

Article 1

European Emissions Trading – The Wrong Answer

IATA severely criticised the European Parliament vote to bring aviation into the European Emissions Trading Scheme (ETS).

“It’s absolutely the wrong answer to the very serious issue of environment,” said Giovanni Bisignani, IATA’s Director General and CEO. “We support emissions trading, but not this decision. Europe has taken the wrong approach, with the wrong conditions at the wrong time.”

The Wrong Approach: Europe’s unilateral and extra-territorial approach will apply ETS to all aircraft flying to or from Europe. Without international agreement this will only spark international legal battles. “What right does Europe have to impose ETS charges on, for example, an Australian carrier flying from Asia to Europe for emissions over the Middle East? Article 1 of the Chicago Convention prohibits this. And it goes against Article 2 of the Kyoto Protocol. Fuelling legal battles and trade wars is no way to help the environment. Already over 130 states have vowed to oppose it. The only successful way forward for ETS is as the drafters of Kyoto envisaged. That’s a global scheme brokered through the International Civil Aviation Organization (ICAO),” said Bisignani.

The Wrong Conditions: In its first year of operation, the ETS will add EUR3.5 billion to industry costs and this will rise year-on-year. There is no guarantee that any of the funds generated will be earmarked for environmental purposes. Today’s decision only indicates that revenues generated from the auctioning of allowances “should” be used to reduce greenhouse gas emissions. “It’s the weakest possible language. The plain fact is that the only sure beneficiaries of the EUR 3.5 billion cost will be national government coffers. There is no assurance that any of the money will go to environmental programmes. It’s time for Europe’s politicians to be honest. This is a punitive tax put in place by politicians who want to paint themselves green. Worse, it’s not even part of a coordinated European policy. This tax will come on top of the UK’s Air Passenger Duty and the Dutch departure tax. Rather than double or triple charging for emissions, governments should focus on solutions to improve environmental performance,” said Bisignani.

The Wrong Time: With oil trading above US\$140 a barrel and jet fuel above US\$170 per barrel, the industry fuel bill for 2008 will be at least US\$190 billion. “Airlines are struggling to reduce fuel burn to survive. Adding an extra EUR 3.5 billion to industry costs will not produce any better results. If Europe is serious about environment, it would move forward quickly with the Single European Sky proposal. By the Commission’s own calculation, this would save up to 16 million tonnes of CO₂, reduce delays and improve environmental performance,” said Bisignani.

Airlines are committed to effective measures to reduce the 2% of carbon emissions attributed to aviation. “Reducing fuel burn to improve environmental performance is a top priority. IATA’s four-pillar strategy to address climate change is now an industry commitment that does just that. Emissions trading is one small part of a comprehensive strategy that includes investing in technology, improving operations, building efficient infrastructure and using positive economic measures,” said Bisignani.

“Our focus is on results. Last year the strategy saved at least 10.5 million tonnes of CO2. Our target is a 25% improvement in fuel efficiency by 2020. And we are working towards carbon-neutral growth with a vision for a carbon-free future. Europe’s tunnel-vision focus on a unilateral, punitive and illegal ETS may help some government budgets, but it will do little if anything to improve environmental performance. It’s time for Europe to refocus,” said Bisignani.

Article 2

High Price of Oil Changes Everything

By Giovanni Bisignani, Director General and CEO, IATA

The high price of oil is changing everything—for airlines and for their passengers. In 2002, a barrel of oil was US\$25. And the total industry fuel bill was US\$40 billion. In that same year, the world’s airlines lost US\$11.3 billion.

To recover, enormous changes followed. Fuel efficiency improved 19%. Sales and marketing unit costs plunged 25%. Non-fuel unit costs dropped 18%. And airlines rolled-out e-ticketing to every corner of the planet.

