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Giovanni Bisignani
Director General and CEO, IATA

Working together

Industry efficiency is at record levels. Since 2001, the industry has achieved a 64% improvement in labour productivity, a 25% reduction in sales and marketing unit costs and an 18% improvement in non-fuel unit costs. Combined these factors contributed to an industry profit of \$5.6 billion in 2007 – the first in 6 years. This is progress, but still less than a 2% margin, and not enough to excite investors.

This is a tough business, and it's about to get tougher. The credit crunch and recessionary US economy will slow demand growth at a time when fuel prices are hitting all time highs. Passenger traffic is projected to increase 5% (down from 7.4 last year) while cargo growth is projected to increase at a sluggish pace of 4% in 2008. At the same time the industry fuel bill will top \$156 billion in 2008. And let's not forget that airlines continue to shoulder some \$190 billion in debt. That is a dangerous combination. And it points to the need to do even more.

IATA is dedicated to helping the industry cut costs. Last year we saved US\$5 billion by cutting airport and ANSP charges and improving fuel efficiency through shortened routes, sharing best practices and improving operational procedures. In 2008 we are targeting \$1.5 billion savings in industry taxes, charges and fees. Our Green Teams are targeting similar savings with IATA's Fuel Campaign.

Simplifying the Business has been a success. On June 1, 100% electronic ticketing will be a reality, as will the \$3 billion in annual savings it brings. And we will continue to push forward on the other Simplifying the Business projects that together will deliver \$6.5 billion in annual cost savings.

IATA's Operational Safety Audit is another example of cost efficiency. It improves safety while cutting costs by eliminating the need for separate airline audits. Since its launch in 2003 it has saved airlines some US\$47 million. The introduction of IATA's Safety Audit for Ground Operations (ISAGO) will add to these savings by helping to reduce ground damage which currently costs the airlines in excess of US\$4 billion annually.

The year ahead will be challenging.
Our combined dedication to efficiency is a must.



3rd Aviation & Environment Summit, 22-23 April 2008, Geneva

IATA is once again partnering with ATAG, ACI (airports association), CANSO (ANSP association) and ICCAIA (manufacturers association), to organise the only industry-wide Aviation & Environment Summit and Exhibition. It will take place on 22-23rd April 2008 in Geneva.

Since the first event in 2005, the aviation industry has been working relentlessly to further limit its environmental impact. The industry's vision is to achieve carbon-neutral growth and eventually to become carbon-free. This vision is supported by a four-pillar strategy based on technological progress, infrastructure enhancements, operational improvements and suitable economic instruments. Each session will explore one of the four pillars along with a session on communications.

The Summit will provide the opportunity for the entire industry, as well as regulators and representatives of civil society, to further develop the vision and strategy, to assess progress and to agree on future action. Participation will include high-level representatives from airlines, airports, manufacturers, air navigation service providers and regulators. Interactive panel sessions will bring together industry, regulators, non-governmental organisations and journalists -- with audience participation.

Sessions include participation from industry leaders including the CEOs or Presidents of Airbus, Boeing, CFM, Embraer, GE Aviation, Pratt & Whitney, Rolls-Royce, British Airways, TAP Air Portugal, NATS, Aéroports de Montréal and many more.

A pre-Summit workshop on Aviation Infrastructure - Promoting the Environment will also take place on 21st April. This is free-of-charge for Summit delegates. An exhibition will showcase a range of environment-related products during the two-day Summit.

For further information and to register:

www.environment.aero

IATA Joins forces with Solar Impulse

IATA has become an Institutional Partner of Solar Impulse – the solar airplane that will fly around the world with no fuel and zero emissions. The agreement, signed by Bertrand Piccard, President of Solar Impulse and Giovanni Bisignani, Director General and CEO of IATA, establishes a framework for cooperation between the two organisations. IATA will provide assistance to ensure the smooth passage of the solar plane around the world.

Solar Impulse is building the first prototype airplane that aims to demonstrate the feasibility of flying day and night, only propelled by solar energy. The first test flights will take place in early 2009. In 2011, Bertrand Piccard and André Borschberg, CEO, will fly around the world with five stop-overs. IATA will help make this possible by providing support including assistance in obtaining air traffic control clearance.



In line with IATA's four-pillar strategy that will lead to carbon neutral growth in the medium term and in the next 50 years aiming at zero carbon emissions technology, Solar Impulse is a natural partner for IATA. Their goal is to produce a plane propelled exclusively by solar energy, which will take off under its own power and fly day and night, and achieve a round-the-world flight without fuel or pollution.

In order to complete the round-the-world flight, two airplanes are being built.

