now take responsibility to ensure that ICAO is successful," said Bisignani.

IATA's [four-pillar strategy to address climate change](#) focuses on technology investment, effective operations, efficient infrastructure and positive economic measures. This is now an industry commitment supported by airlines, manufacturers, airports, air navigation service providers and industry partners. "Now governments must play their role responsibly by taking the reality of US\$140 oil into account, stopping their green grand-standing, and joining the industry's global and comprehensive approach," said Bisignani.

Article 3

Industry Call for Change

By Giovanni Bisignani

From *Airlines International*

As the industry gathered in Istanbul for the IATA Annual General Meeting we also had two great industry achievements to celebrate. In 2007 we made our first profit—US\$5.6 billion—after six years of losses. And, on 1 June 2008, we achieved 100% e-ticketing, saving US\$3 billion annually and improving convenience.

But there was little time to celebrate. Skyrocketing price of oil cut the party short and plunged the industry into crisis again. Oil is now over US\$130 a barrel and the price of jet fuel is around US\$170 per barrel. If these levels stay for the rest of the year, losses could be as high as US\$6.1 billion.

We sounded the warning bell. The [Istanbul Declaration](#) is a critical call for change.

Governments must stop crazy taxation, regulate monopoly suppliers and give the industry the freedoms to do business like any other business. Labour must understand that jobs disappear when costs don't come down. And our partners across the value chain need to share our obsession with efficiency. Biting the hand that feeds you makes no sense.

Some of our partners are coming to the table. Air navigation service providers (ANSPs) meeting at the CANSO AGM pledged to accelerate efficiency initiatives. LFV, Sweden's ANSP cut charges by 10%. Ottawa International Airport reduced terminal fees by 5% and Toronto's Pearson International Airport dropped cargo landing charges by 25%. Others must follow these good initiatives.

Europe is sending mixed signals.

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's 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.

Article 4

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)

Article 5

Mark your calendar – coming events

- [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 - Rome, Italy](#)
- [IATA Air Transport IT Symposium 2008, October 13-15, Las Vegas, U.S.](#)