Airlines returned to the black in 2007 with a profit of US\$5.6 billion. This was an amazing achievement given that the industry fuel bill ballooned to US\$136 billion based on an average price of oil at US\$73 per barrel. Every dollar increase in the price of a barrel of oil, pushes industry costs up by US\$1.6 billion. Oil is now in the US\$135 range. If this price holds for the next 12 months—as the futures markets tell us—the added burden will be a staggering US\$99 billion. Losses in 2008 could reach US\$6.1 billion.

The situation is desperate and potentially more destructive for the industry than our recent crises—SARS, terrorism and war—combined. Large parts of the industry are being re-shaped. In the last six months 24 airlines went bust. To keep this vital part of the global economy functioning, governments, industry business partners and labour all have a critical role to play.

Some issues are quite familiar to travellers. Despite the investment of over US\$30 billion since 2001 to improve security measures, we still have an uncoordinated mess. Fear drives decisions; the infrastructure cannot cope; governments are not cooperating; and nobody is taking leadership. Passengers are suffering because they face a maze of duplication, bureaucracy and hassle. BASTA. Enough! Governments must focus on risk management, harmonise global standards, use technology and intelligence effectively and take responsibility for the bill.

We also have an unregulated mess with monopoly suppliers such as airports. Airport charges increased US\$1.5 billion in 2007. Governments have failed to regulate airport monopolies. Too many airports are isolated from commercial discipline. Look at the UK Civil Aviation Authority’s treatment of Heathrow. Service levels are a national embarrassment but still the CAA increased charges by 50% over the last five years, and plan 86% increases for the next five. This only happens in “Monopoly-land”. BASTA. Enough! It’s time for governments to get serious about regulating monopolies that abuse their position.

The fuel crisis is also a catalyst for governments to deliver results on environment that reduce fuel burn. With oil at US\$135 per barrel airlines have the biggest incentive of any industry to improve environmental performance. Optimising routes and sharing best practices alone saved over 10.5 million tonnes of CO2 last year. And the investments we are making in new aircraft and innovations like bio-fuels that do not compete with food crops will drive even more progress.

Unfortunately, governments remain fixated on punitive economic measures. Travellers in Europe will have to absorb the 6.4 billion Euros cost of including aviation in Europe's emissions trading scheme. But politicians are failing to take the measures that will actually save CO2. They have been talking for 19 years about a Single European Sky for air traffic management with no progress. This measure alone would deliver 12 million tonnes of CO2 savings. It's time to say BASTA to politicians who talk green but focus their actions on taking cash. Instead, governments must implement positive economic measures to stimulate innovation from bio-fuels to radical new aircraft designs.

The oil crisis is also highlighting a desperate need to modernise the 60 year-old bilateral rules governing the industry. Re-regulation or re-nationalisation is not the right answer. We must redefine the structure of the industry. Airlines fight crisis after crisis with their hands tied because national flags, not brands define our business. Airlines cannot serve passengers in new markets without an international agreement. And, we cannot look beyond national borders to try new ideas, grow our business, access global capital, or merge and consolidate. We must say BASTA to the bilateral system. It's time to change.

Let's rip up the 3,500 bilateral agreements and replace them with a clean sheet without any reference to commercial regulation. Airlines would be free to innovate, free to compete, free to grow, free to disappear, and free to become financially healthy. On that same sheet the role of governments should be clearly outlined—ensuring a level playing field, bringing commercial discipline to monopolies and regulating global standards for safety, security and environmental performance. These are basic business freedoms that almost every other industry takes for granted.

The world's airlines sounded the alarm bell in June with an Istanbul Declaration to governments, industry partners and labour. Governments must stop crazy taxation, regulate monopolies effectively, ensure that the cost of energy reflects its true value, fix the infrastructure and change the rules of the game. Other parts of the industry must also change. Labour must understand that jobs disappear if costs don't come down. And our partners across the industry value chain must recognise that this is an industry crisis—and everyone must participate in the solutions.

Our responsibility is to work together with common goals to build a sustainable future. Thirty-two million jobs, 2.3 billion travellers and US\$3.5 trillion of global business depend on our success.

Article 3

Air Freight Growth Dips Sharply

IATA released international traffic data for May that showed a significant drop in cargo growth to 1.3% while passenger traffic grew 6.0%.