- The prototype, registration number HB-SIA, will have a 61 metre wingspan for 1500 kg
- The final (or record) airplane HB-SIB will likely have an 80 metre wingspan for 2000 kg

For more information: www.solarimpulse.com





IATA Launches Information Portal for Travellers

An online Travel Centre to provide passport and health information to air travellers has been launched by IATA.

Based on an enhanced version of its TIM/Timatic service, which monitors and automatically updates regulatory requirements that affect travel plans, the IATA travel Centre is a free service for individual travelers. Links to the Travel Centre can be included on booking sites and e-mail travel confirmations.

The Portal responds to consumer demand for self-service by offering easy access to helpful and accurate information about the essentials of travel, from documents required to what taxes must be paid.

Every year immigration authorities turn back an estimated 35,000 travellers at their destination or transfer points because of improper documentation. The average fine in such situations is \$5,000. When combined with the associated manpower costs, the average expense to the industry is \$200m.

To visit the IATA travel centre go to:
www.iatatravelcentre.com

IATA to fully fund IATA Operational Safety Audits (IOSA)

From 2008 onwards, IOSA audits will be free of charge for IATA member airlines. IOSA standards and checklists have always been freely available and competition among the eight IATA-accredited auditors has kept prices low. But now that all member airlines have been audited, and with continuous IOSA registration a condition of staying the IATA fold, conduct of the biennial audit will become another benefit of IATA membership.

Mike O'Brien, Director of the IOSA Programme, welcomes the move: "This latest initiative by IATA means that airlines can remain focused on maintaining IOSA conformity without having to worry about the recurrent audit costs".

Failure: UK Economic Regulation of Airports

In March of this year IATA blasted as a failure the UK's Civil Aviation Authority's decision to allow costs at London airports to rise by a massive 86% between 2008 and 2013.

"Failure is the only word to describe the CAA's decision," said Giovanni Bisignani, IATA's Director General and CEO.

For Heathrow the CAA has allowed charges per passenger to rise by 23.5% from 1 April 2008, followed by increases of 7.5% plus inflation for each of the following four years. In the case of Gatwick, a similar 21% hike from 1 April 2008 will be followed by increases of 2% plus inflation for each of the following four years.

"The regulator already allowed a 50% increase between 2003 and 2008 and now the road is being paved with gold for a further 86% increase. Only an out-of-control monopoly could think in such terms. And only a phantom regulator that is the result of a flawed structure could allow this to happen," said Bisignani. "Compare that to the 64% improvement in labour productivity and 16% reduction in non-fuel unit costs achieved by airlines since 2001."

"The bureaucrats have proved to be impotent in defending the interests of travellers against monopolies. This decision impacts London's competitiveness as a world city. If we don't fix London's dysfunctional airports, the City's regular travellers will find a more convenient home. Frankfurt, for example, would be only too happy to welcome them," said Bisignani.

The problems of a weak regulator and an out-of-control monopoly are well recognised. The Government has seen fit to commission an independent review of the CAA by Sir Joseph Pilling. The Competition Commission is investigating breaking up the British Airport Authority (BAA) monopoly. And the Parliamentary Select Committee on Transport is about to report on the future of BAA.

"We all agree that there is a problem. These reviews and inquiries must recommend an ambitious agenda for change that will give London the effective air transport infrastructure it needs. The starting point is a new modus operandum for economic regulation to deliver efficient airports. It's not rocket science. The time for excuses is over. It is now time for action. The UK authorities must act decisively and speedily to get the basics right in order to protect London's competitiveness," said Bisignani.





Update from the EU

EU Slot Allocation Regulation

In November 2007, the European Commission issued a Communication on the operation of the amended slot allocation Regulation of 2004 (see IATA Europe News issue number 2).

On 29 January, the European Commission held a stakeholders' consultation on slot allocation policy. It sought views from stakeholders (IATA attended) on how to improve the functioning of the current slot allocation Regulation.

The Commission will now concentrate on the harmonisation of the implementation of the Regulation. The Commission is expected to issue a Communication that will clarify a number of provisions that are not being applied consistently in all Member States.

The Commission's conclusions and stakeholder presentations can be found on their web site at: www.ec.europa.eu/transport/air_portal/airports/slots/en.htm

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). For this proposal to become law, the EU Council (the Governments of the 27 European Member States) and the European Parliament must approve each other's amendments to the original Commission proposal and agree on a final text.

Two important steps in that legislative procedure have now been completed; the EU Transport Ministers (on 30/11/2007) as well as the European Parliament (15/01/08) have adopted their first reading amendments to the EC proposal.