At 1.3%, cargo demand is considerably down from the 4.3% recorded for the full year 2007. For the first five months of 2008, air freight volumes were up 2.8%. The biggest cause of the slow growth came from a 0.5% contraction in Asian carrier traffic. This resulted from the impact of the earthquake in China and weakness in the Japanese economy. Asian carriers also saw weakness in transpacific markets with increased competition from US carriers taking advantage of the weak US dollar.

International passenger demand grew 6% in May. This is slower than the 7.4% increase recorded for the full year 2007, but stronger than expected given the economic downturn. The results were skewed by a shift in the US of 1.7 billion available seat miles (2.72 billion available seat kilometers) from domestic routes to international routes (a 7.9% rise in capacity in international markets). North American carrier international traffic grew 8.2%, while

domestic capacity fell 3.3%. Overall the underlying growth rate in global domestic and international traffic was 3 to 4% (down from an average of 6% for 2007).

International load factors rose slightly for the first time in three months to 74.3% on slower capacity growth of 5.4% during the month.

“The high price of oil is re-shaping the industry. The major shifts in traffic flows experienced during May reflect this,” said Giovanni Bisignani, IATA’s Director General and CEO.

During May, jet fuel averaged US\$160 per barrel - 87% higher than the same time in 2007. By comparison, crude prices averaged US\$123 per barrel - an 81% increase. “Jet fuel margins are increasing the impact of skyrocketing oil prices for the aviation industry. Unit costs are up 20-30% and that is going to take its toll on the bottom line. Efficiency everywhere is the imperative. That must be understood by governments, labour and our industry partners,” said Bisignani.

Cargo

- North American cargo traffic grew 4.6% as US carriers shifted capacity from domestic to international routes. In addition to expanded transpacific opportunities, the US-EU Open Skies agreement created new opportunities in Europe.
- Europe recorded a sluggish 1.4% increase. The strong Euro is damaging competitiveness for both European exports and the European air cargo business.
- Latin America freight volumes contracted 13.2%. Industry restructuring saw the replacement of retiring wide-body aircraft with narrow-bodies with limited cargo capacity.
- Africa recorded its 11th month of air freight contraction out of the past 12 months with a fall of 6.5% during May as industry restructuring removes freight capacity.
- The lone bright spot was the Middle East where volumes rose 10.7% on the back of oil-based economic growth.

Passenger

- Airlines in Latin America continued strong growth of 13.6% reflecting robust commodity-driven economic growth in the region.
- Middle Eastern airlines expanded their traffic 12.8%, lower than the 18.1% increase achieved for the full year 2007 due to slower economic growth in origin-destination regions using Middle East airports as connecting points.
- The further decline in traffic carried (-2.2%) and capacity provided (-5.1%) by African airlines reflects a loss of market share and the reduction of unprofitable capacity in the face of high and rising fuel prices.
- Reversing the trend of the previous three months, load factors rose slightly in May to 74.3% as high fuel prices are forcing cuts in capacity and the retirement of older aircraft.

[View full traffic results](#)

Article 4

IT Solutions Needed to Battle Crisis

“IT must deliver solutions to drive down costs, improve passenger convenience and provide enhanced possibilities to maximise revenues. The industry fuel crisis that has plunged airlines back into the red means achieving these goals is critical to survival,” said Giovanni Bisignani, Director General and CEO of the International Air Transport

Association (IATA). Bisignani made his remarks in the opening keynote address at the SITA Air Transport IT Summit on June 19.

Bisignani cited the success of IATA's Simplifying the Business programme. "This IT revolution is well on the way to saving airlines US\$6.5 billion annually. On 1 June we delivered 100% e-ticketing. Alone, that will save US\$3 billion. Now we must look ahead to respond to passenger demands for more self-service options throughout the travel process. IATA's Fast Travel will deliver a second revolution with baggage self-tagging, automated document checks, self-boarding and kiosks to handle irregular operations and mishandled baggage reporting," said Bisignani.