The Commission's proposal was welcomed by IATA as a step in the right direction but now IATA is concerned that the Commission's proposal has been weakened and may no longer serve to redress the imbalance of power between airlines and airports.

IATA will continue to lobby the EU institutions to make sure that the key priorities of cost efficiency, the role of the independent regulator and that transparency and consultation are reflected in the Directive.

www.ec.europa.eu/transport/air_portal/airports/airport_charges_en.htm

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

In December 2006, the European Commission published a proposal to amend Directive 2003/87/EC in order to include aviation CO₂ emissions in the existing European Emissions Trading Scheme (see IATA Europe News issue number 1). IATA has been lobbying the EU institutions to make sure that they understand that ETS cannot be an isolated mechanism. It must be regarded as just one part of a four-pillar strategy, including technology, infrastructure and operational efficiencies.

The European Parliament and the Council of Ministers have now completed their first review of the Commission's proposal. Their positions are not aligned, particularly on the following:

- The start date of the scheme (respectively 2011 or 2012)
- The percentage of auctioning (respectively 25% or 10%) and
- The CAP on aviation emissions (respectively 90 or 100% of 2004-06 average emissions levels).

Because the positions of the European Parliament and the Council are not aligned, there will be a 'second reading' i.e. a further round of discussions between the Parliament and the Council in order to find an agreed position.

IATA continues to argue that a regional ETS (like that proposed by the EU) is illegal (under the Chicago Convention) and would result in substantial competitive distortions. A global scheme based on the mutual agreement of the States involved through ICAO is the only solution.

www.ec.europa.eu/transport/air_portal/passenger_rights/information_en.htm

General Review of the EU ETS

So far, the debate on aviation and the environment has focused on how to incorporate aviation emissions into the general Emissions Trading Scheme that is currently in force for other industries. In January 2008 the European Commission unveiled its proposal on the revision of the current ETS. While the discussion on the inclusion of aviation emission is still ongoing, this "general review" will impact aviation.

One of the items under consideration is the percentage of allowances that will be allocated for free. In the proposal aviation is treated in the same category as all other sectors, meaning that from 2012 aviation will receive fewer and fewer 'free permits': 20% of permits will be auctioned in 2013 rising year by year to reach 100% auctioning in 2020. www.ec.europa.eu/environment/climat/emission/ets_post2012_en.htm



NOx Emissions from aviation

In its proposal to include aviation CO₂ emissions in the existing European Emissions Trading Scheme, the European Commission committed to producing, by the end of 2008, separate proposals to address aviation's emissions of NOx.

IATA recently attended a stakeholders' consultation meeting held by the European Commission's consultants on policy options. IATA submitted its views on possible measures to reduce NOx emissions from aviation and these were outlined in the stakeholder document.

The Single European Sky - Hope for commitment of all EU States for Implementation of Functional Airspace Blocks

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 late 2007, the European Commission issued its first Communication on implementation progress of the SES initiative and identified the primary limitations in the current European ATM system as economic inefficiencies arising from fragmentation of air navigation service provision and poor environmental performance.

The Commission recognised that progress was lacking in the key area of Functional Airspace Blocks (FAB's), which are seen as a solution to fragmentation. FAB's move away from the traditional airspace design that follows national boundaries and move towards a design primarily focused on operational requirements. Their implementation should dramatically reduce fuel consumption as well as emissions. The Commission is thus working to achieve a political commitment of all EU States by 2010 to implement FAB's by 2012.



Europe – Simplifying the Business

Electronic Ticketing (ET)

- 100% e - ticketing will save the industry at least US\$ 3 billion per year.
- ET represents more than 80% of total volumes in 32 out of 38 BSP's in the region
- Average ET penetration of airlines in Europe as of Feb 2008 stands at 95%

www.iata.org/stbsupportportal/StB_library.htm

Bar Coded Boarding Passes (BCBP)

- 53 European carriers are already BCBP capable
For more details: www.iata.org/stbsupportportal/StB_library.htm

IATA e-freight

November 2007 IATA e-freight went live in 6 pilot locations, half of which are in Europe: Netherlands, Sweden and the UK

In March this year, the IATA e-freight team launched an assessment exercise for measuring e-freight readiness in 29 European locations, taking into account legal, regulatory, business and technology issues. The assessment will help determine the locations in which IATA e-freight will be implemented by end 2010.

Common use self-service (CUSS):

35 airports have implemented CUSS in the region.

For more details visit: www.iata.org/stbsupportportal/StB_library.htm

NEW!

Interactive maps to track BCBP, ET and CUSS implementation in more than 1000 airports:

www.iata.org/stbsupportportal/interactive-maps.htm

For more information on any of the issues covered in the European News Letter email: Shirkier@iata.org