Bisignani then pointed to the need for progress in several key areas:

GDSs: "Our partners in the value chain must deliver similar efficiencies to airlines," said Bisignani, referring to Global Distribution Systems (GDSs). We worked together in the e-ticketing project that helped airlines reduce sales and distribution costs by 25%. But there is still a need for more change. Why can China TravelSky charge US\$0.50 per segment while the western GDSs charge over US\$4? The industry is in crisis and they must come to the table with better efficiencies or we will use other ways to distribute products," said Bisignani.

Security: Bisignani also challenged governments to deliver better results with IT to improve security. "The industry is much more secure than it was in 2001. But too often we get more hassle than value for the US\$30 billion that airlines and their passengers have paid in the last seven years. The IATA-led Simplifying Passenger Travel project is a solution to make security more effective, efficient and convenient with IT solutions. Governments must rise to the challenge by focusing on risk management, using available technology effectively, taking better advantage of security intelligence, harmonising global standards and taking responsibility for the bill," said Bisignani.

Air Traffic Management and Operations: "IATA's commitment to improving the industry's good environmental performance reduced fuel burn and saved 10.5 million tonnes of CO2 and US\$2.1 billion in 2007. This was achieved by shortening 395 routes and spreading best practice in fuel management. We welcome the commitment of the Civil Air Navigation Services Organisation (CANSO) at their annual meeting to deliver even greater efficiencies. IT also has a role. Providers like SITA have an important role in ensuring that operational systems make the best use of improved routings. We could do much more if governments came on board. A Single European Sky in Europe and NextGen air traffic management in the US would deliver enormous performance gains—as would harmonising air traffic management requirements globally," said Bisignani.

"Everything is changing with the high price of oil. With fuel accounting for 34% of industry costs, airlines are feeling the impact more than most. Cost savings are crucial in every corner of the business, but there is not much low hanging fruit left. Critical decisions on everything from aircraft allocation based on cost, capacity and demand to making best use of new labour opportunities are needed. Those with state-of-the-art route planning systems fed with the best available market data will have a clear advantage. In the uncharted waters of oil at US\$135, two things are certain. The imperative is to deliver more for less. And effective IT is essential," said Bisignani.

Article 5

11 New Locations Earmarked for E-freight

IATA announced that 11 new locations have been identified as ready for [e-freight](#). These are USA, Dubai, Luxembourg, France, Spain, Australia, New Zealand, Switzerland, Iceland, Denmark and Norway.

Since 2007, e-freight has been operational in six locations: Canada, Sweden, UK, Hong Kong, Singapore and the Netherlands. A further three - Germany, Mauritius and South Korea have launched projects to go live within 2008.

Five of the 11 new locations will be selected to launch e-freight in 2008 with the remaining targeted for launch in 2009.

“The momentum to rid air cargo of costly paper processes is building quickly,” said Giovanni Bisignani, Director General and CEO of IATA. “Already we are live in six locations today. We will be operating at 14 locations by year-end.”

IATA e-freight requires that business, technical and legal frameworks are in place to allow airlines, freight forwarders, customs administrations and governments to seamlessly exchange electronic information and e-documents instead of paper.

In the months ahead, teams of experts from participating airlines, freight forwarders, shippers and customs organisations in each location will create local implementation teams. Their efforts will be supported and guided by IATA standards, e-freight operating processes and one-time data entry.

“The industry is in crisis. Record fuel prices and sagging demand growth will drive an industry loss of US\$2.3 billion during 2008,” said Bisignani. “We need to simplify and modernise our business. 100% e-ticketing was an important step forward. E-freight is another. It will deliver much-needed efficiency and US\$1.2 billion in cost savings while responding to shippers’ demands for improved reliability and more speed.”

E-freight is one of six Simplifying the Business projects being led by IATA to improve service and cut costs. The industry has set a deadline of the end of 2010 for the implementation of e-freight where feasible.

Article 6

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](#)
- [ATA 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.](#)